UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 7, 2020

CLEVELAND-CLIFFS INC.

(Exact name of registrant as specified in its charter)

Ohio	1-8944	34-1464672
(State or Other Jurisdiction of Incorporation or Organization)	*(Commission File Number)*	*(IRS 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

Not Applicable

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

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

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

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

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

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

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

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

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

Emerging growth company ☐

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

EXPLANATORY NOTE

As previously disclosed by Cleveland-Cliffs Inc. (the "Company") under Item 2.01 of its Current Report on Form 8-K filed on December 9, 2020 (the "Original 8-K"), on December 9, 2020, pursuant to the terms of the Transaction Agreement, dated as of September 28, 2020, by and between Cleveland-Cliffs Inc., an Ohio corporation (the "Company"), and ArcelorMittal S.A., an entity formed under Luxembourg law, ArcelorMittal S.A. sold substantially all of the operations of ArcelorMittal S.A.'s former wholly-owned subsidiary ArcelorMittal USA LLC, a Delaware limited liability company, its subsidiaries and certain affiliates (collectively "ArcelorMittal USA") to Cliffs. In connection with the closing of the AM USA Transaction, as contemplated by the terms of the Transaction Agreement, ArcelorMittal S.A.'s joint venture partner in the I/N Kote and I/N Tek joint ventures (collectively, the "I/N JVs") exercised its put rights pursuant to the terms of the I/N JVs joint venture agreements. As a result, the Company purchased all of such joint venture partner's interests in the I/N JVs. Following the closing of the AM USA Transaction, the Company, through its subsidiaries, owns 100% of the interests in the I/N JVs. Together we refer to these transactions as the "AM USA Transaction".

This Current Report on Form 8-K/A amends the Original 8-K to file the financial information required by Items 9.01(a) and 9.01(b) of Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The following audited and unaudited financial statements as required by Item 9.01(a) are attached hereto as Exhibits to this Current Report on Form 8-K/A and are incorporated by reference herein:

(i) Exhibit 99.1 – The audited combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto.

(ii) Exhibit 99.2 – The unaudited condensed combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto.

(iii) Exhibit 99.3 – The audited financial statements of I/N Kote (a partnership between subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation) ("I/N Kote") as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto.

(iv) Exhibit 99.4 – The unaudited condensed financial statements of I/N Kote as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto.

(v) Exhibit 99.5 – The audited financial statements of I/N Tek (a partnership between subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation) ("I/N Tek") as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto.

(vi) Exhibit 99.6 – The unaudited condensed financial statements of I/N Tek as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and the nine months ended September 30, 2020 give effect to the AM USA Transaction as if it had been consummated on January 1, 2019. The unaudited pro forma condensed combined statement of financial position as of September 30, 2020 has been prepared to give effect to the AM USA Transaction as if it had been consummated on September 30, 2020. The unaudited pro forma combined financial information, and the notes related thereto, are incorporated by reference as Exhibit 99.7 to this Current Report on Form 8-K/A and into this Item 9.01(b).

Exhibit Number	Description
23.1*	Consent of Deloitte & Touche LLP related to ArcelorMittal USA LLC and Affiliates
23.2*	Consent of Deloitte & Touche LLP related to I/N Kote
23.3*	Consent of Deloitte & Touche LLP related to I/N Tek
99.1*	The audited combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto.
99.2*	The unaudited condensed combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto.
99.3*	The audited financial statements of I/N Kote as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto.
99.4*	The unaudited condensed financial statements of I/N Kote as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto.
99.5*	The audited financial statements of I/N Tek as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto.
99.6*	The unaudited condensed financial statements of I/N Tek as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto.
99.7*	The unaudited pro forma condensed combined statement of financial position as of September 30, 2020 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and the nine months ended September 30, 2020, and the notes related thereto.
101	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.
104	The cover page from this Current Report on Form 8-K, formatted as Inline XBRL.

* Filed herein

SIGNATURES

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

CLEVELAND-CLIFFS INC.

Date:	February 8, 2021	By:	/s/ James D. Graham
		Name:	James D. Graham
		Title:	Executive Vice President, Chief Legal Officer & Secretary

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in:

Registration Statement No. 333-237325 on Form S-4 pertaining to Cleveland-Cliffs Inc.'s 5.875% Senior Guaranteed Notes due 2027 and the Guarantees related thereto;

Registration Statement No. 333-237324 on Form S-3;

Registration Statement No. 333-235855 on Form S-4 (as amended by Amendment No. 1) pertaining to the joint proxy statement/prospectus filed by AK Steel Holding Corporation and Cleveland-Cliffs Inc.;

Registration Statement No. 033-56661 on Form S-8 (as amended by Post-Effective Amendment No.1) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan and the related prospectus;

Registration Statement No. 333-184620 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2012 Incentive Equity Plan;

Registration Statement No. 333-197687 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan;

Registration Statement No. 333-197688 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-204369 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan;

Registration Statement No. 333-206487 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Employee Stock Purchase Plan;

Registration Statement No. 333-210954 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-217506 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan; and

Registration Statement No. 333-237144 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan;

of our report dated February 8, 2021, relating to the combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates, appearing in this Current Report on Form 8-K dated February 8, 2021.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 8, 2021

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in:

Registration Statement No. 333-237325 on Form S-4 pertaining to Cleveland-Cliffs Inc.'s 5.875% Senior Guaranteed Notes due 2027 and the Guarantees related thereto;

Registration Statement No. 333-237324 on Form S-3;

Registration Statement No. 333-235855 on Form S-4 (as amended by Amendment No. 1) pertaining to the joint proxy statement/prospectus filed by AK Steel Holding Corporation and Cleveland-Cliffs Inc.;

Registration Statement No. 033-56661 on Form S-8 (as amended by Post-Effective Amendment No.1) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan and the related prospectus;

Registration Statement No. 333-184620 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2012 Incentive Equity Plan;

Registration Statement No. 333-197687 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan;

Registration Statement No. 333-197688 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-204369 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan;

Registration Statement No. 333-206487 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Employee Stock Purchase Plan;

Registration Statement No. 333-210954 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-217506 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan; and

Registration Statement No. 333-237144 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan;

of our report dated March 30, 2020, relating to the financial statements of I/N Kote, appearing in this Current Report on Form 8-K dated February 8, 2021.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 8, 2021

EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in:

Registration Statement No. 333-237325 on Form S-4 pertaining to Cleveland-Cliffs Inc.'s 5.875% Senior Guaranteed Notes due 2027 and the Guarantees related thereto;

Registration Statement No. 333-237324 on Form S-3;

Registration Statement No. 333-235855 on Form S-4 (as amended by Amendment No. 1) pertaining to the joint proxy statement/prospectus filed by AK Steel Holding Corporation and Cleveland-Cliffs Inc.;

Registration Statement No. 033-56661 on Form S-8 (as amended by Post-Effective Amendment No.1) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan and the related prospectus;

Registration Statement No. 333-184620 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2012 Incentive Equity Plan;

Registration Statement No. 333-197687 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan;

Registration Statement No. 333-197688 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-204369 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan;

Registration Statement No. 333-206487 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Employee Stock Purchase Plan;

Registration Statement No. 333-210954 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-217506 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan; and

Registration Statement No. 333-237144 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan;

of our report dated March 30, 2020, relating to the financial statements of I/N Tek, appearing in this Current Report on Form 8-K dated February 8, 2021.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 8, 2021

EXHIBIT 99.1

Combined Consolidated Financial Statements
As Of December 31, 2019 And 2018 And
For Each Of The Two Years In The Period Ended December 31, 2019

ArcelorMittal USA LLC And Affiliates

Delaware	**71-0871875**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification Number)*
1 South Dearborn, Chicago, Illinois	**60603**
(Address of Principal Executive Offices)	*(Zip Code)*

INDEPENDENT AUDITORS' REPORT

To: ArcelorMittal USA LLC and Affiliates

We have audited the accompanying combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates, which comprise the combined consolidated balance sheets as of December 31, 2019 and 2018, and the related combined consolidated statements of operations, comprehensive income, cash flows, and parent equity for the years then ended, and the related notes to the combined consolidated financial statements.

Management's Responsibility for the Combined Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the companies' preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the companies' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of ArcelorMittal USA LLC and Affiliates as of December 31, 2019 and 2018 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

February 8, 2021

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Millions)	
	Year Ended December 31	
	2019	2018
Net sales	$ 10,169	$ 11,334
Costs and expenses:		
Cost of sales, excluding depreciation and amortization	(9,614)	(9,904)
Selling, general and administrative expenses	(369)	(420)
Other operating income (expense)	68	(41)
Depreciation and amortization	(359)	(356)
Asset impairments	(21)	—
Total	(10,295)	(10,721)
Operating income (loss)	(126)	613
Non-operating postretirement benefit expense	(59)	(63)
Interest and other financing expense, third party	(100)	(104)
Interest income, related party	146	137
Interest income, third party	7	4
Total	(6)	(26)
Income (loss) before income taxes	(132)	587
Benefit (provision) for income taxes	53	(2)
Net income (loss)	$ (79)	$ 585

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

COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Millions)	
	Year Ended December 31	
	2019	2018
Net income (loss)	$ (79)	$ 585
Other comprehensive income (loss):		
Pension and Other Postretirement Employee Benefits:		
Net actuarial gains arising during the period	(32)	222
Prior service cost from plan amendments	—	(16)
Amortization of net actuarial losses and prior service recognized in earnings	(21)	7
Net	(53)	213
Derivative financial instruments designated as cash flow hedges:		
Change in value during the period	319	(509)
Recognized in earnings	34	123
Income tax provision	(49)	—
Net	304	(386)
Total other comprehensive income (loss)	251	(173)
Comprehensive income	$ 172	$ 412

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

COMBINED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018

	(In Millions)	
	December 31	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31	$ 96
Receivables, net of allowances of $35 in 2019 and $33 in 2018	77	114
Receivables from related companies	1,169	1,269
Inventories	1,641	1,817
Investments in and advances to joint ventures	4	3
Prepaid expenses and other	22	75
Assets held for sale	—	72
Total current assets	2,944	3,446
Long-term assets:		
Property, plant and equipment, net	3,760	3,723
Finance Right-of-use assets, net	134	171
Operating Right-of-use assets, net	72	—
Investments in and advances to joint ventures	124	136
Receivable from related companies	2,263	2,138
Other assets	101	89
Total assets	$ 9,398	$ 9,703
LIABILITIES AND MEMBER EQUITY		
Current liabilities:		
Accounts payable	$ 781	$ 1,107
Payables to related companies	615	647
Accrued salaries, wages and benefits	363	407
Accrued taxes	59	62
Accrued expenses and other liabilities	261	376
Liabilities of assets held for sale	—	38
Unfavorable contracts and firm commitments	32	11
Debt	531	296
Finance lease obligations	68	51
Operating lease obligations	17	—
Total current liabilities	2,727	2,995
Long-term liabilities:		
Finance lease obligations	172	231
Operating lease obligations	55	—
Pension and other retiree benefits	2,937	2,828
Deferred income taxes	3	3
Other long-term liabilities	396	710
Total long-term liabilities	3,563	3,772
Total liabilities	6,290	6,767
Net parent equity:		
Net parent investment	6,248	6,248
Retained deficit	(4,329)	(4,250)
Accumulated other comprehensive income	1,189	938
Total parent equity	3,108	2,936
Total liabilities and parent equity	$ 9,398	$ 9,703

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

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Millions)	
	Year Ended December 31	
	2019	2018
Operating activities:		
Net income (loss)	$ (79)	$ 585
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	359	356
Deferred employee benefit costs	124	140
Stock compensation	—	3
Asset impairments	21	—
Undistributed earnings from joint ventures	(2)	(1)
Loss on firm commitments	21	(2)
Other non-cash operating expenses	38	(101)
Change in operating assets and liabilities:		
Receivables	69	(25)
Inventories	197	13
Prepaid expenses and other assets	4	(3)
Accounts payable	(407)	48
Payables to and receivables from related companies	(172)	89
Deferred employee benefit payments	(98)	(169)
Change in operating lease liabilities	(18)	—
Accrued expenses and other liabilities	(57)	61
Net cash provided by operating activities	—	994
Investing activities:		
Capital expenditures	(348)	(349)
(Increase) decrease in note receivable from related companies	270	(600)
Investment in, advances to and distributions from joint ventures, net	—	1
Proceeds from sale of property, plant and equipment and joint venture	47	50
Increase in other assets and other deposits, net	(210)	(31)
Net cash used in investing activities	(241)	(929)
Financing activities:		
Proceeds from asset backed bank loan	300	11
Payments of asset backed bank loan	(300)	(11)
Payments of finance leases	(54)	(43)
Payable to banks	235	(203)
Deferred financing costs	(5)	—
Net cash provided by (used in) financing activities	176	(246)
Net change in cash and cash equivalents	(65)	(181)
Cash and cash equivalents — beginning of year	96	277
Cash and cash equivalents — end of year	$ 31	$ 96
Supplemental disclosures of noncash operating, investing and financing activities:		
Capital expenditures included in accounts payable	$ 16	$ 34
Capital lease obligations	9	(8)
Reclassification from supplier payable to debt	235	(203)
Cash paid during the year for:		
Interest (net of amount capitalized)	$ 44	$ 50
Income taxes (received) paid, net	(6)	(11)

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

COMBINED CONSOLIDATED STATEMENTS OF PARENT EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Millions)			
	Net Parent Investment	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Parent Equity
Balance at January 1, 2018	$ 6,245	$ (4,835)	$ 1,111	$ 2,521
Net Income	—	585	—	585
Other comprehensive loss	—	—	(173)	(173)
Stock based compensation	3	—	—	3
Balance at December 31, 2018	6,248	(4,250)	938	2,936
Net loss	—	(79)	—	(79)
Other comprehensive income	—	—	251	251
Balance at December 31, 2019	$ 6,248	$ (4,329)	$ 1,189	$ 3,108

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

NOTE 1 - NATURE OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION

Reporting Entity

These combined consolidated financial statements are for ArcelorMittal USA LLC and Affiliates (ArcelorMittal USA LLC and several sister companies, collectively; ArcelorMittal USA, the Company, our, or we) that are part of a definitive transaction agreement to be sold to Cleveland-Cliffs Inc. In addition to ArcelorMittal USA LLC, these combined consolidated financial statements include ArcelorMittal Monessen LLC (ArcelorMittal Monessen), ArcelorMittal Ontario G.P. (ArcelorMittal Ontario), and ArcelorMittal Princeton. ArcelorMittal USA LLC is an indirect wholly owned subsidiary of ArcelorMittal S.A. (ArcelorMittal), Ispat Inland S.a.r.l., ArcelorMittal USA Holdings LLC, ArcelorMittal Holdings LLC, and ArcelorMittal North America Holdings LLC and a direct subsidiary of ArcelorMittal USA Holdings II LLC. ArcelorMittal Princeton is comprised of ArcelorMittal Princeton, Inc. and its sister companies: Extra Energy, Inc.; XMV, Inc.; Mid Vol Coal Sales, Inc.; Black Wolf Mining Company; The Ridge Land Company; Twin State Mining, Inc.; Prime Processing, Inc.; and Imperial Resources, LLC. ArcelorMittal USA LLC, ArcelorMittal Monessen, ArcelorMittal Ontario, and ArcelorMittal Princeton are under common ownership and common management as they are all direct subsidiaries of ArcelorMittal USA Holdings II LLC.

Basis of Presentation

These combined consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation and combination. Investments in joint ventures are accounted for under the equity method of accounting except Hibbing Taconite, which is proportionally consolidated, and Empire Iron Mining, which was accounted for at cost.

We have evaluated subsequent events through February 8, 2021, the date the combined consolidated financial statements were issued or available to be issued. In early 2020, there was a global pandemic of the Coronavirus. The pandemic has seriously disrupted business throughout the world and had and continues to have an adverse impact on the Company's results. This disruption presents significant uncertainty and risk that may significantly impact the Company's future performance. At this time, we are unable to estimate the impact the pandemic will have on our combined consolidated financial statements. We had a contract in place during the reporting periods with Jewel to purchase coke produced from an off-site coke oven. This contract ended in 2020.

On September 28, 2020, ArcelorMittal S.A. and Cleveland-Cliffs, Inc. announced that they had entered into a definitive agreement for Cleveland-Cliffs to purchase substantially all of ArcelorMittal USA LLC and the other ArcelorMittal entities included in these combined consolidated financial statements. The transaction closed on December 9, 2020. Prior to the transaction closing, ArcelorMittal USA LLC and ArcelorMittal USA Holdings II merged, with ArcelorMittal USA LLC being the surviving entity. Additionally, ArcelorMittal USA LLC settled various related party balances with ArcelorMittal S.A. entities that were not part of the transaction. In anticipation of the the transaction ArcelorMittal USA LLC canceled its asset backed lending agreement. Subsequent to the transaction, it became a party to an asset backed lending agreement of Cleveland-Cliffs. Most subsidiaries of ArcelorMittal USA LLC provided guarantees under this agreement and its inventory was pledged as collateral.

Nature of Business

ArcelorMittal USA LLC is a domestic manufacturer of light flat-rolled, plate, and rail steel products whose customers are located primarily in the United States. It was formed by the merger of International Steel Group Inc. (ISG) and Ispat Inland Inc. (Inland). ISG was formed by a series of acquisitions that brought together the steel producing assets of The LTV Corporation (LTV), Acme Steel Corporation (Acme), Bethlehem Steel Corporation (Bethlehem), and Weirton Steel Corporation (Weirton). We primarily serve the automotive, energy, appliance, transportation, machinery and construction markets, either directly or through steel service centers. ArcelorMittal Monessen operates a coke oven battery in Pennsylvania. ArcelorMittal Ontario purchases steel from ArcelorMittal USA for import into Canada. ArcelorMittal Princeton and affiliates operates several coal mines. No single customer represents more than 10% of our total consolidated revenues. Export sales were $439 in 2019 and $531 in 2018. Steel shipments by product follow:

	2019	2018
Hot Rolled	39 %	39 %
Cold Rolled	22 %	23 %
Coated	17 %	17 %
Plate	9 %	10 %
Tin Plate	2 %	2 %
Bars, Rail and Other	11 %	9 %
	100 %	100 %

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

Generally, our performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or when services are provided. Revenue is recognized at the time products are shipped in accordance with customer instructions and when all substantial risks of ownership are transferred to the customer. Revenues are recorded net of any sales incentives, such as volume rebates. Amounts expected to be paid for sales incentives are recognized as a current liability. ArcelorMittal USA provides a full allowance for estimated claims for products that have been shipped that may not meet customer specifications. We generally test our steel products before shipment to provide assurance that they meet customer specifications. The allowance is calculated based on claims that have been submitted but not resolved and anticipated future claims based on various inputs, including historical experience, to estimate the expected amount. The allowance for claims is a component of the accounts receivable allowances disclosed on the balance sheets and the provision for claims is a component of net sales. Shipping and other transportation costs charged to customers are treated as fulfillment activities and are recorded in both sales and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and are expensed when incurred. We do not have any recorded contract asset or liability balances. Customers are invoiced at the time title transfers and our right to consideration is unconditional at that time. Performance obligations are satisfied prior to customer payment for product. We offer standard industry payment terms.

(b) Stock Based Compensation

Share-based payments

ArcelorMittal issues equity-settled share-based payments to certain employees, including stock options, restricted share units and performance share units. We measure equity-settled share-based payments at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. We expense the fair value determined at the grant date of the equity-settled share-based payments on a graded vesting basis over the vesting period, based on our estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Forfeitures are recognized as incurred. For stock options, restricted share units and performance share units, we measure fair value using the Black-Scholes-Merton pricing model and the market value of the shares at the date of the grant after deduction of dividend payments during the vesting period. Where the fair value calculation requires modeling of the Company's performance against other market indices, we measure fair value using the Monte Carlo pricing model to estimate the forecasted target performance goal for the company and its peer companies. Management adjusts the expected life used in the model, based on our best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. In addition, the expected annualized volatility has been set by reference to the implied volatility of options available on ArcelorMittal shares in the open market, as well as historical patterns of volatility. For the restricted share units and performance share units, we expense the fair value determined at the grant date of the equity-settled share-based payments on a straight-line method over the vesting period and adjusted for the effect of non-market-based vesting conditions.

(c) Research and Development Costs

Research and development costs are expensed as incurred. Total research and development costs were $42 in 2019 and $44 in 2018. Charges for research and development costs are included as part of the royalty paid under the Industrial Franchise Agreement with ArcelorMittal (see Note 7, Related Party Balances and Transactions).

(d) Income Taxes

We account for income taxes under the asset and liability method that requires deferred income taxes to reflect the future tax consequences attributable to differences between the tax and financial reporting bases of assets and liabilities. Deferred tax assets and liabilities recognized are based on the tax rates in effect in the year in which differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, based on available positive and negative evidence, it is “more likely than not” (greater than a 50% likelihood) that some or all of the net deferred tax assets will not be realized.

Our income tax returns are subject to audit by the Internal Revenue Service (IRS) and state tax authorities. The amounts recorded for income taxes reflect our tax positions based on research and interpretations of complex laws and regulations. We accrue liabilities related to uncertain tax positions taken or expected to be taken in a tax return. Interest on these liabilities is classified as interest expense and penalties are reflected in operating expenses.

We follow Accounting Standards Codification (ASC) 740 Income Taxes which prescribes a recognition threshold and measurement process for recording in the combined consolidated financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, it provides guidance on derecognition, classification, and accounting in interim periods and disclosure requirements for uncertain tax positions.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid instruments with an original maturity of three months or less and are carried at cost, which approximates market value.

(f) Receivables

We are participants in a renewable factoring agreement with a financial institution under which (i) certain subsidiaries of the Company sell their accounts receivables to the Company and (ii) the financial institution is entitled to buy eligible accounts receivables from the accounts receivables originated or bought by the Company and the accounts receivables originated by certain other subsidiaries of ArcelorMittal. Such agreement provides for a maximum of $1,025 of sold accounts receivables outstanding, at any time, shared between the Company and two related parties. The financial institution buys these receivables without recourse to the seller. Accordingly, when sold, the receivables are removed from our books. Loss on sales of receivables has been included in the consolidated statements of operations within the line interest and other financing expense, third party.

	December 31	
	2019	2018
Nominal amount of receivables sold	$ 8,021	$ 8,941
Proceeds from sales	7,989	8,909
Loss on sales	32	32
Amount outstanding under the arrangement at period-end	570	768

(g) Inventories

Inventories are stated at the lower of cost or net realizable value, which approximates replacement cost. Inventories are valued using the Last In First Out (LIFO) method. Inventories at ArcelorMittal Princeton are valued using average weighted cost. Costs included within inventory include the purchase costs of raw materials, conversion costs, and an allocation of fixed and variable production overhead. The components of inventories follow:

	December 31	
	2019	2018
First In First Out (FIFO) or average cost:		
Raw materials	$ 803	$ 872
Finished and semi-finished goods	1,463	1,655
	2,266	2,527
LIFO reserve	(625)	(710)
Total	$ 1,641	$ 1,817

There was a LIFO inventory liquidation of $142 in 2019 and $12 in 2018.

(h) Assets Held for Sale

Assets that are expected to be sold within one year are recorded as assets held for sale at the lower of the carrying value or fair value, less costs to sell. These assets are not depreciated while classified as held for sale. They are included in the current assets and current liabilities sections of our balance sheet.

At December 31, 2018, we had classified assets of our Steelton location as held for sale. After several years of unsuccessful efforts to sell the business, we concluded that it was no longer probable that we would complete a sale. Therefore, these assets are no longer classified as held for sale. In 2019 we recognized $6 of depreciation that was deferred while these assets were classified as held for sale. The components of the assets and liabilities which are included as held for sale in the current assets and current liabilities sections of our balance sheet follows:

	December 31
	2018
Assets:	
Receivables	$ 29
Inventories	22
Property, plant and equipment	21
Total Assets	$ 72
Liabilities:	
Accounts payable	$ 17
Accrued expenses and other liabilities	5
Pension and other retiree benefits	16
Total Liabilities	$ 38

(i) Property, Plant and Equipment

Property, plant and equipment (PP&E) are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets which we review annually. The estimated useful lives range from 3 to 49 years for machinery and equipment and 40 years for buildings.

Repairs and maintenance that do not significantly improve or extend the lives of the respective assets are expensed as incurred throughout the year. PP&E under construction are recorded as construction in progress until they are ready for their intended use; thereafter, they are transferred to the related category of PP&E and depreciated over their estimated useful lives. We record capitalized interest when those amounts are material. Generally, we record capitalized interest on projects that exceed $10 and that are expected to take more than one year to complete. The interest rate is a weighted average of the cost of debt.

We recognized an impairment loss related to PP&E of $21 in 2019. Additionally, in 2018 we classified some PP&E as held for sale. See section (h) of this note and Note 3, Impairment Losses. The components of PP&E, net follow:

	December 31	
	2019	2018
Land	$ 200	$ 197
Buildings, mineral reserves and land improvements	649	640
Machinery and equipment	6,938	6,721
Construction in progress	309	278
Total	8,096	7,836
Accumulated depreciation	(4,336)	(4,113)
Total property, plant and equipment, net	$ 3,760	$ 3,723

(j) Long-lived Assets

Long-lived assets are subject to an impairment assessment if there are circumstances or triggers that indicate the carrying amount may no longer be recoverable from future operations or sale. The amount of the impairment recognized, if any, is the difference between the carrying amount and the fair value of the asset.

(k) Deferred Gain

Prior to 2015, we were subject to a global cost sharing agreement with related parties, under which we received an allocation of costs associated with the development and use of certain intellectual property. Effective January 1, 2015, we sold our rights to use this intellectual property to a related party for proceeds of $229. Also effective January 1, 2015, we entered into an Industrial Franchise Agreement (IFA) under which we pay a royalty to a related party for, among other things, continued use of the intellectual property developed under the cost sharing agreement as well as any newly created intellectual property. As a result of our continued use of the intellectual property, we deferred the gain and amortized it over the 5-year life of the IFA. The last amount of the deferred gain was recognized in 2019 as we recognized a gain of $46 in 2019 and 2018. These gains were recorded as a reduction of royalty expense incurred under the IFA which is recorded in selling, general and administrative expenses on the statement of operations.

(l) Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a loss has been incurred and the amount can be reasonably estimated.

Our estimates of environmental remediation liabilities are based on current technology and existing laws and regulations and site-specific estimated costs developed by management with the assistance of independent engineering consultants. The expected future environmental remediation costs and asset retirement obligations acquired in a business combination are recorded at present value based on interest rates at the time of the acquisition. We determined that rate to be the risk-free rate (not credit-adjusted). The environmental liabilities that were not recognized in a business combination can only be discounted if the amount and timing of cash payments are fixed or reliably determinable. Since the timing of spending depends on many factors (see Note 14, Environmental Matters and Asset Retirement Obligations) we have not discounted these liabilities. We have also recorded asset retirement obligations for the removal of asbestos, the closure of our iron ore mining properties and landfills. We discount these liabilities using a credit-adjusted risk-free rate.

(m) Derivative Financial Instruments

We are exposed to fluctuations in interest rates and the prices of certain commodities such as natural gas, fuel oil, coke, steel scrap, iron ore and various non-ferrous metals. Management is authorized to use various financial instruments where available to manage the exposures associated with these fluctuations. We may employ futures, forwards, collars, options and swaps to manage certain exposures when practical. By policy, we do not enter into such contracts to speculate. All derivatives, with the exception of those for which the Company has elected the Normal Purchase Normal Sales exception, are recorded on the balance sheet at fair value. Our policy is to offset fair value amounts recognized for similar commodity derivative instrument contracts with the same counterparty. At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge

accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedge instrument, the hedged transaction, the nature of the risk being hedged and how we will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have been highly effective through the financial reporting periods for which they were designated. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in equity and are recognized in sales or cost of sales in the consolidated statement of operations in the same line item as the hedged transactions when those hedged transactions affect earnings. In addition, the fair value gains or losses as a result of the change in fair value of derivatives that do not qualify for hedge accounting are recognized immediately in cost of sales or other operating income (expense).

(n) Use of Estimates

The preparation of combined consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the amounts reported in the combined consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

(o) Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASUs) to the FASB's Accounting Standards Codification (ASC). We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be not applicable.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU and subsequent amendments supersedes the revenue recognition requirements in ASC 605 — Revenue Recognition and most industry-specific guidance and replaced it with ASC 606 — Revenue from Contracts with Customers. This new section of the ASC requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. We adopted this new standard using the modified retrospective approach on January 1, 2019. The adoption of this standard did not affect the amount or timing of our usual sales transactions. See section (a) of this note for our accounting policies on revenue recognition.

In February 2016, the FASB issued ASU No. 2016-02, Leases. This ASU, as amended, changes the accounting for operating leases. These leases were previously not recognized as an asset or liability by the lessee. Upon adoption, we recognized right-of-use-assets and an associated lease liability on our balance sheet for these types of leases both equal to $79. This ASU also changed the definition of a lease; however, we elected the option that does not require us to reassess whether any existing contracts would have or would not have been accounted for as a lease under the new standard and allow us to carryforward the historical lease classification. In July 2018, the FASB issued ASU 2018-11, Leases Targeted Improvements. This ASU provided an option to use a modified retrospective transition method at the adoption date. We adopted the new standards on January 1, 2019 using the optional modified retrospective transition method outlined in ASU 2018-11. There was no cumulative effect on our retained deficit upon adoption.

In June 2016, the FASB issued ASU No. 2016-13, Credit Losses. This ASU, as amended, changes the recognition for credit losses from an “incurred loss” model to an “expected loss” model. In November 2019 the FASB issued ASU 2019-10 which deferred the effective date of this standard. We must adopt the new standard in 2023. This standard could potentially affect how we determine the amount of our allowance for doubtful accounts. We have evaluated the impact of adoption and determined it is not material.

In March 2017, the FASB issued ASU No. 2017-07, Compensation — Retirement Benefits. This ASU requires that components of net periodic pension cost and net periodic postretirement benefit cost (pension and OPEB cost) other than current service be presented separately on the statement of operations and excluded from the subtotal operating income. We previously presented all pension and OPEB cost on the line cost of sales, excluding depreciation and amortization. Note 11, Pension and Other Postretirement Benefit Plans shows the various components of pension and OPEB costs. We adopted this ASU in 2019 and have recast our statement of operations by reducing cost of sales, excluding depreciation and amortization and increasing operating income or loss by $63 in

2018. That amount of expense is now shown on a separate line called non-operating postretirement benefit expense in the statement of operations. This ASU also directs that these costs no longer be capitalized as part of an asset such as inventory. Adoption did not materially impact the total carrying value of inventory.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02). ASU 2018-02 allows a reclassification from Accumulated Other Comprehensive Income to Retained Deficit for stranded tax effects resulting from the Tax Cuts and Jobs Act. The adoption of this ASU on January 1, 2019 had no impact on our combined consolidated financial statements as we elected not to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained deficit.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement — Changes to the Disclosure Requirements for Fair Value Measurement. The new standard removes or modifies certain existing disclosure requirements and adds additional disclosure requirements related to fair value measurement. This ASU was effective on January 1, 2020. The adoption did not have an impact on the Company’s financial position, results of operations or cash flows, or the disclosures made for fair value measurements used by the Company.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes — Simplifying the Accounting for Income Taxes. This standard eliminates the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and an income or gain from other items such as other comprehensive income. We recognized such an allocation between the statements of operations and statements of comprehensive income in 2019. See Note 12, Taxes. The ASU also specifies that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. However, an entity may elect to do so (on an entity-to-entity basis) for an entity that is not subject to tax and disregarded by the taxing authority. ArcelorMittal USA is such an entity. This ASU is effective for us as January 1, 2022 but can be adopted early. We are still evaluating the impact of the standard and what elections to apply.

NOTE 3 - IMPAIRMENT LOSSES

In 2019, we indefinitely idled our #3 blast furnace at Indiana Harbor. This asset is available for restart, if needed. However, we do not anticipate it operating in the next few years. Accordingly, we recognized an impairment loss of $21 in 2019. The assets were written down to their estimated salvage value. Since these valuations had significant unobservable inputs, they are described as Level 3 in the accounting literature. See Note 8 Derivative Instruments and Hedging Activity for a description of the three-level fair value hierarchy.

NOTE 4 - JOINT VENTURES

Name	Ownership Percentage	Description
Double G Coatings	50.0%	270,000 ton capacity sheet coating line producing galvanized and Galvalume.
Empire Iron Mining	21.0%	Mine and pelletizing plant; sold in 2017.
Hibbing Taconite	62.3%	Mine and pelletizing plant.
I/N Kote	50.0%	1.0 million ton capacity sheet coating facility.
I/N Tek	60.0%	1.7 million ton capacity cold-rolling mill.
PCI Associates	50.0%	Pulverized coal injection facility.

We account for our joint ventures under the equity method except for Hibbing Taconite. Because we own an undivided interest in each asset and are liable for our share of each liability, we proportionally consolidate Hibbing Taconite. In 2017, we sold our interest in Empire Iron Mining, with a carrying value of zero, to our partner in the joint venture for $133, resulting in a gain for that amount. Our former partner paid for the purchase of three annual installments of about $44 which was received in 2019, 2018 and 2017. All amounts have now been collected.

We do not exercise control over I/N Tek, as all significant management decisions of the joint venture require agreement by both partners. Due to this lack of control, we account for our investment in I/N Tek under the equity method.

Most of these joint ventures provide services to our operations. They bill for these services at cost or some other contractual rate that may not reflect the market rate for these services. We recorded income of $65 in 2019 and $65 in 2018 for our share of earnings in the joint ventures as a reduction to cost of sales.

A summary of combined financial information for joint ventures accounted for under the equity method follows:

	December 31	
	2019	2018
Results for the year:		
Gross revenue	$ 698	$ 753
Costs and expenses	584	662
Net income	$ 114	$ 91

	December 31	
	2019	2018
Financial position at December 31:		
Current assets	$ 172	$ 178
Total assets	395	398
Current liabilities	61	70
Total liabilities	206	222
Net assets	$ 189	$ 176

NOTE 5 - DEBT

	December 31	
	2019	2018
Supplier payables with extended terms	$ 531	$ 296

Related party debt is zero as of December 31, 2019 and December 31, 2018.

All debt is classified as current.

The Company entered into a short-term forfaiting arrangement with several suppliers. Instead of paying suppliers at the invoice due date, we sign a bill of exchange, which is a negotiable instrument. The supplier then sells this negotiable instrument to a bank. We pay the bill of exchange plus interest at a later date when it is presented by the bank. The interest rate associated with this extended term arrangement is LIBOR plus a margin (1.30% to 1.35%).

In 2016, the Company signed a $1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. This agreement was renewed in 2019 and now matures on August 21, 2024. In connection with the extension we paid fees of $5 which are being amortized over the life of the facility and included in other assets on our consolidated balance sheets. Borrowings under the facility are secured by inventory and certain other working capital and related assets of certain ArcelorMittal USA subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. No amounts were outstanding under this facility at December 31, 2019 or 2018. The Company incurred costs of $7 in 2019 and $9 in 2018 related to this facility.

Interest costs incurred totaled $61 in 2019 and $67 in 2018, of which, $5 was capitalized in 2019 and $2 was capitalized in 2018.

Based on the borrowing rates currently available to us, and other available information, the carrying value of debt approximated fair value.

NOTE 6 - LEASES

	December 31, 2019		
	Finance Leases	Operating Leases	Total
Right-of-use assets, net of amortization	$ 134	$ 72	$ 206
Lease liabilities (current)	68	17	85
Lease liabilities (long-term)	172	55	227
Total lease liabilities	$ 240	$ 72	$ 312
Weighted average remaining lease term (in months)	45	67	
Weighted average discount rate	16.9 %	4.9 %	

Lease liabilities are recorded for the net present value of future minimum lease payments discounted using the interest rate implicit in the lease, or, if not readily determinable, by the incremental borrowing rate specific to the term of the contract.

We have several long-term contracts with take-or-pay commitments. We have exclusive rights to purchase the entire output of the facilities that produce the item and the supplier can only supply it from a specific facility. Since we must make minimum payments, we concluded that these contracts include embedded finance leases. We have a contract with Indiana Harbor Coke Company to purchase coke produced from an on-site coke oven. This contract ends in 2023. We had a contract with Jewel to purchase coke produced from an off-site coke oven. This contract ended in 2020. We have a contract with Northlake for electricity produced at an on-site co-generation facility. This contract ends in 2026. We have a contract with Cokenergy for an on-site turbine generator and cooling tower that produces electricity. Under the agreement, we make tolling payments based on the amount of electricity produced. If the volumes drop below certain levels, the rates we pay increase in the future, effectively establishing minimum payments. This agreement continues through 2023 for the remaining economic life of the asset. Because of these agreements, we have recorded finance leases related to the use of these assets. We recorded the portion of the net present value of the minimum lease payments that we attribute to the use of the assets in property, plant and equipment with a corresponding lease obligation. We attribute a portion of purchases of the coke or electricity as a reduction of our lease obligation and recognize interest expense on the balance due. We have other finance leases for the use of mining and steel producing equipment.

We lease office space and production equipment under operating leases. Assets leased include iron ore vessels, rail cars, on-site slag processing equipment, and mining equipment. Our lease contracts have remaining contractual lease terms of up to ten years, some of which include options to extend the term. We include renewal options that are reasonably certain to be exercised as part of the lease term. Additionally, some lease contracts include termination options. We do not expect to exercise most of our renewal and termination options and generally exclude such options when determining the term of our leases. Under several leases, the arrangements include fees for items such as operating supplies and maintenance in addition to the fees for the use of the asset. We allocate consideration between lease and non-lease costs based on the estimated stand-alone prices. A separate assessment is done for each contract based on the individual facts and circumstances. Accounting rules provide practical expedients that allow companies to not separate non-lease components and account for the entire contract as a lease. We have not elected this expedient. We have elected the practical expedients to not recognize low-value and short-term leases on our balance sheet.

Amortization of ROU assets for finance leases is included in depreciation and amortization in our statement of operations. Interest cost is included in interest and other financing expense, third party. Substantially all other lease costs are included in cost of sales. The components of our lease costs for the year 2019 follow:

	2019
Finance lease costs:	
Amortization of right-of-use assets	$ 45
Interest on lease liabilities	42
Operating lease costs	18
Short-term lease costs	83
Variable lease costs	15
Total lease costs	$ 203

Rental expenses on operating leases were $123 in 2018.

Information on cash flows for the year 2019 for lease transactions follow:

	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases (rental payments)	$ 18
Operating cash flows from finance leases (interest expense)	42
Financing cash flows from finance leases (principal payments)	54
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	2
Finance leases	20

Future minimum lease payments for leases at December 31, 2019 follows:

	Finance Leases	Operating Leases
2020	$ 103	$ 20
2021	76	17
2022	75	11
2023	58	9
2024	5	9
Thereafter	8	17
Total future undiscounted lease payments	325	83
Less imputed interest	(85)	(11)
Total	$ 240	$ 72

Minimum rental commitments under non-cancelable capital and operating leases at December 31, 2018 under the previous lease standard, ASC 840, follows:

	Capital Leases	Operating Leases
2019	$ 93	$ 26
2020	100	19
2021	73	16
2022	72	10
2023	55	8
Thereafter	12	20
Total future undiscounted lease payments	405	99
Less imputed interest	(125)	
Total	$ 280	

NOTE 7 - RELATED PARTY BALANCES AND TRANSACTIONS

	December 31	
	2019	2018
Current receivables:		
Short term loan receivable with ArcelorMittal Treasury	$ 546	$ 341
Trade and interest receivables with ArcelorMittal subsidiaries	616	908
Receivable with AM/NS Calvert	4	8
Receivable with I/N Tek	1	1
Receivable with I/N Kote	2	11
Current receivables from related companies	$ 1,169	$ 1,269
Long-term receivables:		
Loans with ArcelorMittal Holdings LLC and ArcelorMittal USA Holdings II LLC	$ 2,263	$ 2,138
Current payables:		
Trade payables with ArcelorMittal subsidiaries	$ 390	$ 419
Loans with ArcelorMittal Holdings LLC and ArcelorMittal USA Holdings II LLC	145	145
Payable with AM/NS Calvert	15	20
Payable with I/N Tek	50	46
Payable with I/N Kote	15	17
Payables to related companies	$ 615	$ 647

	Year Ended December 31	
	2019	2018
Interest income on notes receivable from related companies	$ 146	$ 137
ArcelorMittal charges for management, financial and legal services	175	201
Research and development fees from subsidiaries of ArcelorMittal	42	44
Gain on sale of right to use intellectual property	46	46
ArcelorMittal USA and affiliates purchases of inventory from subsidiaries of ArcelorMittal	57	56
ArcelorMittal USA and affiliates sales of inventory to subsidiaries of ArcelorMittal	889	934
Sales to I/N Kote	321	329
Tolling with I/N Tek	167	168
Sales commission with AM/NS Calvert	31	29

Our I/N Kote joint venture is required to buy all of its cold rolled steel from ArcelorMittal USA. We also have rights to the productive capacity of the I/N Tek facility, except in certain limited circumstances, and under a tolling arrangement, have an obligation to use the facility for the production of cold rolled steel.

ArcelorMittal USA participates in a cash pooling arrangement with ArcelorMittal Treasury Americas. Available cash from several companies within the ArcelorMittal group is concentrated globally to maximize interest returns. Cash is transferred to and from the pooling account based on local availability and requirements.

NOTE 8 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITY

In connection with the purchasing of natural gas and certain metals, primarily zinc, for anticipated manufacturing requirements, we enter into forward swap contracts for these commodities to reduce the effect of price fluctuations. We have elected to account for these forward swap contracts as cash flow hedges. We have an iron ore supply contract which contains an embedded derivative based on a domestic steel price index. In 2018, we designated the embedded derivative as a cash flow hedge of the contractually specified index price risk associated with our forecasted steel sales. We do not hold derivative instruments for trading purposes. Accounting rules require that we recognize all derivative instruments at fair value and that the entire gain or loss included in the assessment of hedge effectiveness of the derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of comprehensive income and be reclassified into earnings in the same line item and in the same period or periods during which the hedged transaction affects earnings.

The fair value of our derivative instruments and the classification on the balance sheet follows:

	Derivative Liabilities			
	2019		2018	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments designated as cash flow hedges:				
Base metal contracts (primarily zinc)	Accrued expenses and other liabilities	$ 2	Accrued expenses and other liabilities	$ 1
Iron ore supply contract	Accrued expenses and other liabilities	39	Accrued expenses and other liabilities	115
Iron ore supply contract	Other long-term liabilities	138	Other long-term liabilities	453
Total derivatives designated as hedging instruments		$ 179		$ 569
Derivative instruments not designated as hedging instruments:				
Base metal contracts (primarily zinc)	Accrued expenses and other liabilities	$ 1	Accrued expenses and other liabilities	$ 1
Iron ore supply contract	Accounts payable	11	Accounts payable	20
Total derivatives not designated as hedging instruments		$ 12		$ 21
Total derivative liabilities		$ 191		$ 590

The effect of derivative instruments on the combined statements of operations follows:

	Amount of Gain or (Loss) Recognized in OCI on Derivative		Location of Gain or (Loss) Reclassified from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
	2019	2018		2019	2018
Derivatives Designated in Cash Flow Hedging Relationships:					
Base metal contracts	$ (4)	$ (10)	Cost of Sales	$ (3)	$ (6)
Iron ore supply contract	323	(499)	Sales	(31)	(117)
Total	$ 319	$ (509)		$ (34)	$ (123)

No amounts were excluded from the assessment of hedge effectiveness.

	Location of Gain or (Loss) Reclassified from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
		2019	2018
Derivatives not designed in a hedging relationship:			
Iron ore supply contact	Other operating income (expense)	$ 36	$ (71)

Outstanding notional amounts under commodity forward contracts that were entered into to hedge forecasted purchases and under other commodity supply contracts that are designated as a hedge against forecasted sales and are accounted for as cash flow hedges at December 31, 2019 follows:

Commodity	Notional Amount
Base metal contracts	8,528 Metric Tons
Iron ore supply contract	54,880,000 Net Tons

Outstanding notional amounts under derivative contracts that were not designated as hedges at December 31, 2019 follows:

Commodity	Notional Amount
Base metal contracts	2,284 Metric Tons
Iron ore supply contract	1,762,970 Net Tons

In some cases, our International Swaps and Derivatives Association (ISDA) contracts contain cross default provisions that could constitute a credit risk related contingent feature. These provisions apply if we default in making timely payments on outstanding indebtedness and the amount of the default is above certain predefined thresholds. If an event of cross default occurs, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative liability position. At December 31, 2019, we do not have any credit risk related to this contingent feature as all derivative contracts are with ArcelorMittal Treasury SNC, a subsidiary of our parent company.

For derivatives designated as cash flow hedges, we formally assess hedge effectiveness of our hedging relationships both at hedge inception and on an ongoing basis. The derivative gain or loss on base metal and natural gas contracts are recorded in other comprehensive income and is then reclassified to cost of sales in the same period we record the hedged raw material requirements in cost of sales. The amount of net losses on these cash flow hedging derivatives expected to be reclassified from other comprehensive income to cost of sales over the next twelve months is $2 as of December 31, 2019. The maximum maturity of these cash flow derivatives in place at December 31, 2019 is December 31, 2020.

We are a party to an iron ore supply agreement that contains a special payment provision based on a domestic steel price index. We concluded that this payment feature was an embedded derivative not clearly and closely related to the host contract and is required to be accounted for separately as a free-standing derivative. At March 1, 2018, we designated a portion of the embedded derivative as a cash flow hedge of the contractually specified hot-rolled coiled steel index price risk associated with our forecasted steel sales. We establish the fair value of the special payment by comparing the current forecasted domestic steel price to the projected domestic steel price at the inception of the contract. The derivative gain or loss on the embedded derivative designated as a cash flow hedge is recorded in other comprehensive income and is then reclassified to sales in the same period as we record the hedged sales. The amount of net losses on this cash flow hedge expected to be reclassified from other comprehensive income to sales over the next twelve months is $31 as of December 31, 2019. The maximum maturity of this cash flow derivative in place at December 31, 2019 is December 31, 2026.

If it becomes probable that a forecasted transaction will no longer occur, future gains or losses on the derivative are recorded in cost of sales or in other operating income (expense). The amount of losses reclassified from equity into earnings, from the discontinuance of cash flow hedges was zero for 2019 and 2018.

We hold certain derivatives to minimize the price risk for certain commodities for which we did not elect hedge accounting treatment. If no hedging relationship is designated, changes in the derivative's fair value are recognized immediately in income. The impact to earnings was zero in 2019 and 2018.

Certain of our commodity purchase and sales contracts meet the definition of a derivative. These contracts are not required to be recorded at fair value if they qualify for the normal purchase normal sales (NPNS) exception as elected by the Company. We recognize the revenues and expenses on contracts that qualify for the NPNS exception when the underlying physical transaction is delivered. While these contracts are considered derivative financial instruments, they are not recorded at fair value, but on an accrual basis of accounting. If it was determined that a

transaction designated as NPNS no longer meets the scope exception, the fair value of the related contract would be recorded on the balance sheet and immediately recognized through earnings.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting rules establish a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the fair value hierarchy are described below:

• *Level 1* — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

• *Level 2* — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

• *Level 3* — Inputs that are both significant to the fair value measurement and unobservable.

We value our commodity swaps, classified as Level 2, using a market-based approach based upon quoted prices for similar assets and liabilities in active markets. Physical commodity purchase contracts that are required to be recorded at fair value are valued using a market-based approach based on management's best estimate of unobservable forward market prices. These contracts are classified as Level 3.

The fair value hierarchy for our financial assets and liabilities accounted for at fair value and non-financial assets and liabilities accounted for at fair value on a recurring basis follows:

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Liabilities:				
Commodity derivatives	$ —	$ 3	$ 188	$ 191
Net liabilities	$ —	$ 3	$ 188	$ 191
December 31, 2018				
Liabilities:				
Commodity derivatives	$ —	$ 2	$ 588	$ 590
Net liabilities	$ —	$ 2	$ 588	$ 590

The derivative values above are based on an analysis of each contract as the unit of account as required by current accounting rules. Therefore, derivative assets and liabilities with the same counterparties are not netted.

There were no transfers between any levels of the fair value hierarchy during 2019. A reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) follows:

	2019	2018
Beginning balance	$ (588)	$ (306)
Total losses included in earnings	5	(188)
Included in other comprehensive income (loss)	354	(382)
Settlements	41	288
Ending balance	$ (188)	$ (588)

	2019
Total unrealized losses included in 2019 earnings attributable to liabilities held at December 31, 2019	$ (4)
Total unrealized gains included in 2019 other comprehensive income attributable to liabilities held at December 31, 2019	$ 239

Gains and losses included in earnings are reported in sales and in other operating income (expense). In 2019, a loss of $31 was recorded in sales and a gain of $36 was recorded in other operating income (expense). Unrealized gains and losses included in earnings included a loss of $7 reported in sales and a gain of $3 reported in other operating income (expense).

NOTE 9 - CONTINGENCIES

We are subject to various legal actions and contingencies in the normal course of conducting business. We recognize liabilities for such matters when a loss is probable and the amount can be reasonably estimated. The effect of the ultimate outcome of these matters on future results of operations and liquidity cannot be predicted with certainty. While the resolution of these matters may have a material effect on the results of operations and cash flows of a particular quarter or year, we believe that the ultimate resolution of such matters in excess of liabilities recorded will not have a material effect on our competitive position in the steel industry or financial position.

Other contingent liabilities arise periodically in the normal course of business. In the opinion of management, any such unrecognized matters that are reasonably possible at December 31, 2019, would not have a material effect on our financial position, results of operations or cash flows.

NOTE 10 - STOCK BASED COMPENSATION

Share Unit Plan

In 2011, ArcelorMittal approved an equity-based incentive plan to replace the Global Stock Option Plan. The plan comprises a Restricted Share Unit Plan (RSU Plan) and a plan designed to incentivize employees, improve the long-term performance of the Company and retain key employees (PSU Plan). Both the RSU Plan and the PSU Plan are intended to align the interests of ArcelorMittal shareholders and eligible employees by allowing them to participate in the success of ArcelorMittal. We account for these equity incentive plans as equity-settled share-based transactions. The value for the RSUs and the majority of the PSUs is calculated as the fair value of ArcelorMittal stock on the grant date and is allocated to the beneficiaries and recorded as an expense in the consolidated statements of operations over the relevant vesting or service periods. As of December 31, 2019, the unrecorded compensation for PSUs and RSUs is $7, which will be recorded over the next three years. The maximum number of RSUs and PSUs available for grant during any given year is subject to the prior approval of ArcelorMittal's shareholders at the annual general meeting.

The RSU Plan

The aim of the RSU Plan is to provide a retention incentive to eligible employees. RSUs are subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the ArcelorMittal group. The compensation expense recognized for the restricted stock units was zero for 2019 and less than $1 for 2018.

The PSU Plan

The PSU Plan's main objective is to be an effective performance-enhancing plan based on the employee's contribution to the eligible achievement of the Company's strategy. Awards under the PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The employees eligible to participate in the PSU Plan are a sub-set of the group of employees eligible to participate in the RSU Plan. We recognized compensation expense for the performance share units of less than $1 for 2019 and $3 for 2018.

PSUs vest three years after their date of grant subject to the eligible employee's continued employment with the Company and the fulfillment of cumulative performance criteria.

Conditions of the 2019 grant for qualifying employees were as follows:

PSUs with a three-year performance period.

Performance criteria: Return On Capital Employed (ROCE) and Gap to competition in some areas.

Vesting conditions:

ROCE vs. peer group – Target: Greater than or equal to 100% of target for 100% vesting.

Gap to competition (where applicable) – Target: 100% of target for 100% vesting.

Awards made in previous financial years which have not yet reached the end of the vesting period.

Conditions of the 2018 grant for qualifying employees were as follows:

PSUs with a three-year performance period.

Performance criteria: Return On Capital Employed (ROCE) and Gap to competition in some areas.

Vesting conditions:

ROCE vs. peer group – Target: Greater than or equal to 100% of target for 100% vesting.

Gap to competition (where applicable) – Target: 100% of target for 100% vesting.

For 2016, to ensure achievement of the Action 2020 plan, ArcelorMittal made a special grant (Special Grant) to qualifying employees instead of the standard grant. The value of the Special Grant at grant date is based generally on a specified percentage of the base salary depending on the position of the employee at grant date. The vesting is subject to continued active employment within the ArcelorMittal group and to yearly performance of return on capital employed (ROCE) targets and other strategic objectives within the business units. For 2016, the Company's goal was to achieve ROCE and Mining volume for the Mining segment, and the target was based on these performance measures.

The Appointments, Remuneration & Corporate Governance Committee of ArcelorMittal reviewed the allocation of PSUs to eligible employees under the ArcelorMittal Equity Incentive Plan.

Grants under the RSU and PSU Plans to Company employees for the two years ended December 31, 2019 are as follows:

Date of Grant	Number of Units	Grant Type	Number of Employees
December 2018	139,300	PSU	48
December 2019	198,590	PSU	47

Share unit plan activity is summarized below.

	Restricted share unit (RSU)		Performance share unit (PSU)	
	Number of shares	Fair Value per share	Number of shares	Fair value per share
Outstanding, January 1, 2018	50,839	$ 17.73	842,088	$ 14.90
Granted	—	—	139,300	21.31
Exercised	(49,302)	17.93	(27,730)	29.24
Forfeited	(1,537)	11.49	(45,891)	19.59
Outstanding, December 31, 2018	—	—	907,767	15.21
Granted*	—		198,590	18.28
Exercised	—	—	(207,138)	13.48
Forfeited	—	—	(193,578)	14.45
Outstanding, December 31, 2019	—		705,641	17.07

* Including 8,090 over-performance shares granted for the targets achievement of the PSU grant December 19, 2015

Information about total RSUs and PSUs granted to Company employees that are outstanding as of December 31, 2019 follows:

Fair Value Per share	Number of shares	Maturity
$13.17	288,780	January 1, 2021
18.42	98,511	January 1, 2021
21.31	127,850	January 1, 2022
18.57	190,500	January 1, 2023

The Global Stock Option Plan

Prior to 2011, ArcelorMittal's equity-based incentive plan took the form of a stock option plan known as the Global Stock Option Plan. Under the ArcelorMittal Global Stock Option Plan, ArcelorMittal could grant options of ordinary shares to senior management of ArcelorMittal and its associates for up to 100,000,000 ordinary shares (33,333,333 shares after reverse stock split). The exercise price of each option equals not less than the fair market value of ArcelorMittal stock on the grant date, with a maximum term of ten years. Options were granted at the discretion of ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee, or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant. Company employees were granted no stock options during the three years ended December 31, 2019.

We expense stock-based compensation under the fair value recognition provisions prospectively for all employee awards granted, modified or settled. See Note 2, Summary of Significant Accounting Policies. We have elected to apply the alternative transition method of ASC 718 Compensation — Stock Compensation to determine our historical pool of excess tax benefits.

No compensation expense or the associated tax benefit from stock options being exercised were recognized in 2019 or 2018 under the ArcelorMittal Global Stock Option Plan with respect to ArcelorMittal USA.

	2019		2018	
	Shares	Weighted Average Price	Shares	Weighted Average Price
Options outstanding — beginning of the year	320,033	$ 100.41	570,437	$ 152.78
Expired	(179,451)	106.77	(250,404)	219.71
Transfers	(5,334)	100.56	—	
Options outstanding and exercisable — end of year	135,248	$ 91.98	320,033	$ 100.41

Grant Date	Exercise Prices	Shares Outstanding	Weighted Average Life	Options Exercisable
August 2010	$91.98	135,248	0.59	135,248

As of December 31, 2019, all outstanding options are fully vested. The intrinsic value of these options is immaterial.

The weighted average remaining life of options outstanding and options exercisable follows:

	Outstanding	Exercisable
December 31, 2019	0.59 years	0.59 years
December 31, 2018	1.10 years	1.10 years

NOTE 11 - PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Our accrued liabilities for pension and other postretirement benefits follow:

	December 31	
	2019	2018
Payable to multiemployer pension plan	$ 12	$ 11
Defined benefit pensions (including supplemental benefits plans)	604	577
Other postretirement benefits	2,430	2,386
Total	$ 3,046	$ 2,974
Amounts in current accrued salaries, wages, and benefits for:		
Multiemployer pension plan	$ (12)	$ (11)
Defined benefit pensions	(4)	(5)
Other postretirement benefits	(101)	(114)
Amount in liabilities of assets held for sale	—	(16)
Amount in long-term assets	8	—
Long-term pension and other retiree benefits	$ 2,937	$ 2,828

(a) 401k Savings Plan

We maintain qualified 401(k) savings plans for salaried employees and certain hourly employees. We match a specified portion of eligible employee contributions to the salaried plan and make other contributions in accordance with labor agreements. Company contributions were $19 in 2019 and $19 in 2018.

(b) Multiemployer Pension Plans

In 2018 we entered into a new labor agreement with the United Steelworkers (USW) that expires on September 1, 2022. The contract requires us to contribute to a multiemployer pension plan known as the Steelworkers Pension Trust (SPT). Almost all of our represented employees who are not eligible for the Company sponsored

defined benefit pension plan participate in the SPT. The SPT provides pension benefits upon retirement based on employer contributions and accrual rates while participating in the plan. During 2018, the contribution rate was increased to $3.50 per contributory hour from $2.80. Expense is recognized for contributions when the employee has worked an eligible hour.

Under a multiemployer plan, participating employers make contributions into a pension plan. The assets of the plan can be used to pay the benefits of all participants (retirees and dependents) and are not limited to the participants of a particular employer. If an employer stops contributing to the plan, any unfunded obligations may be borne by the remaining employers. If an employer no longer participates in the plan (for example because it no longer employs participants in the plan), it may be required to pay an amount based on the underfunded status of the plan known as a withdrawal liability.

Information with respect to multiemployer plans in which we participate follows:

Pension Fund	Steelworkers Pension Trust	American Maritime Officers Plan
EIN/Pension Plan Number	EIN 23-6648508 /No. 499	EIN 13-1936709/No. 1
Pension Protection Act Zone Status 2019 and Prior	Safe	Safe
FIP/RP Status Pending/Implemented	N/A	Implemented
Contributions in 2019	$82	Less than $1
Contributions in 2018	$65	Less than $1
Surcharge Imposed	No	No
Expiration Date of Collective Bargaining Agreement	Sept. 1, 2022	July 31, 2021

As of December 31, 2019, there were 488 participating employers in the SPT. Over the last three years our contributions were 29% of the total contributions made into the plan. Only two other employers contributed more than 5% during this period. As of December 31, 2019, the SPT had total actuarial liability of $5,748 and a market value of assets of $5,372 for a funded ratio of about 93%.

(c) Defined Benefit Pension Plans

We provide a non-contributory defined benefit pension plan covering USW represented employees hired before November 2005 at Indiana Harbor East and Minorca (the former Inland operations). Most employees at our Hibbing Taconite joint venture also receive non-contributory defined benefit pension benefits. Hibbing's benefits for hourly employees are based on years of service and compensation. Benefits for USW represented employees at Indiana Harbor East and Minorca are determined as a monthly benefit at retirement based on a fixed rate and service. Non-represented salaried employees of the former Inland hired before 2003 and certain non-represented salaried employees at Hibbing also receive defined pension benefits. Benefits for most eligible salaried Inland employees are determined under a "Cash Balance" formula with an account balance for each participant that grows with interest credits and allocations based on a percent of pay. Participants are credited at a rate of 5%. Benefits for other eligible Inland employees are determined as a monthly benefit at retirement depending on final pay and service. Certain represented former ISG employees receive a lump sum payment upon retirement. Employees at other facilities are not covered by a defined benefit pension plan. Changes to the defined pension plan under the new labor agreement, principally for a higher monthly benefit rate for certain periods of service, resulted in an increase in the obligation of $24 in 2018. Net actuarial loss in 2019 were due to lower discount rates resulting in a higher calculated liability, almost entirely offset by asset earnings performance. Net actuarial gains in 2018 were principally due to higher discount rates, partially offset by asset earnings performance. As a result of the CARES Act enacted on March 27, 2020, we have deferred pension contributions starting in the second quarter of 2020. Based on prior funding requirements, we made defined benefit pension contributions of $2 in 2020.

(d) Postretirement Medical Benefits

Substantially all USW represented employees hired before June 23, 2016 are covered under postretirement life insurance and medical benefit plans that require deductible and premium payments from retirees. The postretirement life insurance benefits are primarily specific amounts for hourly employees. Most Medicare eligible participants participate in a Medicare Advantage Plan. The Company charges participants for a portion of the cost and

pays a premium to a third-party insurer. Pre-Medicare retirees are covered under a self-insured plan. Employees hired after June 23, 2016 are not eligible for postretirement medical or life insurance benefits. In lieu of retiree medical coverage, these employees will receive a 401(k) contribution of $0.50 per hour worked to a restricted Retiree Health Care Account. There were minor changes to the postretirement medical benefits under the new labor contract, mainly related to the premiums paid by participants, which resulted in increasing the expected benefit obligation by $51 in 2018.

Under the labor agreement, we contribute to a Voluntary Employee Beneficiary Association (VEBA) Trust to fund certain retiree medical and death benefits. Beginning in 2018 we made contributions equal to 5% of Earnings Before Interest and Taxes (EBIT) after certain adjustments. We paid healthcare benefits to certain represented retirees of ISG predecessor companies (known as Legacy Retirees) in the form of a Medicare Advantage Plan and reimbursement of a portion of Medicare premiums. Participants must choose between participating in the Medicare Advantage Plan or receiving the Medicare reimbursement. Non-Medicare eligible participants can elect to enroll in a Health Coverage Tax Credit eligible plan. The 2018 labor contract held certain benefit levels flat. As we previously assumed some increase in benefits because of inflation, this change resulted in reducing our expected benefit obligation by $63 in 2018. This decrease plus the increase for regular retirees of $51 plus increases for smaller plans of $2, resulted in a net reduction of our expected benefit obligations by $10 in 2018.

In 2019, we had a net actuarial loss of $24 for postretirement medical benefit obligations. An increase to the liability from lower discount rates was substantially offset by favorable medical claims experience. Additionally, the Patient Protection and Affordable Care Act of 2010 imposed an excise tax on high-cost employer-sponsored health plan coverage. As this tax was repealed in 2019, we lowered our future projected healthcare costs which included this tax, resulting in an actuarial gain of $40, that is included in the overall loss of $24. After considering asset performance, we had an overall net actuarial gain for postretirement medical benefits in 2019. In 2018, we had actuarial gains for postretirement medical benefits of $359, principally from higher discount rates. Favorable medical claims experience also contributed to the gain.

Agreements with the USW capped our share of healthcare costs for ArcelorMittal USA retirees at 2008 levels for years 2010 and beyond. The VEBA can be utilized to the extent funds are available for costs in excess of the cap for these retirees. Since we are ultimately responsible for funding the VEBA and could be expected to fund any shortfalls, for accounting purposes, we determined there is effectively no cap on future healthcare cost increases. We had net withdrawals of $16 from the VEBA Trust in 2020 for reimbursements to the Company for healthcare benefit payments.

Hibbing offers retiree medical coverage to hourly retirees. Retiree healthcare coverage is provided through programs administered by insurance companies whose charges are based on benefits paid. Hibbing entered into a new four-year agreement with the USW in 2018. The 2018 USW agreement set fixed monthly medical premiums for participants who retired prior to January 1, 2015. These fixed premiums will expire on December 31, 2020 and revert to increasing premiums based on a cost-sharing formula. The agreements also provide for a cap that limits the contributions we must make toward retiree medical insurance coverage for each retiree and spouse of a retiree per calendar year. The annual cap is based upon 2014 plan costs. The cap applies to employees who retired after 2014 and does not apply to surviving spouses. USW-represented employees hired after September 1, 2016 receive a 401(k) contribution of $0.50 per hour worked to a restricted Retiree Health Care Account. Beginning January 1, 2019, the hourly contribution rate increased to $0.60 per hour worked. There is a cap on our cost for medical coverage of Hibbing salaried employees. The annual limit applies to each covered participant and equals $7,000 for coverage prior to age 65, with the retiree's participation adjusted based on the age at which the retiree's benefits commence. The post-65 salaried retiree medical benefit program is a combination of an employer subsidy plan and an individual supplemental Medicare insurance plan purchased through a Medicare exchange. This allows the program to take full advantage of available government subsidies and more efficient pricing in the Medicare market. We do not provide retiree healthcare for most Hibbing salaried employees hired after 1992.

We use company-specific base mortality tables for retirees. We use standard blue-collar mortality tables issued by the Society of Actuaries (SOA) for active employees and participants with deferred vested benefits. We adopted the latest standard tables issued by the SOA in 2019. We use the annual updates issued by the SOA to project improvement in mortality on those base tables.

(e) Reconciliation of Changes in Benefit Obligations and Plan Assets

	Pension		Other Benefits	
	2019	2018	2019	2018
Change in benefit obligation:				
Benefit obligation - beginning of year	$ 3,219	$ 3,455	$ 2,879	$ 3,237
Service cost	25	30	39	48
Interest cost	128	118	122	118
Net benefits paid	(259)	(256)	(138)	(155)
Net actuarial loss (gain)	330	(151)	24	(359)
Plan amendment	—	24	—	(10)
Benefit obligation - end of year	3,443	3,220	2,926	2,879
Accumulated benefit obligation for pensions	3,430	3,213	n/a	n/a
Change in plan assets:				
Fair value of plan assets - beginning of year	2,642	2,952	493	538
Net contributions	11	46	87	122
Benefits paid	(259)	(256)	(139)	(155)
Actual return on plan assets	445	(100)	54	(12)
Fair value of plan assets - end of year	2,839	2,642	495	493
Funded status of plan:				
Unfunded obligation	(604)	(577)	(2,430)	(2,386)
Recognized in accumulated other comprehensive income:				
Actuarial loss (gain)	769	783	(433)	(437)
Prior service cost (credit)	27	32	(377)	(436)
Total	796	815	(810)	(873)
Net deferred cost (accrued)	$ 192	$ 238	$ (3,240)	$ (3,259)

(f) Weighted Average Assumptions

	Pension		Other Benefits	
	2019	2018	2019	2018
Discount rate used to calculate periodic benefit cost:				
Legacy retirees	n/a	n/a	4.11%	3.58%
Other retirees	4.12%	3.58%	4.36%	3.81%
Discount rate used to value year-end obligation:				
Legacy retirees	n/a	n/a	2.98%	4.11%
Other retirees	3.01%	4.12%	3.36%	4.36%
Expected long-term return on plan assets:				
Legacy retirees	n/a	n/a	4.00%	4.50%
Other retirees	5.74%	5.71%	7.00%	7.00%
Average rate of compensation increase	2.50%	2.50%	n/a	n/a
Projected health care cost trend rate:				
Pre-Medicare	n/a	n/a	6.55%	6.90%
Post-Medicare	n/a	n/a	3.66%	2.50%
Pre and Post-Medicare for Legacy retirees	n/a	n/a	(2.54)%	(3.12)%
Ultimate trend rate	n/a	n/a	4.50%	4.50%
Year ultimate trend rate is reached	n/a	n/a	2028	2028

	Pension		Other Benefits	
	2019	2018	2019	2018
Net periodic benefit cost:				
Service cost	$ 25	$ 30	$ 39	$ 48
Interest cost	127	118	122	118
Expected return on plan assets	(150)	(161)	(20)	(23)
Amortization:				
Net actuarial loss (gain)	49	67	(14)	—
Prior service cost (credit)	5	2	(59)	(59)
Net periodic benefit cost (credit)	$ 56	$ 56	$ 68	$ 84

(g) Estimated Future Payments to Beneficiaries

	Pension	Other Benefits
2020	$ 252	$ 144
2021	250	143
2022	249	141
2023	246	142
2024	242	142
2025 to 2029	1,064	710

(h) Plan Asset Information

The assumptions used for asset returns are in the table above. The return assumptions are viewed in a long-term context, supported by the asset allocation of the trust, and is evaluated annually. Our policies provide for broad ranges around targets to reduce rebalancing trading cost and facilitate the management of the fund. We monitor investment risk on an ongoing basis, in part through quarterly investment portfolio reviews and reporting, periodic asset/liability studies, and monitoring of the plans' funded status. To achieve our investment objectives, we focus on maintaining a diversified portfolio using various asset classes to achieve our long-term investment objectives on a risk adjusted basis. Our actual investment positions in various securities change over time based on short and longer-term opportunities. Our target allocations by asset type for the ArcelorMittal USA Pension Trust (Pension) and the VEBA Trust (Other Benefits) follow:

	Pension	Other Benefits
Equity securities — domestic	20 to 60%	20 %
Equity securities — international	10 to 3 %	10 %
Fixed income (including cash)	15 to 100%	70 %
Real estate	0 to 10%	— %
Alternative investments	0 to 15%	— %
Total	100 %	100 %

Alternative investments include investments in distressed debt, secondary private equity and opportunistic fixed income funds.

See Note 6, Derivative Instruments and Hedging Activity for a description of the three-level fair value hierarchy. The fair values of our pension plan and other benefit plan assets by asset category and fair value hierarchy are as follows:

	Pension Assets				Other Benefit Assets			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2019:								
Equity securities — domestic	$ 186	$ 652	$ —	$ 838	$ —	$ 93	$ 2	$ 95
Equity securities — international	260	91	—	351	—	50	—	50
Equity securities — emerging market	—	65	—	65	—	—	—	—
Fixed income (including cash)	158	1,050	—	1,208	3	345	—	348
Real estate	—	—	103	103	—	—	—	—
Alternative investments	—	115	159	274	—	—	2	2
Total	$ 604	$ 1,973	$ 262	$ 2,839	$ 3	$ 488	$ 4	$ 495
December 31, 2018:								
Equity securities — domestic	$ 190	$ 624	$ —	$ 814	$ 2	$ 90	$ —	$ 92
Equity securities — international	202	71	—	273	1	41	—	42
Equity securities — emerging market	26	50	—	76	—	—	—	—
Fixed income (including cash)	116	909	—	1,025	26	326	—	352
Real estate	—	—	154	154	—	—	3	3
Alternative investments	—	123	177	300	—	—	4	4
Total	$ 534	$ 1,777	$ 331	$ 2,642	$ 29	$ 457	$ 7	$ 493

A brief description of the valuation methodologies for measuring assets at fair value follows:

- Equity securities are valued at the closing price reported on the active market on which the security is traded. Some common collective trust investments consist of publicly traded equity securities but the fund itself is not publicly traded, so these investments are classified Level 2.
- Fixed income assets consist of corporate bonds and notes, preferred stock, mutual funds, government securities, and common collective trusts. Fixed income mutual funds and some government securities made up of treasury notes and bonds are Level 1 since there is an active publicly traded market. Corporate bonds and collective trusts are classified as Level 2 as the underlying securities are not publicly traded but there is an observable price for similar securities in the market. Most Level 3 assets within this group are where the issuer is in bankruptcy proceedings making the underlying holdings fair valued based.
- Real estate is valued at the fair value of the underlying assets held at year-end, which the custodian of the fund obtains from third-party appraisers.
- Generally, alternative assets are valued at the Company's Pension Trust's proportionate share of the fair value of the fund as of year-end, which the custodian of the fund obtains from third-party pricing services.

Purchases of Level 3 assets were $9 in 2019 and $12 in 2018.

NOTE 12 - TAXES

The U.S. and foreign components of income (loss) before income taxes follow:

	2019	2018
United States	$ (131)	$ 587
Foreign	—	—
Total	$ (131)	$ 587

The benefit (provision) for income taxes follows:

	2019	2018
Current:		
Federal	$ 2	$ (4)
State	2	2
Deferred:		
Federal	42	(3)
State	7	3
Total	$ 53	$ (2)

All income (loss) before income taxes pertains to United States operations.

A reconciliation of income taxes at the statutory U.S. tax rate of 21% in 2019 and 21% in 2018 to the recorded tax benefit (provision) follows:

	2019	2018
Taxes at statutory rate	$ 28	$ (123)
Valuation allowance	(10)	128
State and local income taxes, net of federal effect	9	(1)
Percentage depletion	19	20
Base Erosion Anti-Abuse Tax	—	(2)
General business tax credits	1	—
Prior year return to provision adjustment	(5)	(7)
Other deferred adjustments	16	(14)
Other	(5)	(3)
Total	$ 53	$ (2)

The change in valuation allowance includes the effect on federal, foreign, state and local income taxes and includes the changes in net operation loss (NOL) usage resulting from the tax basis in presentation for this separate financial statement.

We record deferred taxes for NOL and tax credit carryforwards and temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The components follow:

	December 31	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards and tax credits	$ 547	$ 533
Employee benefit costs	719	694
Financial accruals and reserves	49	136
Environmental liabilities	44	47
Other	65	62
Total deferred tax assets	1,424	1,472
Deferred tax liabilities:		
Property, plant and equipment	(419)	(442)
Inventory	—	(11)
Other	(13)	(14)
Total deferred tax liabilities	(432)	(467)
Valuation allowance	(995)	(1,008)
Net deferred taxes	$ (3)	$ (3)

At December 31, 2019, we had federal NOLs of $1,779. We also have $56 of general business credits. The NOLs expire in varying amounts from 2020 through 2037, with Federal NOLs generated after 2017 (i.e., beginning tax year 2018) having no expiration.

We are required to record a valuation allowance for a deferred tax asset when it is “more likely than not” (a likelihood of more than 50%) that some or all of the deferred tax asset will not be realized. We weighed both the positive and negative evidence with respect to whether we would realize these assets. Based on our cumulative history of recent losses, we concluded that it was more likely than not that we would not realize our net deferred tax asset.

Accounting rules require that we allocate our income tax provision or benefit between continuing operations, discontinued operations, and OCI. When there is a pre-tax loss from continuing operations and pre-tax income in another category, tax expense is allocated to the other sources of income, with a related benefit recorded in continuing operations. The amortization of losses and prior service cost for pension and other postretirement benefits are reclassifications of expenses from other comprehensive income (OCI) into continuing operations (recycled income). This recycled income is excluded from consideration in the amount of OCI available for the intra-period tax allocation. In 2018, this intra-period allocation was not applicable because ArcelorMittal USA had pre-tax income from both continuing operations and OCI exclusive of any amounts recycled. In 2019, ArcelorMittal USA had pre-tax loss plus permanent items in continuing operations and pre-tax OCI gain excluding amounts reclassified (recycled) into net income. Given our valuation allowance position, positive OCI, and a loss in continuing operations, ArcelorMittal USA reallocated tax benefit from OCI to continuing operations of $49 in 2019. The FASB issued new standards which, when adopted, would no longer require this allocation.

The amounts recorded for income taxes reflect our tax positions based on research and interpretations of complex laws and regulations. The Company and its subsidiaries file U.S. federal income tax returns as well as returns in various state and local jurisdictions. Our income tax returns are subject to audit by the IRS as well as state and local tax authorities. The IRS has examined our tax returns through 2009 and the I/N Tek and I/N Kote partnerships’ tax returns through 2008. Unutilized NOLs could be subject to examination. We are under IRS audit for the years 2011 through 2013. For most state tax jurisdictions, the statute of limitations is open for three or four years. We have ongoing state income tax examinations from various state jurisdictions; however, no adjustments have been proposed that materially impacted this year’s combined consolidated financial statements.

On December 22, 2017, President Trump signed into law the tax legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the Tax Act). The Tax Act introduces significant changes to the federal corporate income tax

provisions including a substantial tax rate drop from 35% to 21%, repeal of the Alternative Minimum Tax (AMT), introduction of base erosion tax provisions, and adoption of a territorial tax system for US-based multi-nationals. We evaluated the impact of the Tax Act for those subsidiaries that are subject to federal, state, and foreign income taxes. As of December 31, 2019 and prior to any amendment considerations, the Company recorded an expense of zero in 2019 and $2 in 2018 related to the Base Erosion and Anti-Abuse Tax (BEAT).

Our unrecognized tax benefits were unchanged at $82 at December 31, 2019 and 2018.

The future resolution of tax issues could affect our financial results and cash flow. There are not any amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate in future periods. During the next twelve months, it is not reasonably possible that the expiration of statutes of limitations would affect the Company's unrecognized tax liability.

NOTE 13 - COMMITMENTS

We have entered into various agreements in which we are obligated to make payments under contractual purchase commitments, including unconditional purchase obligations. Most of these commitments relate to services, utilities, natural gas transportation, industrial gases and certain raw materials.

Based upon prices in effect at December 31, 2019, firm commitments relating to these agreements follow:

2020	$	2,872
2021		1,234
2022		1,085
2023		958
2024		662
Thereafter		1,171
Total	$	6,811

We recorded a loss of $21 in 2019 and a gain of $2 in 2018 on firm sales and purchase commitments within cost of sales.

Letters of credit totaling $67 were outstanding at December 31, 2019 and $71 at December 31, 2018, related to certain obligations, including insurance liabilities, operating expenses and environmental obligations.

NOTE 14 - ENVIRONMENTAL MATTERS AND ASSET RETIREMENT OBLIGATIONS

We are subject to changing and stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of environmental media such as soils and groundwater. If, in the future, we are required to investigate and remediate any currently unknown contamination or new information is obtained about required remediation activities at a site which we own, we could be required to record additional liabilities. Environmental liabilities assumed in a business combination are discounted at 4.75%. Other environmental liabilities are not discounted. Asset retirement obligations are discounted between 3.41% to 10.23% depending on the year the liability was established. The activity associated with these liabilities follow:

	(In Millions)			
	Environmental Liabilities		Asset Retirement Obligations	
	2019	2018	2019	2018
Balance - beginning of year	$ 121	$ 127	$ 75	$ 78
Accretion and changes in estimates and timing of spending	6	5	2	3
Spending	(9)	(11)	(1)	(6)
Balance - end of year	118	121	76	75
In current accrued expenses and other liabilities	(12)	(15)	(2)	(3)
In other long-term liabilities	106	106	74	72
Undiscounted amount	$ 178	$ 184	$ 120	$ 122

Undiscounted expenditures related to these liabilities for the next five years are expected to be as follows:

2020	$ 15
2021	12
2022	20
2023	18
2024	8

The accrued environmental liabilities are estimates. The significant assumptions that underlie our estimates may be impacted by changing circumstances that affect the reasonableness of such estimates including the following:

• the legal analysis applied to determining the existence of an obligation,

• the nature and scope of the obligation,

• the technical data utilized to evaluate engineering or other actionable solutions,

• the financial data utilized to calculate a range of cost estimates to effect engineering or other solutions,

• the appropriateness and technical feasibility of selected engineering or other actions,

• regulations and other governmental requirements applicable to the liability or obligation will remain constant, and

• the financial obligation to address the obligation is solely that of the Company.

Changing circumstances that may impact the reasonableness of the estimates include:

• the validity of the assumptions underlying the estimate,

• a change in factors or laws that may affect the nature and scope of the liability or obligation,

• new information that may impact the range of engineering or other actions that are appropriate and feasible to address the liability or obligation, and

• change in applicable markets and economies that impact costs.

The accrued environmental liabilities are based on engineering estimates and are described below in the context of applicable environmental regulation by relative locations.

Under the Resource Conservation and Recovery Act (RCRA) and similar U.S. state programs, the owners of certain facilities that manage hazardous wastes are required to investigate and, if appropriate, remediate historic environmental contamination found at such facilities. All of our major operating and inactive facilities are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties, also known as brownfield projects.

In 2006, the U.S. Environmental Protection Agency (EPA) and New York State Department of Environmental Conservation (DEC), who have been delegated authority for RCRA Corrective Actions, conditionally approved a RCRA Facilities Investigation (RFI) related to our properties in Lackawanna, New York, a former integrated steel mill. EPA subsequently vacated the EPA Administrative Order for the RCRA RFI. In 2009, we entered into an Order on Consent with DEC to complete a Corrective Measures Study (CMS) and perform corrective actions on some or all of the remaining solid waste management units (SWMUs) and water bodies. The final CMS was submitted to DEC in October 2014 and is pending DEC action. Corrective actions implemented by ArcelorMittal USA since 2009 included installation and operation of a ground water treatment system, dredging of a local waterway known as Smokes Creek, construction of an on-site slurry wall and geosynthetic containment system with a groundwater collection and treatment system and excavation stabilization and consolidation of wastes into the containment system. We have recorded liabilities of $26 for the future cost of performing anticipated remediation and post remediation activities that will be completed over a period of 15 years or more. The amounts are based on the extent of soil and groundwater contamination identified by the RFI and the remedial measures recommended in the CMS, including excavation and consolidation of containments in an on-site landfill and expansion of groundwater pump and treatment systems.

We are required to prevent acid mine drainage from discharging to surface waters at several closed mining operations in southwestern Pennsylvania. In 2003, we entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the PaDEP) requiring submission of an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. In 2004 and 2012, we entered into revised Consent Order and Agreements outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust with a target value that the PaDEP estimated to be the net present value of all future treatment costs. We have been funding the treatment trust and have reached the target value, which is based on average spending over the last three years. The trust has a fair value of $49 at December 31, 2019. We can be reimbursed from the treatment trust fund for the continuing cost of treatment of acid mine drainage. The total recorded liability for these treatment costs is $28.

We own a large former steelmaking site in Johnstown, Pennsylvania. The site has been razed and there are a number of historic waste disposal units, including solid and hazardous waste landfills located at the site that are subject to closure and other regulations by PaDEP. There were also historic steel and coke-making operating locations at the Johnstown site that may have caused soil and/or groundwater contamination. Although potentially subject to RCRA corrective action or similar state authority no formal demand has been made by either U.S. federal or state authorities and there are limited investigations of the site. We have recorded liabilities for costs associated with future landfill closure, site investigations and probable remediation at this facility of $8.

In 1993, our Indiana Harbor facility entered into a Consent Decree with the EPA, which, among other things, requires facility-wide RCRA Corrective Action and sediment remediation in the adjacent Indiana Harbor Ship Canal. The U.S. Army Corp of Engineers is engaged in a multi-year project to dredge the Indiana Harbor Ship Canal. We fund a trust to reimburse the Corp of Engineers for these efforts. We estimate future costs of $8 for sediment remediation and $4 for RCRA Corrective Action at this site. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor, but the potential costs of any such remediation cannot yet be reasonably estimated.

The portion of our Indiana Harbor facility that was formerly owned by LTV is subject to an EPA 3013 Administrative Order investigation plan to assess soil and groundwater conditions associated with 14 solid waste management units approved by the EPA in 2005. Although localized remediation activities have been conducted at this facility, additional remediation may be required after the investigation of these solid waste management units has been completed. We cannot yet reasonably estimate the cost of required remediation or monitoring, if any, that may result from this investigation.

At our Burns Harbor, Indiana facility, an RFI was completed in accordance with an EPA approved work plan. Based on the results of the investigation, we do not believe there will be any substantial remediation required to complete the corrective action process at the facility; however, it is likely that we will incur future costs primarily related to long term post-closure care including groundwater monitoring. Historic air pollution control dusts and sludges were relocated into an on-site permitted landfill. This landfill is used to contain newly generated material and will have future closure and post closure care obligations. The total recorded liability related to these matters is $7.

Our Cleveland, Ohio facility may be subject to RCRA corrective action or remediation in the future. An integrated steel facility has operated on the property since the early part of the 20th century. As a result, soil and

groundwater contamination may exist that might require remediation pursuant to the RCRA corrective action program or similar state programs. No RCRA corrective action has been formally ordered at the Cleveland facility by either U.S. federal or state authorities. However, we have initiated site investigation activities at portions of our facility under Ohio EPA oversight consistent with the RCRA corrective action program and continue discussions with the Ohio EPA about certain limited and localized remediation activities that have been or will be conducted. These remediation activities include two permitted solid waste landfills at the site that will require the future installation of an engineered capping system for closure and post-closure care including groundwater monitoring. The total recorded liability related to these matters is $8.

Our Weirton, West Virginia facility has been subject to a RCRA corrective action related consent decree since 1996. This requires the facility to conduct investigative activities to determine the nature and extent of hazardous substances that may be located on the facility's property and to evaluate and propose corrective measures needed to abate unacceptable risks. Areas within the facility's property have been prioritized. Investigation of the two highest priority areas and closure of the surface impoundment has been completed. Investigation of the remaining areas and continuing remediation are underway. We are in communication with the U.S. EPA and West Virginia Department of Environmental Protection regarding other potential RCRA concerns at the site. The recorded liability for the cost of investigative, remediation and closure activities is $3.

Our Minorca Mine, through the Environmental Impact Statement process, has a reclamation plan on file with the state of Minnesota. Each year the Minnesota Department of Natural Resources requires Minorca to submit an annual mining and reclamation summary for the year just completed and to provide mining and reclamation plans for the coming year. When possible, Minorca reclaims abandoned areas yearly. Currently we expect little or no environmental remediation at the time of closure of the mine. The recorded liability for these future reclamation costs is $9. We also recognize our share related to reclamation and closure of the Hibbing Taconite joint venture. The total recorded liability for these closure costs is $28. Additionally, we have $23 recognized for the closure of various coal mines operated by ArcelorMittal Princeton.

We have recognized liabilities of $30 to address the removal and disposal of thermal asbestos material and polychlorinated biphenyls (PCB) over the next 30 years. We have additional asbestos in our facilities in the form of sheeting or other construction materials used in our buildings. Because this asbestos is not exposed or can be managed through normal maintenance, we are not required to remove this material and would not be required to do so until we demolish the buildings. We have buildings of varying ages in our facilities, some over 100 years old. We plan to continue to use these buildings indefinitely and are unable to estimate when we would demolish the buildings and remove the associated asbestos. Therefore, no amounts have been accrued for the removal of this form of asbestos.

There are a number of other facilities and properties that we own across the United States which may present incidental environmental liabilities. The total liabilities recorded for these future investigations and probable remediation are $6.

In 2006, the U.S. EPA Region V issued ArcelorMittal USA's Burns Harbor, Indiana facility a Notice of Violation (NOV) alleging multiple violations of the Clean Air Act's Prevention of Significant Deterioration (PSD) air permit requirements based on alleged failures dating back to early 1994. Based on recent court decisions and ongoing negotiations with the EPA, it is very likely that the EPA will not enforce the alleged PSD permit violations against ArcelorMittal USA. The EPA Region V also conducted a series of inspections and issued information requests under the Federal Clean Air Act relating to Burns Harbor, Indiana Harbor and Cleveland. Some of the EPA's information requests and subsequent allegations relate to recent operations while others relate to historical actions under former facility owners that occurred many years ago. In 2011, the EPA issued NOVs to these operations alleging operational non-compliance based primarily on self-reported Title V permit concerns. Comprehensive settlement discussions with the EPA and affected state agencies involving all of the NOVs are ongoing and a comprehensive settlement with the EPA was executed in 2019. The settlement will include payment of penalties and injunctive relief. Liabilities associated with a comprehensive settlement are estimated at $6.

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and analogous state laws can impose liability for the entire cost of cleanup at a site upon current or former site owners or operators or parties who sent hazardous materials to the site, regardless of fault or the lawfulness of the activity that caused the contamination. We are a potentially responsible party at several state and federal Superfund sites. We believe our liability at these sites is either de minimis or substantially resolved. We could, however, incur additional costs or

liabilities at these sites based on new information, if additional cleanup is required, private parties sue for personal injury or property damage, or other responsible parties sue for reimbursement of costs incurred to clean up the sites. We could also be named a potentially responsible party at other sites if the Company's hazardous materials or those of its predecessor were disposed of at a site that later becomes a Superfund site. ISG purchased substantially all of its assets through sales in bankruptcy proceedings. The U.S. Bankruptcy Courts having jurisdiction over each transaction explicitly specified that the sellers retained certain historic liabilities, including Superfund liabilities. Despite the foregoing, it is possible that future claims might be directed at us. We consider the risk of incurring liability as the result of such claims remote.

In addition to expenditures relating to existing environmental liabilities, we will continue to invest significant sums in response to changes in environmental laws and regulations that affect our operations.

NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of and changes in accumulated other comprehensive income (AOCI) follow:

	Unrecognized pension and other postretirement benefit cost			Derivative instruments designated as cash flow hedges			Total AOCI
	Gross	Income Taxes	Net of Taxes	Gross	Income Taxes	Net of Taxes	Net of Taxes
Balance at January 1, 2018	(157)	1,265	1,108	3	—	3	1,111
Other comprehensive income before reclassifications	206	—	206	(509)	—	(509)	(303)
Reclassified from AOCI	7	—	7	123	—	123	130
Net current period other comprehensive income	213	—	213	(386)	—	(386)	(173)
Balance at December 31, 2018	56	1,265	1,321	(383)	—	(383)	938
Other comprehensive income before reclassifications	(32)	—	(32)	319	(49)	270	238
Reclassified from AOCI	(21)	—	(21)	34	—	34	13
Net current period other comprehensive income	(53)	—	(53)	353	(49)	304	251
Balance at December 31, 2019	$ 3	$ 1,265	$ 1,268	$ (30)	$ (49)	$ (79)	$ 1,189

	Amount Reclassified from AOCI		Affected line in Statement of Operations
	2019	2018	
Other comprehensive income items:			
Amortization of pension and other postretirement benefit costs	$ (21)	$ 7	Non-operating costs
Losses from cash flow hedges	3	6	Cost of sales
Losses from cash flow hedges	31	117	Sales
Total reclassifications for the period	$ 13	$ 130	

See the Combined Consolidated Statements of Comprehensive Income, Note 8, Derivative Instruments and Hedging Activity ; and Note 11, Pension and Other Postretirement Benefit Plans.

EXHIBIT 99.2

Unaudited Condensed Combined Consolidated Financial Statements

As of September 30, 2020 and December 31, 2019,
and for the nine months ended September 30, 2020 and 2019

ARCELORMITTAL USA LLC And Affiliates

Delaware	**71-0871875**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification Number)*
1 South Dearborn, Chicago, Illinois	**60603**
(Address of Principal Executive Offices)	*(Zip Code)*

UNAUDITED CONDENSED COMBINED CONSOLIDATED BALANCE SHEETS

ARCELORMITTAL USA LLC and Affiliates

	(In Millions)	
	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68	$ 31
Receivables, net of allowances of $26 in 2020 and $35 in 2019	80	77
Receivables from related companies	511	1,169
Inventories	1,328	1,641
Investments in and advances to joint ventures	5	4
Prepaid expenses and other	38	22
Total current assets	2,030	2,944
Long-term assets:		
Property, plant and equipment, net	3,569	3,760
Finance Right-of-use assets, net	134	134
Operating Right-of-use assets, net	60	72
Investments in and advances to joint ventures	128	124
Receivable from related companies	2,358	2,263
Other assets	101	101
Total assets	$ 8,380	$ 9,398
LIABILITIES AND MEMBER EQUITY		
Current liabilities:		
Accounts payable	$ 737	$ 781
Payables to related companies	565	615
Accrued salaries, wages and benefits	361	363
Accrued taxes	58	59
Accrued expenses and other liabilities	100	261
Unfavorable contracts and firm commitments	34	32
Debt	436	531
Finance lease obligations	52	68
Operating lease obligations	16	17
Total current liabilities	2,359	2,727
Long-term liabilities:		
Finance lease obligations	178	172
Operating lease obligations	45	55
Pension and other retiree benefits	2,964	2,937
Deferred income taxes	3	3
Other long-term liabilities	441	396
Total long-term liabilities	3,631	3,563
Total liabilities	5,990	6,290
Parent equity:		
Net parent investment	6,250	6,248
Retained deficit	(5,031)	(4,329)
Accumulated other comprehensive income	1,171	1,189
Total parent equity	2,390	3,108
Total liabilities and parent equity	$ 8,380	$ 9,398

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

UNAUDITED CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS

ARCELORMITTAL USA LLC and Affiliates

	(In Millions)	
	Nine Months Ended September 30,	
	2020	2019
Net sales	$ 5,629	$ 8,001
Costs and expenses:		
Cost of sales, excluding depreciation and amortization	(5,794)	(7,448)
Selling, general and administrative expenses	(243)	(283)
Other operating income	18	55
Depreciation and amortization	(309)	(262)
Asset impairments	(26)	—
Total	(6,354)	(7,938)
Operating income (loss)	(725)	63
Other income (expense):		
Non-operating postretirement benefit expense	(34)	(44)
Interest and other financing expense, third party	(50)	(81)
Interest income, related party	103	110
Interest income, third party	1	6
Total	20	(9)
Income (loss) before income taxes	(705)	54
Benefit for income taxes	3	—
Net income (loss)	$ (702)	$ 54

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

UNAUDITED CONDENSED COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ARCELORMITTAL USA LLC and Affiliates

	(In Millions)	
	Nine Months Ended September 30,	
	2020	2019
Net income (loss)	$ (702)	$ 54
Other comprehensive income (loss):		
Pension and Other Postretirement Employee Benefits:		
Net actuarial gains arising during the period	(9)	2
Amortization of net actuarial losses and prior service recognized in earnings	13	(14)
Net	4	(12)
Derivative financial instruments designated as cash flow hedges:		
Change in value during the period	(28)	80
Recognized in earnings	6	36
Net	(22)	116
Total other comprehensive income (loss)	(18)	104
Comprehensive income (loss)	$ (720)	$ 158

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

UNAUDITED CONDENSED COMBINED CONSOLIDATED STATEMENTS OF PARENT EQUITY

ARCELORMITTAL USA LLC and Affiliates

	Net Parent Investment	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Parent Equity
Balance at December 31, 2019	$ 6,248	$ (4,329)	$ 1,189	$ 3,108
Net loss	—	(702)	—	(702)
Other comprehensive loss	—	—	(18)	(18)
Stock based compensation	2	—	—	2
Balance at September 30, 2020	$ 6,250	$ (5,031)	$ 1,171	$ 2,390

	Net Parent Investment	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Parent Equity
Balance at December 31, 2018	$ 6,248	$ (4,250)	$ 938	$ 2,936
Net income	—	54	—	$ 54
Other comprehensive income	—	—	104	104
Stock based compensation	2			2
Balance at September 30, 2019	$ 6,250	$ (4,196)	$ 1,042	$ 3,096

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

UNAUDITED CONDENSED COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS

ARCELORMITTAL USA LLC and Affiliates

	(In Millions)	
	Nine Months Ended September 30,	
	2020	2019
Operating activities:		
Net income (loss)	$ (702)	$ 54
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	309	262
Deferred employee benefit costs	93	93
Stock compensation	2	2
Asset impairments	26	—
Undistributed earnings from joint ventures	(13)	(14)
Loss on firm commitments	3	59
Other non-cash operating expenses	50	44
Change in operating assets and liabilities:		
Receivables	(3)	31
Inventories	310	203
Prepaid expenses and other assets	(7)	(5)
Accounts payable	(56)	(322)
Payables to and receivables from related companies	(168)	(134)
Deferred employee benefit payments	(62)	(77)
Change in operating lease liabilities	(12)	(13)
Accrued expenses and other liabilities	(27)	(118)
Net cash provided by (used in) operating activities	(257)	65
Investing activities:		
Capital expenditures	(218)	(262)
Decrease in note receivable from related companies	330	10
Investment in, advances to and distributions from joint ventures, net	6	3
Proceeds from sale of property, plant and equipment and joint venture	5	46
Decrease (increase) in other assets and other deposits, net	301	(39)
Net cash provided by (used in) investing activities	424	(242)
Financing activities:		
Proceeds from asset backed bank loan	290	300
Payments of asset backed bank loan	(290)	(300)
Payments of finance leases	(47)	(39)
Payable to banks	(83)	193
Deferred financing costs	—	(5)
Net cash provided by (used in) financing activities	(130)	149
Net change in cash and cash equivalents	37	(28)
Cash and cash equivalents — beginning of period	31	96
Cash and cash equivalents — end of period	$ 68	$ 68
Supplemental disclosures of noncash operating, investing and financing activities:		
Capital expenditures included in accounts payable	$ (105)	$ (47)
Finance lease obligations	38	—
Reclassification from supplier payable to debt	(95)	193
Cash paid during the year for:		
Interest (net of amount capitalized)	$ 28	$ 33
Income taxes (received) paid, net	(3)	(1)

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

Notes to Unaudited Condensed Combined Consolidated Financial Statements

ARCELORMITTAL USA LLC and Affiliates

NOTE 1 - NATURE OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These unaudited condensed combined consolidated financial statements are for ArcelorMittal USA LLC and Affiliates (ArcelorMittal USA LLC and several sister companies, collectively; ArcelorMittal USA, the Company, our, or we) that are part of a definitive transaction agreement to be sold to Cleveland-Cliffs Inc. In addition to ArcelorMittal USA LLC, these unaudited condensed combined consolidated financial statements include ArcelorMittal Monessen LLC (ArcelorMittal Monessen), ArcelorMittal Ontario G.P. (ArcelorMittal Ontario), and ArcelorMittal Princeton. ArcelorMittal USA LLC is an indirect wholly owned subsidiary of ArcelorMittal S.A. (ArcelorMittal), Ispat Inland S.a.r.l., ArcelorMittal USA Holdings LLC, ArcelorMittal Holdings LLC, and ArcelorMittal North America Holdings LLC and a direct subsidiary of ArcelorMittal USA Holdings II LLC. ArcelorMittal Princeton is comprised of ArcelorMittal Princeton, Inc. and its sister companies: Extra Energy, Inc.; XMV, Inc.; Mid Vol Coal Sales, Inc.; Black Wolf Mining Company; The Ridge Land Company; Twin State Mining, Inc.; Prime Processing, Inc.; and Imperial Resources, LLC. ArcelorMittal USA LLC, ArcelorMittal Monessen, ArcelorMittal Ontario, and ArcelorMittal Princeton are under common ownership and common management as they are all direct subsidiaries of ArcelorMittal USA Holdings II LLC.

Basis of Presentation

These unaudited condensed combined consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All intercompany accounts and transactions have been eliminated in combination and consolidation. Investments in joint ventures are accounted for under the equity method of accounting except Hibbing Taconite, which is proportionally consolidated.

We have evaluated subsequent events through February 8, 2021, the date the unaudited condensed combined consolidated financial statements were issued or available to be issued. We have concluded that no material events or transactions took place through this date. In early 2020, there was a global pandemic of the Coronavirus (COVID-19). The pandemic has seriously disrupted business throughout the world and had and continues to have an adverse impact on the Company's results. This disruption presents significant uncertainty and risk that may significantly impact the Company's future performance. At this time, we are unable to estimate the impact the pandemic will have on our financial statements.

On September 28, 2020, ArcelorMittal S.A. and Cleveland-Cliffs, Inc. announced that they had entered into a definitive agreement for Cleveland-Cliffs to purchase substantially all of ArcelorMittal USA LLC and the other ArcelorMittal entities included in these unaudited condensed combined consolidated financial statements. The transaction closed on December 9, 2020. Prior to the transaction closing, ArcelorMittal USA LLC and ArcelorMittal USA Holdings II merged, with ArcelorMittal USA LLC being the surviving entity. Additionally, ArcelorMittal USA LLC settled various related party balances with ArcelorMittal S.A. entities that were not part of the transaction. In anticipation of the transaction, ArcelorMittal USA LLC canceled its asset backed lending agreement. Subsequent to the transaction, it became a party to an asset backed lending agreement of Cleveland-Cliffs. Most subsidiaries of ArcelorMittal USA LLC provided guarantees under this agreement and its inventory was pledged as collateral.

The preparation of unaudited condensed combined consolidated financial statements in conformity with accounting principles generally accepted in the United States of America and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations, comprehensive income (loss), cash flows and changes in equity for the periods presented. The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the amounts reported in the unaudited condensed combined consolidated financial statements and accompanying notes. Actual results could differ from these estimates. There have been no material changes in our significant accounting policies and estimates from those disclosed in our 2019 ArcelorMittal USA LLC and Affiliates combined consolidated financial statements.

Nature of Business

ArcelorMittal USA LLC is a domestic manufacturer of light flat-rolled, plate, and rail steel products whose customers are located primarily in the United States. It was formed by the merger of International Steel Group Inc. (ISG) and Ispat Inland Inc. (Inland). ISG was formed by a series of acquisitions that brought together the steel producing assets of The LTV Corporation (LTV), Acme Steel Corporation (Acme), Bethlehem Steel Corporation (Bethlehem), and Weirton Steel Corporation (Weirton). We primarily serve the automotive, energy, appliance, transportation, machinery and construction markets, either directly or through steel service centers. ArcelorMittal

Monessen operates a coke oven battery in Pennsylvania. ArcelorMittal Ontario purchases steel from ArcelorMittal USA LLC for import into Canada. ArcelorMittal Princeton operates several coal mines. No single customer represents more than 10% of our total combined revenues. Export sales were $185 and $271 for the Nine Months Ended September 30, 2020 and September 30, 2019 respectively. Steel shipments by product follow:

	2020	2019
Hot Rolled	40 %	38 %
Cold Rolled	21 %	22 %
Coated	16 %	18 %
Plate	10 %	9 %
Tin Plate	3 %	2 %
Bars, Rail and Other	10 %	11 %
	100 %	100 %

Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASUs) to the FASB's Accounting Standards Codification (ASC). We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be not applicable.

In June 2016, the FASB issued ASU No. 2016-13, *Credit Losses*. This ASU, as amended, changes the recognition for credit losses from an "incurred loss" model to an "expected loss" model. In November 2019 the FASB issued ASU 2019-10 which deferred the effective date of this standard. We must adopt the new standard in 2023. This standard could potentially affect how we determine the amount of our allowance for doubtful accounts. We have evaluated the impact of adoption and determined it is not material.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement — Changes to the Disclosure Requirements for Fair Value Measurement* . The new standard removes or modifies certain existing disclosure requirements and adds additional disclosure requirements related to fair value measurement. This ASU was effective on January 1, 2020. The adoption did not have an impact on the Company's financial position, results of operations or cash flows, or the disclosures made for fair value measurements used by the Company.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes — Simplifying the Accounting for Income Taxes* . This standard eliminates the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and an income or gain from other items such as other comprehensive income. We recognized such an allocation between the statements of operations and statements of comprehensive income in 2019. The ASU also specifies that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate unaudited condensed combined consolidated financial statements. However, an entity may elect to do so (on an entity-to-entity basis) for an entity that is not subject to tax and disregarded by the taxing authority. ArcelorMittal USA LLC is such an entity. This ASU is effective for us as January 1, 2022 but can be adopted early. We are still evaluating the impact of the standard and what elections to apply.

NOTE 2 - SUPPLEMENTAL INFORMATION

Receivables

We are participants in a renewable factoring agreement with a financial institution under which (i) certain subsidiaries of the Company sell their accounts receivables to the Company and (ii) the financial institution is entitled to buy eligible accounts receivables from the accounts receivables originated or bought by the Company and the accounts receivables originated by certain other subsidiaries of ArcelorMittal. Such agreement provides for a maximum of $1,025 of sold accounts receivables outstanding, at any time, shared between the Company and two related parties. The financial institution buys these receivables without recourse to the seller. Accordingly, when sold, the receivables are removed from our books. Loss on sales of receivables has been included in the unaudited condensed combined consolidated statements of operations within the line interest and other financing expense, third party.

The following is a summary of our receivable balances during the period:

	(In Millions) Nine Months Ended September 30,	
	2020	2019
Nominal amount of receivables sold	$ 4,842	$ 6,351
Proceeds from sales	4,829	6,325
Loss on sales	13	26

	(In Millions)	
	September 30, 2020	December 31, 2019
Amount outstanding under the arrangement at period-end	551	570

Inventories

The following table presents the detail of our *Inventories*:

	(In Millions)	
	September 30, 2020	December 31, 2019
First In First Out (FIFO) or average cost:		
Raw materials	$ 725	$ 803
Finished and semi-finished goods	1,040	1,463
	1,765	2,266
LIFO reserve	(437)	(625)
Total	$ 1,328	$ 1,641

There was a LIFO inventory liquidation of $293 and $170 for the nine months ended September 30, 2020 and 2019, respectively.

Property, Plant and Equipment

We recognized an impairment loss related to PP&E of $26 and zero for the nine months ended September 30, 2020 and 2019, respectively. See Note 3, Impairment Losses. The components of PP&E, net follow:

	(In Millions)	
	September 30, 2020	December 31, 2019
Land	$ 200	$ 200
Buildings, mineral reserves and land improvements	652	649
Machinery and equipment	7,030	6,938
Construction in progress	229	309
Total	8,111	8,096
Accumulated depreciation	(4,542)	(4,336)
Total property, plant and equipment, net	$ 3,569	$ 3,760

Deferred Gain

Prior to 2015, we were subject to a global cost sharing agreement with related parties, under which we received an allocation of costs associated with the development and use of certain intellectual property. Effective January 1, 2015, we sold our rights to use this intellectual property to a related party for proceeds of $229. Also effective January 1, 2015, we entered into an Industrial Franchise Agreement (IFA) under which we pay a royalty to a related party for, among other things, continued use of the intellectual property developed under the cost sharing agreement as well as any newly created intellectual property. As a result of our continued use of the intellectual property, we deferred the gain and amortized it over the 5-year life of the IFA. We recognized the final amount of the deferred gain of $46 in 2019, $34 million of which was recognized in the first nine months of 2019. These gains were recorded as a reduction of royalty expense incurred under the IFA which is recorded in selling, general and administrative expenses on the statement of operations.

NOTE 3 - IMPAIRMENT LOSSES

In June 2020, we indefinitely idled our hot dipped coating line in Columbus, Ohio. Accordingly, we recognized an impairment loss of $26 during the nine months ended September 30, 2020. The assets were written down to their estimated salvage value. Since these valuations had significant unobservable inputs, they are described as Level 3 in the accounting literature. See Note 7, Derivative Instruments and Hedging Activity for a description of the three-level fair value hierarchy.

NOTE 4 - JOINT VENTURES

Name	Ownership Percentage	Description
Double G Coatings	50.0%	270,000 ton capacity sheet coating line producing galvanized and Galvalume.
Hibbing Taconite	62.3%	Mine and pelletizing plant.
I/N Kote	50.0%	1.0 million ton capacity sheet coating facility.
I/N Tek	60.0%	1.7 million ton capacity cold-rolling mill.
PCI Associates	50.0%	Pulverized coal injection facility.

We account for our joint ventures under the equity method except for Hibbing Taconite. Because we own an undivided interest in each asset and are liable for our share of each liability, we proportionally consolidate Hibbing Taconite.

In 2017, we sold our interest in Empire Iron Mining, with a carrying value of zero, to our partner in the joint venture for $133, resulting in a gain for that amount. Our former partner paid for the purchase of three annual installments of about $44 of which the final amount was received in 2019.

We do not exercise control over I/N Tek, as all significant management decisions of the joint venture require agreement by both partners. Due to this lack of control, we account for our investment in I/N Tek under the equity method.

Most of these joint ventures provide services to our operations. They bill for these services at cost or some other contractual rate that may not reflect the market rate for these services. We recorded income of $40 and $48 for the nine months ended September 30, 2020 and 2019, respectively, for our share of earnings in the joint ventures as

a reduction to cost of sales. A summary of combined financial information for joint ventures accounted for under the equity method follows:

	(In Millions)	
	Nine Months Ended September 30,	
	2020	2019
Results for the year:		
Gross revenue	$ 395	$ 512
Costs and expenses	328	427
Net income	$ 67	$ 85

	(In Millions)	
	September 30, 2020	December 31, 2019
Financial position at period end:		
Current assets	$ 208	$ 172
Total assets	432	395
Current liabilities	80	61
Total liabilities	210	206
Net assets	$ 222	$ 189

NOTE 5 - DEBT

	(In Millions)	
	September 30, 2020	December 31, 2019
Supplier payables with extended terms	$ 436	$ 531

Related party debt is zero as of September 30, 2020 and December 31, 2019.

All debt is classified as current.

We have short-term forfaiting arrangements with several suppliers. Instead of paying suppliers at the invoice due date, we sign a bill of exchange, which is a negotiable instrument. A supplier then sells this negotiable instrument to a bank. We pay the bill of exchange plus interest at a later date when it is presented by the bank. The interest rate associated with this extended term arrangement is LIBOR plus a margin (1.65% to 3.50%).

In 2016, the Company signed a $1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. This agreement was renewed in 2019 and now matures on August 21, 2024. In connection with the extension we paid fees of $5 which are being amortized over the life of the facility and included in other assets on our combined balance sheets. Borrowings under the facility are secured by inventory and certain other working capital and related assets of certain ArcelorMittal USA subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. No amounts were outstanding under this facility at September 30, 2020 and December 31, 2019. The Company incurred costs of $7 and $6 for the nine months ended September 30, 2020 and 2019, respectively, related to this facility

Interest costs incurred totaled $41 and $48 for the nine months ended September 30, 2020 and 2019, respectively, of which, $5 and $3 was capitalized for the nine months ended September 30, 2020 and 2019, respectively.

Based on the borrowing rates currently available to us, and other available information, the carrying value of debt approximated fair value.

NOTE 6 - RELATED PARTY BALANCES AND TRANSACTIONS

	(In Millions)	
	September 30, 2020	December 31, 2019
Current receivables:		
Short term loan receivable with ArcelorMittal Treasury	$ 246	$ 546
Trade and interest receivables with ArcelorMittal subsidiaries	252	616
Receivable with AM/NS Calvert	5	4
Receivable with I/N Tek	1	1
Receivable with I/N Kote	7	2
Current receivables from related companies	$ 511	$ 1,169
Long-term receivables:		
Loans with ArcelorMittal Holdings LLC and ArcelorMittal USA Holdings II LLC	$ 2,358	$ 2,263
Current payables:		
Short term loan payable with ArcelorMittal Treasury	$ 12	$ —
Trade payables with ArcelorMittal subsidiaries	309	390
Loans with ArcelorMittal Holdings LLC and ArcelorMittal USA Holdings II LLC	145	145
Payable with AM/NS Calvert	22	15
Payable with I/N Tek	45	50
Payable with I/N Kote	32	15
Payables to related companies	$ 565	$ 615

	(In Millions)	
	Nine Months Ended September 30,	
	2020	2019
Interest income on notes receivable from related companies	$ 103	$ 110
ArcelorMittal charges for management, financial and legal services	98	138
Research and development fees from subsidiaries of ArcelorMittal	25	31
Gain on sale of right to use intellectual property	—	34
ArcelorMittal USA and affiliates purchases of inventory from subsidiaries of ArcelorMittal	7	57
ArcelorMittal USA and affiliates sales of inventory to subsidiaries of ArcelorMittal	464	702
Sales to I/N Kote	154	249
Tolling with I/N Tek	108	123
Sales commission with AM/NS Calvert	17	25

Our I/N Kote joint venture is required to buy all of its cold rolled steel from ArcelorMittal USA. We also have rights to the productive capacity of the I/N Tek facility, except in certain limited circumstances, and under a tolling arrangement, have an obligation to use the facility for the production of cold rolled steel.

ArcelorMittal USA participates in a cash pooling arrangement with ArcelorMittal Treasury Americas. Available cash from several companies within the ArcelorMittal group is concentrated globally to maximize interest returns. Cash is transferred to and from the pooling account based on local availability and requirements.

NOTE 7 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITY

In connection with the purchasing of natural gas and certain metals, primarily zinc, for anticipated manufacturing requirements, we enter into forward swap contracts for these commodities to reduce the effect of price fluctuations. We have elected to account for these forward swap contracts as cash flow hedges. We have an iron ore supply contract which contains an embedded derivative based on a domestic steel price index. We have designated the embedded derivative as a cash flow hedge of the contractually specified index price risk associated with our forecasted steel sales. We do not hold derivative instruments for trading purposes. Accounting rules require that we recognize all derivative instruments at fair value and that the entire gain or loss included in the assessment of hedge effectiveness of the derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of comprehensive income and be reclassified into earnings in the same line item and in the same period or periods during which the hedged transaction affects earnings.

The fair value of our derivative instruments and the classification on the balance sheet follows:

	(In Millions)			
	Derivative Assets			
	September 30, 2020		December 31, 2019	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments designated as cash flow hedges:				
Base metal contracts (primarily zinc)	Prepaid expenses and other	$ —	Prepaid expenses and other	$ —
Total derivatives designated as hedging instruments		$ —		$ —
Derivative instruments not designated as hedging instruments:				
Base metal contracts (primarily zinc)	Prepaid expenses and other	$ 1	Accrued expenses and other liabilities	$ —
Total derivatives not designated as hedging instruments		$ 1		$ —
Total derivative assets		$ 1		$ —

	(In Millions)			
	Derivative Liabilities			
	September 30, 2020		December 31, 2019	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments designated as cash flow hedges:				
Base metal contracts (primarily zinc)	Accrued expenses and other liabilities	$ —	Accrued expenses and other liabilities	$ 2
Base metal contracts (primarily zinc)	Other long-term liabilities	1		—
Iron ore supply contract	Accrued expenses and other liabilities	47	Accrued expenses and other liabilities	39
Iron ore supply contract	Accounts payable	19	Accounts payable	—
Iron ore supply contract	Other long-term liabilities	143	Other long-term liabilities	138
Total derivatives designated as hedging instruments		$ 210		$ 179
Derivative instruments not designated as hedging instruments:				
Base metal contracts (primarily zinc)	Accrued expenses and other liabilities	$ —	Accrued expenses and other liabilities	$ 1
Iron ore supply contract	Accounts payable	4	Accounts payable	11
Total derivatives not designated as hedging instruments		$ 4		$ 12
Total derivative liabilities		$ 214		$ 191

The effect of derivative instruments on the unaudited condensed combined consolidated statements of operations follows:

	Amount of Gain or (Loss) Recognized in OCI on Derivative		Location of Gain or (Loss) Reclassified from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2020	2019		2020	2019
Derivatives Designated in Cash Flow Hedging Relationships:					
Base metal contracts	(2)	(3)	Cost of Sales	(4)	(1)
Iron ore supply contract	(26)	83	Sales	(2)	(35)
Total	$ (28)	$ 80		$ (6)	$ (36)

No amounts were excluded from the assessment of hedge effectiveness.

	Location of Gain or (Loss) Reclassified from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
		Nine Months Ended September 30,	
		2020	2019
Derivatives not designed in a hedging relationship:			
Iron ore supply contact	Other operating income	(10)	33
Total		$ (10)	$ 33

Outstanding notional amounts under commodity forward contracts that were entered into to hedge forecasted purchases and under other commodity supply contracts that are designated as a hedge against forecasted sales and are accounted for as cash flow hedges at September 30, 2020 follows:

Commodity	**Notional Amount**
Base metal contracts	8,106 Metric Tons
Iron ore supply contract	47,488,000 Net Tons

Outstanding notional amounts under derivative contracts that were not designated as hedges at September 30, 2020 follows:

Commodity	**Notional Amount**
Base metal contracts	4,717 Metric Tons
Iron ore supply contract	3,805,610 Net Tons

In some cases, our International Swaps and Derivatives Association (ISDA) contracts contain cross default provisions that could constitute a credit risk related contingent feature. These provisions apply if we default in making timely payments on outstanding indebtedness and the amount of the default is above certain predefined thresholds. If an event of cross default occurs, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative liability position. At September 30, 2020, we do not have any credit risk related to this contingent feature as all derivative contracts are with ArcelorMittal Treasury SNC, a subsidiary of our parent company.

For derivatives designated as cash flow hedges, we formally assess hedge effectiveness of our hedging relationships both at hedge inception and on an ongoing basis. The derivative gain or loss on base metal and natural gas contracts are recorded in other comprehensive income and is then reclassified to cost of sales in the same period we record the hedged raw material requirements in cost of sales. The amount of net losses on these cash flow hedging derivatives expected to be reclassified from other comprehensive income to cost of sales over the next twelve months is zero as of September 30, 2020. The maximum maturity of these cash flow derivatives in place at September 30, 2020 is December 31, 2022.

We are a party to an iron ore supply agreement that contains a special payment provision based on a domestic steel price index. We concluded that this payment feature was an embedded derivative not clearly and closely related to the host contract and is required to be accounted for separately as a free-standing derivative. We designated a portion of the embedded derivative as a cash flow hedge of the contractually specified hot-rolled coiled steel index price risk associated with our forecasted steel sales. We establish the fair value of the special payment by comparing the current forecasted domestic steel price to the projected domestic steel price at the inception of the contract. The derivative gain or loss on the embedded derivative designated as a cash flow hedge is recorded in other comprehensive income and is then reclassified to sales in the same period as we record the hedged sales. The amount of net losses on this cash flow hedge expected to be reclassified from other comprehensive income to sales over the next twelve months is $41 as of September 30, 2020. The maximum maturity of this cash flow derivative in place at September 30, 2020 is December 31, 2026.

If it becomes probable that a forecasted transaction will no longer occur, future gains or losses on the derivative are recorded in cost of sales or in other operating expense. The amount of losses reclassified from equity into earnings, from the discontinuance of cash flow hedges was zero for the nine months ended September 30, 2020 and 2019.

We hold certain derivatives to minimize the price risk for certain commodities for which we did not elect hedge accounting treatment. If no hedging relationship is designated, changes in the derivative’s fair value are recognized immediately in income. The impact to earnings was zero for the nine months ended September 30, 2020 and 2019.

Certain of our commodity purchase and sales contracts meet the definition of a derivative. These contracts are not required to be recorded at fair value if they qualify for the normal purchase normal sales (NPNS) exception as elected by the Company. We recognize the revenues and expenses on contracts that qualify for the NPNS exception when the underlying physical transaction is delivered. While these contracts are considered derivative financial instruments, they are not recorded at fair value, but on an accrual basis of accounting. If it was determined that a transaction designated as NPNS no longer meets the scope exception, the fair value of the related contract would be recorded on the balance sheet and immediately recognized through earnings.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We value our commodity swaps, classified as Level 2, using a market-based approach based upon quoted prices for similar assets and liabilities in active markets. Physical commodity purchase contracts that are required to be recorded at fair value are valued using a market-based approach based on management’s best estimate of unobservable forward market prices. These contracts are classified as Level 3.

The fair value hierarchy for our financial assets and liabilities accounted for at fair value and non-financial assets and liabilities accounted for at fair value on a recurring basis follows:

	Level 1	Level 2	Level 3	Total
September 30, 2020				
Assets:				
Commodity derivatives	$ —	$ 1	$ —	$ 1
Liabilities:				
Commodity derivatives	$ —	$ 1	$ 213	$ 214
December 31, 2019				
Liabilities:				
Commodity derivatives	$ —	$ 3	$ 188	$ 191

The derivative values above are based on an analysis of each contract as the unit of account as required by current accounting rules. Therefore, derivative assets and liabilities with the same counterparties are not netted.

There were no transfers between any levels of the fair value hierarchy during the nine months ended September 30, 2020, nor any purchase or issues of Level 3 assets or liabilities.

Gains and losses included in earnings are reported in sales and in other operating income. For the nine months ended September 30, 2020, a loss of $2 was recorded in sales and a loss of $10 was recorded in other operating income. Unrealized gains and losses included in earnings included a loss of $2 reported in sales and a loss of $32 reported in other operating income.

NOTE 8 - CONTINGENCIES

We are subject to various legal actions and contingencies in the normal course of conducting business. We recognize liabilities for such matters when a loss is probable and the amount can be reasonably estimated. The effect of the ultimate outcome of these matters on future results of operations and liquidity cannot be predicted with certainty. While the resolution of these matters may have a material effect on the results of operations and cash flows of a particular quarter or year, we believe that the ultimate resolution of such matters in excess of liabilities recorded will not have a material effect on our competitive position in the steel industry or financial position.

Other contingent liabilities arise periodically in the normal course of business. In the opinion of management, any such unrecognized matters that are reasonably possible at September 30, 2020, would not have a material effect on our financial position, results of operations or cash flows.

NOTE 9 - PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

The following are the components of defined benefit pension and other postretirement benefit plans costs (credits):

	(In Millions)			
	Defined Benefit Pension Costs (Credits)		Other Postretirement Benefit Plans	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Service cost	$ 21	$ 19	$ 33	$ 30
Interest cost	75	96	72	92
Expected return on plan assets	(111)	(113)	(15)	(16)
Amortization:				
Net actuarial loss (gain)	64	36	(10)	(11)
Prior service cost (credit)	4	4	(44)	(44)
Special termination benefits	2	—	3	—
Net periodic benefit cost	$ 55	$ 42	$ 39	$ 51

For the nine months ended September 30, 2020 we recognized special termination benefits related to the accelerated vesting of certain employees because of the closure of our Columbus Coatings operations.

NOTE 10 - INCOME TAXES

Our 2020 estimated annual effective tax rate before discrete items as of September 30, 2020 is -0.06%. The estimated annual effective tax rate differs from the U.S. statutory rate of 21.0% primarily due to the deduction for percentage depletion in excess of cost depletion related to our mining operations. The Company's valuation allowance position minimizes movement in deferred taxes. The 2019 estimated annual effective tax rate before discrete items as of September 30, 2019 was 0.0%. The decrease in the estimated annual effective tax rate before discrete items is driven primarily by the difference in forecast pre-tax book loss in comparison to the nine months ended September 30, 2019 book income of $54 and the impact it has on the relative magnitude of reconciling items of similar amounts from year to year, such as depletion. As of September 30, 2020, there are no open tax periods.

For the nine months ended September 30, 2020 and 2019, we recorded discrete items that resulted in an income tax benefit of $3 and $0, respectively. The discrete adjustments are primarily related to the refunds received during the year of amounts sequestered by the Internal Revenue Service on previously filed AMT credit refund claims.

NOTE 11 - COMMITMENTS

We have entered into various agreements in which we are obligated to make payments under contractual purchase commitments, including unconditional purchase obligations. Most of these commitments relate to services, utilities, natural gas transportation, industrial gases and certain raw materials. Based upon prices in effect at September 30, 2020, firm commitments relating to these agreements follow:

2020 (remaining period of year)	$	819
2021		1,710
2022		1,049
2023		934
2024		656
2025		596
Thereafter		479
Total	$	6,243

We recorded a loss of $3 and $59 for the nine months ended September 30, 2020 and 2019, respectively, on firm sales and purchase commitments within cost of sales.

Letters of credit totaling $76 and $67 were outstanding at September 30, 2020 and December 31, 2019, respectively, related to certain obligations, including insurance liabilities, operating expenses and environmental obligations.

NOTE 12 - ENVIRONMENTAL MATTERS AND ASSET RETIREMENT OBLIGATIONS

We are subject to changing and stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of environmental media such as soils and groundwater. If, in the future, we are required to investigate and remediate any currently unknown contamination or new information is obtained about required remediation activities at a site which we own, we could be required to record additional liabilities. The activity associated with these liabilities follow:

The following is a summary of our environmental and asset retirement obligations:

	(In Millions)			
	Environmental Liabilities		Asset Retirement Obligations	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Total Balance	$ 112	$ 118	$ 79	$ 76
Less current portion	9	12	2	2
Long-term portion	$ 103	$ 106	$ 77	$ 74

Current portion of environmental liabilities and asset retirement obligations are included in accrued expenses and other liabilities, while the long-term portion is included in other long-term liabilities on the unaudited condensed combined consolidated balance sheets.

The following is a roll forward of our environmental and asset retirement obligation liabilities:

	(In Millions)			
	Environmental Liabilities		Asset Retirement Obligations	
	2020	2019	2020	2019
Liability as of January 1	$ 118	$ 121	$ 76	$ 75
Accretion and changes in estimates and timing of spending	8	6	3	2
Spending	(14)	(9)	—	(1)
Liability of September 30	$ 112	$ 118	$ 79	$ 76

Under the Resource Conservation and Recovery Act (RCRA) and similar U.S. state programs, the owners of certain facilities that manage hazardous wastes are required to investigate and, if appropriate, remediate historic environmental contamination found at such facilities. All of our major operating and inactive facilities are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties, also known as brownfield projects.

In 2006, the U.S. Environmental Protection Agency (EPA) and New York State Department of Environmental Conservation (DEC), who have been delegated authority for RCRA Corrective Actions, conditionally approved a RCRA Facilities Investigation (RFI) related to our properties in Lackawanna, New York, a former integrated steel mill. EPA subsequently vacated the EPA Administrative Order for the RCRA RFI. In 2009, we entered into an Order on Consent with DEC to complete a Corrective Measures Study (CMS) and perform corrective actions on some or all of the remaining solid waste management units (SWMUs) and water bodies. The final CMS was submitted to DEC in October 2014 and is pending DEC action. Corrective actions implemented by ArcelorMittal USA since 2009 included installation and operation of a ground water treatment system, dredging of a local waterway known as Smokes Creek, construction of an on-site slurry wall and geosynthetic containment system with a groundwater collection and treatment system and excavation stabilization and consolidation of wastes into the containment system. We have recorded liabilities of $25 for the future cost of performing anticipated remediation and post remediation activities that will be completed over a period of 15 years or more. The amounts are based on the extent of soil and groundwater contamination identified by the RFI and the remedial measures recommended in the CMS, including excavation and consolidation of containments in an on-site landfill and expansion of groundwater pump and treatment systems.

We are required to prevent acid mine drainage from discharging to surface waters at several closed mining operations in southwestern Pennsylvania. In 2003, we entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the PaDEP) requiring submission of an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. In 2004 and 2012, we entered into revised Consent Order and Agreements outlining a schedule for implementation of capital

improvements and requiring the establishment of a treatment trust with a target value that the PaDEP estimated to be the net present value of all future treatment costs. We have been funding the treatment trust and have reached the target value, which is based on average spending over the last three years. The trust has a fair value of $51 at September 30, 2020. We can be reimbursed from the treatment trust fund for the continuing cost of treatment of acid mine drainage. The total recorded liability for these treatment costs is $28.

We own a large former steelmaking site in Johnstown, Pennsylvania. The site has been razed and there are a number of historic waste disposal units, including solid and hazardous waste landfills located at the site that are subject to closure and other regulations by PaDEP. There were also historic steel and coke-making operating locations at the Johnstown site that may have caused soil and/or groundwater contamination. Although potentially subject to RCRA corrective action or similar state authority no formal demand has been made by either U.S. federal or state authorities and there are limited investigations of the site. We have recorded liabilities for costs associated with future landfill closure, site investigations and probable remediation at this facility of $8.

In 1993, our Indiana Harbor facility entered into a Consent Decree with the EPA, which, among other things, requires facility-wide RCRA Corrective Action and sediment remediation in the adjacent Indiana Harbor Ship Canal. The U.S. Army Corp of Engineers is engaged in a multi-year project to dredge the Indiana Harbor Ship Canal. We fund a trust to reimburse the Corp of Engineers for these efforts. We estimate future costs of $8 for sediment remediation and $3 for RCRA Corrective Action at this site. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor, but the potential costs of any such remediation cannot yet be reasonably estimated.

The portion of our Indiana Harbor facility that was formerly owned by LTV is subject to an EPA 3013 Administrative Order investigation plan to assess soil and groundwater conditions associated with 14 solid waste management units approved by the EPA in 2005. Although localized remediation activities have been conducted at this facility, additional remediation may be required after the investigation of these solid waste management units has been completed. We cannot yet reasonably estimate the cost of required remediation or monitoring, if any, that may result from this investigation.

At our Burns Harbor, Indiana facility, an RFI was completed in accordance with an EPA approved work plan. Based on the results of the investigation, we do not believe there will be any substantial remediation required to complete the corrective action process at the facility; however, it is likely that we will incur future costs primarily related to long term post-closure care including groundwater monitoring. Historic air pollution control dusts and sludges were relocated into an on-site permitted landfill. This landfill is used to contain newly generated material and will have future closure and post closure care obligations. The total recorded liability related to these matters is $8.

Our Cleveland, Ohio facility may be subject to RCRA corrective action or remediation in the future. An integrated steel facility has operated on the property since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation pursuant to the RCRA corrective action program or similar state programs. No RCRA corrective action has been formally ordered at the Cleveland facility by either U.S. federal or state authorities. However, we have initiated site investigation activities at portions of our facility under Ohio EPA oversight consistent with the RCRA corrective action program and continue discussions with the Ohio EPA about certain limited and localized remediation activities that have been or will be conducted. These remediation activities include two permitted solid waste landfills at the site that will require the future installation of an engineered capping system for closure and post-closure care including groundwater monitoring. The total recorded liability related to these matters is $8.

Our Weirton, West Virginia facility has been subject to a RCRA corrective action related consent decree since 1996. This requires the facility to conduct investigative activities to determine the nature and extent of hazardous substances that may be located on the facility's property and to evaluate and propose corrective measures needed to abate unacceptable risks. Areas within the facility's property have been prioritized. Investigation of the two highest priority areas and closure of the surface impoundment has been completed. Investigation of the remaining areas and continuing remediation are underway. We are in communication with the U.S. EPA and West Virginia Department of Environmental Protection regarding other potential RCRA concerns at the site. The recorded liability for the cost of investigative, remediation and closure activities is $3.

Our Minorca Mine (Minorca), through the Environmental Impact Statement process, has a reclamation plan on file with the state of Minnesota. Each year the Minnesota Department of Natural Resources requires Minorca to submit an annual mining and reclamation summary for the year just completed and to provide mining and reclamation plans for the coming year. When possible, Minorca reclaims abandoned areas yearly. Currently we expect little or no environmental remediation at the time of closure of the mine. The recorded liability for these future reclamation costs is $9. We also recognize our share related to reclamation and closure of the Hibbing Taconite joint venture. The total

recorded liability for these closure costs is $28. Additionally, we have $23 recognized for the closure of various coal mines operated by ArcelorMittal Princeton.

We have recognized liabilities of $31 to address the removal and disposal of thermal asbestos material and polychlorinated biphenyls (PCB) over the next 30 years. We have additional asbestos in our facilities in the form of sheeting or other construction materials used in our buildings. Because this asbestos is not exposed or can be managed through normal maintenance, we are not required to remove this material and would not be required to do so until we demolish the buildings. We have buildings of varying ages in our facilities, some over 100 years old. We plan to continue to use these buildings indefinitely and are unable to estimate when we would demolish the buildings and remove the associated asbestos. Therefore, no amounts have been accrued for the removal of this form of asbestos.

There are a number of other facilities and properties that we own across the United States which may present incidental environmental liabilities. The total liabilities recorded for these future investigations and probable remediation are $6 .

In 2006, the U.S. EPA Region V issued ArcelorMittal USA's Burns Harbor, Indiana facility a Notice of Violation (NOV) alleging multiple violations of the Clean Air Act's Prevention of Significant Deterioration (PSD) air permit requirements based on alleged failures dating back to early 1994. Based on recent court decisions and ongoing negotiations with the EPA, it is very likely that the EPA will not enforce the alleged PSD permit violations against ArcelorMittal USA. The EPA Region V also conducted a series of inspections and issued information requests under the Federal Clean Air Act relating to Burns Harbor, Indiana Harbor and Cleveland. Some of the EPA's information requests and subsequent allegations relate to recent operations while others relate to historical actions under former facility owners that occurred many years ago. In 2011, the EPA issued NOVs to these operations alleging operational non-compliance based primarily on self-reported Title V permit concerns. Comprehensive settlement discussions with the EPA and affected state agencies involving all of the NOVs are ongoing and a comprehensive settlement with the EPA was executed in 2019. In 2020 we paid about $5 under this settlement agreement for penalties and injunctive relief. Remaining recorded liabilities for ongoing testing and studies is $1.

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and analogous state laws can impose liability for the entire cost of cleanup at a site upon current or former site owners or operators or parties who sent hazardous materials to the site, regardless of fault or the lawfulness of the activity that caused the contamination. We are a potentially responsible party at several state and federal Superfund sites. We believe our liability at these sites is either de minimis or substantially resolved. We could, however, incur additional costs or liabilities at these sites based on new information, if additional cleanup is required, private parties sue for personal injury or property damage, or other responsible parties sue for reimbursement of costs incurred to clean up the sites. We could also be named a potentially responsible party at other sites if the Company's hazardous materials or those of its predecessor were disposed of at a site that later becomes a Superfund site. ISG purchased substantially all of its assets through sales in bankruptcy proceedings. The U.S. Bankruptcy Courts having jurisdiction over each transaction explicitly specified that the sellers retained certain historic liabilities, including Superfund liabilities. Despite the foregoing, it is possible that future claims might be directed at us. We consider the risk of incurring liability as the result of such claims remote.

In addition to expenditures relating to existing environmental liabilities, we will continue to invest significant sums in response to changes in environmental laws and regulations that affect our operations.

NOTE 13 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of and changes in accumulated other comprehensive income (AOCI) follow:

	Unrecognized pension and other postretirement benefit cost			Derivative instruments designated as cash flow hedges			Total AOCI
	Gross	Income Taxes	Net of Taxes	Gross	Income Taxes	Net of Taxes	Net of Taxes
Balance at January 1, 2020	$ 3	$ 1,265	$ 1,268	$ (30)	$ (49)	$ (79)	$ 1,189
Other comprehensive income before reclassifications	(9)	—	(9)	(28)	—	(28)	(37)
Reclassified from AOCI	13	—	13	6	—	6	19
Net current period other comprehensive income	4	—	4	(22)	—	(22)	(18)
Balance at September 30, 2020	$ 7	$ 1,265	$ 1,272	$ (52)	$ (49)	$ (101)	$ 1,171

	Unrecognized pension and other postretirement benefit cost			Derivative instruments designated as cash flow hedges			Total AOCI
	Gross	Income Taxes	Net of Taxes	Gross	Income Taxes	Net of Taxes	Net of Taxes
Balance at January 1, 2019	$ 56	$ 1,265	$ 1,321	$ (383)	$ —	$ (383)	$ 938
Other comprehensive income before reclassifications	2	—	2	80	—	80	82
Reclassified from AOCI	(14)	—	(14)	36	—	36	22
Net current period other comprehensive income	(12)	—	(12)	116	—	116	104
Balance at September 30, 2019	$ 44	$ 1,265	$ 1,309	$ (267)	$ —	$ (267)	$ 1,042

	Amount Reclassified from AOCI		
	Nine Months Ended September 30,		Affected line in Statement of Operations
	2020	2019	
Other comprehensive income (loss) items:			
Amortization of pension and other postretirement benefit costs (credits)	$ 13	$ (14)	Non-operating postretirement benefit expense
Losses from cash flow hedges	4	1	Cost of sales
Losses from cash flow hedges	2	35	Sales
Total reclassifications for the period	$ 19	$ 22	

See the Unaudited Condensed Combined Consolidated Statements of Comprehensive Income, Note 7, Derivative Instruments and Hedging Activity ; and Note 9, Pension and Other Postretirement Benefit Plans.

EXHIBIT 99.3

I/N Kote

(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Financial Statements as of and for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Partners and Management Committee of
I/N Kote
New Carlisle, Indiana

We have audited the accompanying financial statements of I/N Kote (A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation) (the "Partnership") which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and comprehensive income, changes in partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As more fully described in Notes 1, 2, 4, 5, and 6, the Partnership has engaged in significant transactions with subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation and their affiliates, under terms and conditions prescribed by the partners. Because of these relationships, the terms of these transactions may not be the same as those that would result from transactions among unrelated parties. Accordingly,

the accompanying financial statements may not be indicative of the financial position that would have existed or the results of operations that would have occurred had the Partnership operated without such affiliations. Our opinion is not modified with respect to this matter.

/s/ DELOITTE & TOUCHE LLP

March 30, 2020
Chicago, IL

I/N KOTE
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

BALANCE SHEETS
AS OF DECEMBER 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1,155,468**	$ 20,452,515
Accounts receivable – less allowances of – 2019 – $1,190,123; 2018 – $1,355,957	**29,714,001**	29,273,030
Inventories	**63,448,669**	53,705,007
Receivables from related parties:		
AMUSA Kote, Inc.	**223,564**	—
NS Kote, Inc.	**223,564**	—
ArcelorMittal USA LLC–Burns Harbor	**4,947,600**	3,954,966
ArcelorMittal USA LLC	**9,288,612**	11,598,130
Total Current Assets	**109,001,478**	118,983,648
PROPERTY, PLANT, AND EQUIPMENT–At cost:		
Land and improvements	**7,407,789**	7,407,789
Building and improvements	**130,676,398**	130,676,398
Machinery and equipment	**514,465,806**	513,073,542
Construction in progress	**7,866,675**	5,354,319
Total property, plant, and equipment	**660,416,668**	656,512,048
Less accumulated depreciation and amortization	**(568,590,799)**	(562,949,178)
Property, plant, and equipment–net	**91,825,869**	93,562,870
OTHER ASSETS–Spares and repair parts	**9,052,996**	8,750,884
TOTAL	**$ 209,880,343**	$ 221,297,402
LIABILITIES AND PARTNERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 1,680,139**	$ 2,461,614
Payable to related parties:		
ArcelorMittal USA LLC–Indiana Harbor East	**2,672,069**	9,754,502
I/N Tek	**361,027**	174,459
Nippon Steel & Sumitomo Metal USA	**32,274**	32,146
AMUSA Kote, Inc.	**—**	2,137,234
NS Kote, Inc.	**—**	2,137,234
Accrued interest to Partners	**277,048**	299,536
Other accrued liabilities	**9,678,665**	11,751,321
Current portion of capital loans from Partners	**7,284,462**	5,344,834
Total current liabilities	**21,985,684**	34,092,880
LONG-TERM LIABILITIES:		
Long-term capital loans from Partners	**8,072,386**	11,317,073
Deferred employee benefits	**49,030,100**	43,925,521
Total long-term liabilities	**57,102,486**	55,242,594
Total liabilities	**79,088,170**	89,335,474
COMMITMENTS AND CONTINGENCIES (Note 5 and Note 9)		
Partners' equity:		
Contributed capital—net of distributions	**130,729,722**	124,428,191
Retained earnings—net of distributions	**9,467,967**	14,513,782
Accumulated other comprehensive loss	**(9,405,516)**	(6,980,045)
TOTAL PARTNERS' EQUITY	130,792,173	131,961,928
TOTAL	**$ 209,880,343**	$ 221,297,402

See notes to financial statements.

I/N KOTE
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
SALES REVENUE	**$ 498,132,379**	$ 552,768,095
OPERATING COSTS AND EXPENSES:		
Production costs — excluding depreciation and amortization disclosed below	**140,369,587**	170,627,330
Substrate costs (Note 5)	**313,544,975**	333,643,983
Depreciation and amortization	**5,875,266**	7,451,949
Total operating costs and expenses	**459,789,828**	511,723,262
OPERATING INCOME	**38,342,551**	41,044,833
OTHER (EXPENSE) INCOME:		
Non-operating post retirement benefit expense	**(196,544)**	(261,931)
Interest expense to Partners	**(451,316)**	(618,245)
Interest income	**513,894**	579,082
Total other expense, net	**(133,966)**	(301,094)
NET INCOME	**38,208,585**	**40,743,739**
OTHER COMPREHENSIVE (LOSS) INCOME:		
Defined benefit plans:		
Net actuarial (losses) gains arising during period	**(1,882,222)**	868,260
Prior service cost from plan amendments	**—**	(1,515,225)
Amortization of actuarial losses and prior service cost (credit)	**(543,249)**	(555,573)
Total other comprehensive (loss) income	**(2,425,471)**	(1,202,538)
COMPREHENSIVE INCOME	**$ 35,783,114**	$ 39,541,201

See notes to financial statements.

I/N KOTE
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Contributed Capital - Net of Distributions	Retained Earnings - Net of Distributions	Accumulated Other Comprehensive Loss	Total Partners' Equity
Balance January 1, 2018	$ 119,572,707	$ 20,299,993	$ (5,777,507)	$ 134,095,193
Contributions from partners (Note 5)	4,855,484	—	—	4,855,484
Distributions to partners - return on investment	—	(46,529,950)	—	(46,529,950)
Net income	—	40,743,739	—	40,743,739
Other comprehensive loss	—	—	(1,202,538)	(1,202,538)
Balance December 31, 2018	**124,428,191**	**14,513,782**	**(6,980,045)**	**131,961,928**
Contributions from partners (Note 5)	**6,301,531**	**—**	**—**	**6,301,531**
Distributions to partners - return on investment	**—**	**(43,254,400)**	**—**	**(43,254,400)**
Net income	**—**	**38,208,585**	**—**	**38,208,585**
Other comprehensive income	**—**	**—**	**(2,425,471)**	**(2,425,471)**
Balance December 31, 2019	**$ 130,729,722**	**$ 9,467,967**	**$ (9,405,516)**	**$ 130,792,173**

I/N KOTE
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 38,208,585	$ 40,743,739
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,875,266	7,451,949
Changes in assets and liabilities:		
Accounts receivable	(440,971)	(2,995,241)
Inventories	(9,733,086)	7,537,470
Other assets	(302,112)	(169,388)
Accounts payable	(762,256)	1,118,109
Payables to and receivables from related parties	(5,578,853)	6,053,406
Accrued interest	(22,488)	(75,654)
Other accrued liabilities	(2,072,655)	1,405,035
Deferred employee benefits	2,679,108	(1,191,441)
Net cash used in operating activities	27,850,538	59,877,984
CASH FLOWS FROM INVESTING ACTIVITIES–		
Capital expenditures	(4,168,060)	(3,813,080)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital loans from Partners	4,037,464	—
Principal payments on capital loans from Partners	(5,342,523)	(5,155,966)
Contributions from Partners:		
AMUSA Kote, Inc.	2,427,742	3,891,753
NS Kote, Inc.	2,427,742	3,891,753
Distributions to Partners:		
AMUSA Kote, Inc.	(23,264,975)	(22,176,450)
NS Kote, Inc.	(23,264,975)	(22,176,450)
Net cash used in financing activities	(42,979,525)	(41,725,360)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(19,297,047)	14,339,544
CASH AND CASH EQUIVALENTS–Beginning of year	20,452,515	6,112,971
CASH AND CASH EQUIVALENTS–End of year	$ 1,155,468	$ 20,452,515
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures included in accounts payable at period-end	$ 98,011	$ 117,239
Distributions declared included in payable to Partners	$ (5,854,400)	$ (9,129,950)
Capital contributions receivable from Partners	$ (6,301,531)	$ 4,855,484
Cash paid during the year for interest	$ 638,228	$ 765,773

See notes to financial statements.

I/N KOTE
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description of the Partnership—I/N Kote (the “Partnership”), a Delaware limited partnership, is 50% owned by ArcelorMittal Kote, Inc. (“AMUSA Kote”), a wholly owned subsidiary of ArcelorMittal USA LLC (AMUSA), and 50% owned by NS Kote, Inc. (“NS Kote”), an indirect wholly owned subsidiary of Nippon Steel Corporation (NSC) (collectively, the “Partners”). The Partnership was formed for the purpose of constructing, owning, financing, and operating a coating facility to process substrate as hot-dipped galvanized (CGL) or electro-galvanized (EGL) steel and for the sale of such products principally to the automotive market. The EGL was commissioned on September 9, 1991, and the CGL was commissioned on November 23, 1991. Funding for the CGL/EGL facility was provided by the Partners and by a loan from Mizuho Corporate Bank Limited, formerly the Industrial Bank of Japan, Chicago Branch. Refer to footnotes 2 and 4.

Cash and Cash Equivalents—The Partnership considers all highly liquid short-term investments purchased with original maturities of three months or less to be cash equivalents.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out method. Costs include the purchase costs of raw materials, conversion costs, and an allocation of fixed and variable production overhead.

Property, Plant, and Equipment—Property, plant, and equipment are stated at historical cost. Depreciation for asset classes other than production machinery and equipment and roll shop rolls is recorded on a straight-line basis over the estimated useful lives of the assets.

Depreciation is provided over the following estimated service lives:

Building	45 years
Land improvements	20 years
Computer equipment and software	5 years
Furniture and fixtures	10 years

For production machinery and equipment, depreciation is recorded on a units-of-production basis. For roll shop rolls, depreciation is recorded on the basis of actual roll consumption. Major improvements that add to productive capacity or extend the life of an asset are capitalized, while repairs and maintenance are charged to expense as incurred. The carrying amount for long-lived assets is reviewed whenever events or changes in circumstances indicate that an impairment may have occurred.

Spares and Repair Parts—Spares and repair parts are valued at cost. Such items comprise equipment replacement parts and miscellaneous operating supplies expected to be used in the future. Spares and repair parts are expensed as requisitioned for use.

Revenue Recognition—Generally, our performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or delivered. Revenue for sales of steel products is recognized when control has transferred to the customer, which occurs either upon shipment of finished product or receipt of the

finished product by our customer depending on the customer. Revenue for tolling services (see Note 5), which amounted to $33,118,595 and $31,350,749 in 2019 and 2018, respectively, is recognized as the tolling services are provided. Revenue is recognized in an amount that reflects the consideration to which the Partnership expects to be entitled, and excludes any taxes billed to customer and remitted to government authorities. Provisions for discounts to customers are recorded based on terms of sale in the same period the related sales are recorded. The Partnership records estimated reductions to revenue for customer programs and incentive offerings. The Partnership records all amounts billed to a customer in a sales transaction related to shipping and handling as revenues. All costs related to shipping and handling are included in production costs. The Partnership has elected to account for shipping and handling activities which occur after control has transferred as fulfillment activities and not separate performance obligations. We do not have any recorded contract asset or liability balances. Customers are invoiced at the time title transfers and our right to consideration is unconditional at that time. Performance obligations are satisfied prior to customer payment for product. Standard assurance-type warranties are provided, which do not represent separate performance obligations.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- ***Level 1***—Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ***Level 2***—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- ***Level 3***—Unobservable inputs that reflect the reporting entity's own assumptions

The Parnership's financial instruments, consist primarily of cash and cash equivalents, capital loans from Partners as well as accounts receivable and accounts payable. The fair value of accounts receivable and accounts payable approximates their carrying value because of the short-term maturity of the instruments.

Comprehensive Income—The Partnership reports comprehensive income in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*. ASC Topic 220 requires companies to report all changes in equity during a period, except those resulting from investment by owners and distributions to owners, in a financial statement for the period in which they are recognized.

Reclassification—Certain amounts in the financial statements for the year ended December 31, 2018 have been adjusted to be consistent with the current year presentation.

New Accounting Pronouncements—In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605— *Revenue Recognition*, and most industry-specific guidance. This

ASU requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The Partnership adopted this new standard on January 1, 2019. The adoption of this standard did not affect the amount or timing of sales transactions.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits*. This ASU requires that components of net periodic pension cost and net periodic postretirement benefit cost (pension and OPEB cost) other than current service be presented separately on the statement of operations and excluded from the subtotal operating income. Previously I/N Kote presented all pension and OPEB cost on the line Production costs. We adopted this ASU in 2019 and $196,544 of expense is shown on the line Non-operating post retirement benefit benefit expense. Amounts for 2018 were recast consistent with the new presentations with the amount shown for production costs increased by $261,931 in 2018 with a corresponding amount in a new line shown after the subtotal operating income.

2. ORGANIZATION OF THE PARTNERSHIP

On December 20, 2002, the Partners agreed to extend the term of the Partnership through December 31, 2021, and to amend and restate the Basic Agreement (“Basic Agreement”) in its entirety.

In accordance with the Basic Agreement, as amended, between AMUSA and NSC dated September 12, 1989, and as amended on December 20, 2002, AMUSA Kote and NS Kote contributed $60 million each in capital contributions and committed an additional $60 million as a loan to the Partnership in proportion to their ownership interests.

The Partnership operates as an independent entity under the control of a management committee (the “Management Committee”) comprising three representatives from each of the Partners. Significant matters, as defined in the Partnership Agreement, require unanimous approval by the Management Committee.

The Partners have entered into several other agreements relating to services and personnel to be provided by the Partners, fees for the use of certain technologies, and a sales agreement with ArcelorMittal USA. These agreements are discussed further in Note 5.

3. INVENTORIES

Inventories as of December 31, 2019 and 2018, are classified as follows:

	December 31,	
	2019	2018
Steel inventories:		
Raw substrate	**$ 658,316**	$ 2,061,960
Finished products	**62,032,276**	50,309,490
Total steel inventories	**62,690,592**	52,371,450
Coating materials and supplies	**758,077**	1,333,557
Total inventories	**$ 63,448,669**	$ 53,705,007

Had the first-in, first-out method of accounting for inventories been used by the Partnership, inventories would have been higher than that reported at December 31, 2019 and December 31, 2018, by $22,265,099 and $19,475,849, respectively.

4. FINANCING ARRANGEMENTS

Subordinated Capital Loans from Partners—On July 29, 1993, the Partnership entered into a subordinated loan agreement with the Partners. The Partner Capital Expenditure Loan Agreement (“Capital Agreement”) provides the Partnership with the ability to obtain loans from the Partners to fulfill

certain types of maintenance and capital expenditure needs. The Partnership obtained Capital Agreement loans totaling $4,037,464 in 2019. The Partnership did not obtain any additional Capital Agreement loans in 2018.

The Capital Agreement calls for semiannual payments commencing six months from the draw date of each borrowing under the Capital Agreement. The amount and maturity period of each draw is determined by recommendation of the Management Committee. Maturities range from 2018 to 2021. The rate of each borrowing is 2% over the average yield to maturity of the most recently issued five-year U.S. Treasury note (or shorter maturity note if the loan maturity is less than five years), readjusted every five years, as is necessary, based upon the maturity of the note. If the Partnership fails to make timely payments under the Capital Agreement, upon demand by the Partners, it shall pay interest on the overdue amount from the due date to the date of actual payment at a rate of 2% per annum above the rate, which would have been payable if the overdue amount had, during the period of nonpayment, constituted a draw under the Capital Agreement. Interest rates on borrowings under the Capital Agreement range from 3.10% to 4.51%. All Partner Loans are subordinate to the position of the revolving credit facility.

The current portion of capital loans from Partners at December 31, 2019 and 2018, is comprised of the following:

	2019	2018
Current loans under Capital Agreements:		
AMUSA Kote	**$ 3,642,231**	$ 2,672,417
NS Kote	**3,642,231**	2,672,417
Total current portion of capital loans from Partners	**$ 7,284,462**	$ 5,344,834

The noncurrent portion of capital loans from Partners at December 31, 2019 and 2018, comprises the following:

	2019	2018
Loans under Capital Agreements maturing from January 1, 2021 to July 12, 2021:		
AMUSA Kote	**$ 4,036,193**	$ 5,658,537
NS Kote	**4,036,193**	5,658,536
Total noncurrent portion of capital loans from Partners	**8,072,386**	11,317,073
Total capital loans from Partners	**$ 15,356,848**	$ 16,661,907

The aggregate maturities of capital loans from Partners at December 31, 2019, are as follows:

Years Ending December 31	
2020	$ 7,284,462
2021	8,072,386
Total	$ 15,356,848

Revolving Credit Facility—On February 27, 2015, the Partnership entered into an agreement with the Lender (Bank of America, N.A.) to provide an uncommitted line of credit of up to $20,000,000. Loans under this line of credit will be made at the sole discretion of the Lender. The interest rate for each loan will be determined at the time the loan is made. The Partnership must satisfy certain covenant conditions as defined in this agreement as long as any loans or other obligations remain unpaid or unsatisfied.

The agreement was renewed in December of 2016 and 2017, and again on December 30, 2018. The agreement expired on March 31, 2019. There were no outstanding borrowings under this uncommitted line as of December 31, 2018.

5. COMMITMENTS AND RELATED-PARTY TRANSACTIONS

In connection with its formation, the Partnership entered into various agreements with the Partners, NSC, and AMUSA that define each party's future commitments with regard to the Partnership. The material aspects of certain significant agreements and the related commitments of the Partnership are discussed in the following paragraphs.
Technology Transfer Agreements —Under the terms of the technology transfer agreement, as amended, with AMUSA, AMUSA granted the Partnership a license to use AMUSA's technology for the operation and maintenance of the coating facility. AMUSA also agreed to provide the Partnership with standard practice instructions for the operation and maintenance of the EGL, to provide training to Partnership personnel in statistical process control methods and applications, and to provide assistance and advice related to the start-up of the coating facility. The technology transfer agreement is effective for the term of the Partnership Agreement, which expires on December 31, 2021.

Under the terms of a technology transfer agreement with NSC, NSC granted the Partnership a license to use NSC's technology in the maintenance and operation of the CGL and in the D-Coating of EGL products. NSC also agreed to provide standard practice instructions in the operation and maintenance of the CGL, training of the Partnership's operations and maintenance personnel, assistance with the start-up of operations, and training of the Partnership personnel in NSC quality control procedures. The technology transfer agreement is effective for the term of the Partnership Agreement, which expires December 31, 2021.

Relationship to I/N Tek—The parent companies of the Partnership also formed a partnership called I/N Tek. I/N Tek, which is owned 60% by AMUSA Tek, Inc. (a subsidiary of AMUSA) and 40% by NS Tek, Inc. (a subsidiary of NSC), operates a cold rolling mill steel finishing facility that processes hot band steel into cold rolled steel. I/N Tek and the Partnership run concurrently and adjacent to each other in New Carlisle, Indiana. The Partnership shares its senior management and other personnel resources with I/N Tek. Salaried employees' assignment to the appropriate Partnership is determined by the Management Committee.

As of December 31, 2019 and 2018, payables of $361,027 and $174,459, respectively, to I/N Tek were comprised primarily of utility charges paid by I/N Tek on behalf of the Partnership.

Substrate Supply Agreement—Under a Substrate Supply Agreement with AMUSA, as amended ("Substrate Agreement"), AMUSA is to provide the Partnership with its substrate requirements. The Partnership is required to provide estimated demands for each production year not less than 90 days in advance of the commencement of the production year. AMUSA is to provide substrate produced at either I/N Tek or various AMUSA locations. The supply price for the substrate is determined based upon a formula as specified in the Substrate Agreement. Under the formula, the cumulative yearly supply price is computed on the basis of the Partnership's operating, financing, and equity costs that result in an annual return on equity to the Partners, depending on operating levels, of up to 10%. The Substrate Agreement with AMUSA expires on December 31, 2021.

As defined in the Substrate Agreement, AMUSA is obligated to provide a sufficient amount of production orders in any semiannual period to either the CGL or EGL of the Partnership to allow that line to operate at a minimum level, or be subject to a base loading fee (the "Base Loading Obligation"). AMUSA met its Base Loading Obligation in 2019 and 2018 for all lines. The base load fee decreases the aggregate substrate price for the applicable line's product. The base load fee is distributed by the Partnership to each partner in proportion to their ownership interests.

In addition, as outlined in the Substrate Agreement, if the operating rate for either the CGL or EGL falls below 80% for any year, a unit price adjustment, as defined, is required. The amount of the unit price

adjustment is reduced by the amount of any Base Loading Obligation during the year. The unit price adjustment increases the aggregate substrate price for the applicable line's product to the amount that it would have been if the respective line had achieved an operating rate of 80%. As the operating rate of the EGL line was below 80% in 2019 and 2018 and no Base Loading Obligation was required, a unit price adjustment was recorded to increase the cost of substrate by $6,301,531 and $4,855,484 in 2019 and 2018, respectively. The provisions of the Substrate Agreement require that the unit price adjustment for both the EGL and the CGL be funded by the Partners in proportion to their ownership interests as a capital contribution, net of any equity return. The unit price adjustment required an additional capital contribution from each Partner of $3,150,766 and $2,427,742 in 2019 and 2018, respectively.

Tolling Agreement with AMUSA—Burns Harbor —As outlined in the agreement, the Partnership can perform tolling services for third parties if unused capacity exceeds 5%. A customer of AMUSA—Burns Harbor has requested that it be permitted to purchase products coated at the Partnership directly from AMUSA—Burns Harbor rather than from the Partnership. In order to accommodate this request, the Partners and the Partnership have agreed that under certain limited circumstances the Partnership will coat substrate owned by AMUSA—Burns Harbor in exchange for the payment of a toll as specified in the tolling agreement (the "Tolling Agreement") between the Partnership and AMUSA—Burns Harbor. The Tolling Agreement with AMUSA—Burns Harbor expires on December 31, 2021. The amount of the toll was $33,118,595 and $31,350,749 in 2019 and 2018, respectively, and is included in sales revenue in the statements of operations and comprehensive income. The amounts due from AMUSA—Burns Harbor were $4,947,600 and $3,954,966 as of December 31, 2019 and 2018, respectively.

Sales Agreement with AMUSA—AMUSA has entered into an exclusive sales agreement (the "Sales Agreement") with the Partnership to provide the Partnership with sales and sales-related services, including credit and collections. Commissions paid to AMUSA are based upon a specified percentage of the net sales price by product as outlined in the Sales Agreement. Commissions paid to AMUSA under this agreement for the years ended December 31, 2019 and 2018, were $4,325,930 and $4,872,706, respectively, and are included as production costs in the statements of operations and comprehensive income. The Sales Agreement with AMUSA expires on December 31, 2021.

Personnel Dispatch Agreements with Partners' Parent Companies —The Partnership has entered into personnel dispatch agreements with AMUSA and NSC, whereby each of the parties furnish the Partnership with personnel to assist in the management and technical operation of the CGL/EGL facility. Employees furnished to the Partnership are compensated based on a salary structure approved by AMUSA and NSC. The Partnership also pays benefits and relocation expenses for these employees.

Amounts incurred by the Partnership under these agreements were $409,409 and $403,913 for the years ended December 31, 2019 and 2018, respectively, which are included in production expenses in the statements of operations and comprehensive income.

Transactions with AMUSA—At December 31, 2019 and 2018, the Partnership's net payable to AMUSA—Indiana Harbor East consisted of the following:

	December 31,	
	2019	2018
Freight Liability - net of receivable	**$ (914,870)**	$ (488,482)
Substrate purchases payable	**(1,757,199)**	(9,266,020)
Total	**$ (2,672,069)**	$ (9,754,502)

Purchases of substrate from AMUSA for the years ended December 31, 2019 and 2018, totaled $314,697,086 and $323,705,135, respectively.

The receivable from affiliates of AMUSA includes cash collected by AMUSA on behalf of the Partnership. Several larger customers pay AMUSA for purchased steel from AMUSA and the Partnership. AMUSA segregates the cash receipts from such customers according to the origin of the sale. As of December 31,

2019 and 2018, the receivable from AMUSA related to this arrangement was $9,791,800 and $12,719,842, respectively.

AMUSA pays freight charges on behalf of the Partnership, and the Partnership reimburses AMUSA for those charges. Amounts outstanding for freight liability were $1,630,056 and $950,981 as of December 31, 2019 and 2018, respectively. Freight expenses, which are included in production costs on the statements of operations and comprehensive income, were $28,627,928 and $35,674,828 in 2019 and 2018, respectively.

6. RETIREMENT BENEFIT PLANS

Pension Plan— The Partnership maintains a 401(k) plan for bargaining unit employees. The Partnership does not contribute to this plan.

The Partnership provides defined benefit pension benefits to represented employees hired before November 2005 and nonrepresented employees hired before January 2003 through the Partnership-sponsored pension plan administered by AMUSA. The plan is a noncontributory defined benefit pension plan. Benefits under the sponsored plan are for both service rendered while employed at the Partnership and any service rendered at affiliated companies prior to transfer to the Partnership. Benefits for nonrepresented employees are determined under a “Cash Balance” formula as an account balance that grows from interest credits and allocations based on a percent of pay. Participants are credited at a rate of 5%. Benefits for wage and salaried employees represented by the United Steelworkers (“USW”) are determined as a monthly benefit at retirement based on a fixed rate and service. In 2018, the Company signed a new four-year agreement with the USW. Changes to monthly rate earned for certain periods of service resulted in a modest increase to the projected benefit obligation. The plan assets are invested in stocks, bonds, real estate, and other investments. All the plan assets of the sponsored plan are held in the ArcelorMittal USA LLC Pension Trust (the “Trust Fund”). The Partnership’s actuarial method used in the determination of pension expense is the projected unit credit cost method.

AMUSA sets the investment objectives for the plan through its Statement of Investment Policy which states:

- Investments of the Trust Fund are made solely in the interest of the participants and beneficiaries of the plan and for the exclusive purposes of providing benefits to such participants and their beneficiaries and defraying the reasonable expenses of administering the plan and the Trust Fund.
- The investment objectives shall be to (a) provide long-term growth (in the form of income and/or capital appreciation) in trust assets, so as to maximize the amounts available to provide benefits to plan participants and their beneficiaries and (b) maintain adequate liquidity in the Trust Fund’s assets to permit timely payment of all benefits to such participants and their beneficiaries. In carrying out these objectives, short-term fluctuations in the value of the Trust Fund’s assets shall be considered secondary to long-term investment results.
- The Trust Fund shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent person acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

The Pension Fund Management Committee (the “Committee”) of the board of directors of AMUSA has general supervisory authority over the Trust Fund. The Committee has established the following asset allocation targets:

Equity securities - domestic	20 to 60 %
Equity securities - international	10 to 35
Fixed income (including cash)	15 to 45
Real estate	0 to 10
Alternative investments	0 to 25

The Policy provides for broad ranges around these targets to reduce rebalancing trading cost and facilitate the management of the Trust Fund. Investment risk is monitored on an ongoing basis, in part, through the use of quarterly investment portfolio reviews, compliance reporting by investment managers, and periodic asset/liability studies and reviews of the sponsored plan's funded status.

The Partnership used a long-term rate of return assumption on assets of 5.70% for 2019 and 2018. This assumption is viewed in a long-term context and is evaluated annually. The expected return assumption is supported by the asset allocation of the Trust Fund and the historical long-term return on Trust Fund assets.

The Partnership did not contribute to the Trust Fund 2019 and contributed $3,466,000 in 2018. The Partnership expects to contribute $5,236,000 to the Trust Fund in 2020.

Reconciliation of the pension benefit obligation and plan assets for the measurement periods ended December 31, 2019 and 2018, was as follows:

	2019	2018
Change in benefit obligation:		
Benefit obligation - beginning of year	**$ 76,397,045**	$ 80,335,194
Service cost	**2,094,821**	2,454,496
Interest cost	**3,265,552**	2,920,855
Actuarial (gain) loss	**10,115,725**	(7,321,016)
Plan ammendments	**—**	741,355
Benefits Paid	**(3,290,303)**	(2,733,839)
Benefit obligation - end of year	**$ 88,582,840**	$ 76,397,045
Change in plan assets:		
Fair value of plan assets - beginning of year	**69,263,328**	74,740,979
Actual return on plan assets	**13,346,531**	(6,209,812)
Employer contribution	**—**	3,466,000
Benefits paid	**(3,290,303)**	(2,733,839)
Fair value of plan assets - end of year	**$ 79,319,556**	$ 69,263,328
Unfunded status of the plan	**$ (9,263,284)**	$ (7,133,717)
Noncurrent pension liability - end of year	**$ (9,263,284)**	$ (7,133,717)

The accumulated benefit obligation was $88,356,550 and $76,160,555 at December 31, 2019 and 2018.

Lower discount rates were offset by better than expected asset performance resulting in a small actuarial loss in 2019. The net actuarial loss in 2018 was a result of lower than expected asset performance partially offset by a lower benefit obligation principally because of higher discount. The discount rates used in the determination of the actuarial present value of the projected benefit obligation were 3.15% for

2019 and 4.24% for 2018. The discount rate used to measure the liability at year-end is used to calculate the net periodic expense in the following year. The discount rates used in the determination of the net periodic benefit costs were 4.24% for 2019 and 3.70% for 2018. The assumed rate of increase in future compensation levels was 2.50% for 2019 and 2018.

Components of net periodic benefit cost for the years ended December 31, 2019 and 2018, which are included in operating expenses in the statements of operations and comprehensive income were as follows:

		2019		2018
Service cost	**$**	**2,094,821**	$	2,454,496
Interest cost		**3,265,552**		2,920,855
Expected return on plan assets		**(4,197,936)**		(4,116,476)
Net actuarial loss recognized		**—**		604,647
Amortization of prior service cost		**413,213**		345,421
Net periodic benefit cost	**$**	**1,575,650**	**$**	**2,208,943**

The benefit payments, which reflect expected future service, as appropriate are expected to be paid as follows:

Years Ending December 31		
2020	$	3,291,689
2021		3,714,244
2022		4,122,096
2023		4,561,395
2024		4,873,728
2025 - 2029		29,396,659

The fair value of the Partnership's share of the Trust Fund assets, which is 2.78% at December 31, 2019, by asset category and fair value hierarchy follows:

Asset Type		**Level 1**		**Level 2**		**Level 3**		**Total**
Domestic equity	$	5,526,492	$	19,596,971	$	—	$	25,123,463
International equity		7,811,706		2,734,886		—		10,546,592
Emerging market equity		—		1,961,466		—		1,961,466
Fixed income		3,410,972		27,392,806		—		30,803,778
Real estate		—		—		3,110,916		3,110,916
Alternatives		—		3,453,648		4,319,693		7,773,341
Total	$	16,749,170	$	55,139,777	$	7,430,609	$	79,319,556

The fair value of the Partnership's share of the Trust Fund assets, which was 2.80% at December 31, 2018, by asset category and fair value hierarchy follows:

Asset Type	Level 1	Level 2	Level 3	Total
Domestic equity	$ 4,754,654	$ 13,923,196	$ —	$ 18,677,850
International equity	5,957,465	2,095,172	—	8,052,637
Emerging market equity	—	1,470,065	—	1,470,065
Fixed income	2,274,766	26,663,190	—	28,937,956
Real estate	—	—	4,165,767	4,165,767
Alternatives	—	3,618,900	4,340,153	7,959,053
Total	$ 12,986,885	$ 47,770,523	$ 8,505,920	$ 69,263,328

A description of the valuation methodologies for measuring assets at fair value is as follows:

- Equity securities are valued at the closing price reported on the active market on which the security is traded and are classified as Level 1. Some common collective trust investments consist of publicly traded equity securities, but the fund itself is not publicly traded, so these investments are classified as Level 2.
- Fixed income assets consist of corporate bonds and notes, preferred stock, mutual funds, government securities, and common collective trusts. Fixed income mutual funds and some government securities, made up of U.S. Treasury notes and bonds, are classified as Level 1 since there is an active publicly traded market. Most collective trusts consist of corporate bonds. These are classified as Level 2 as the underlying securities are not publicly traded, but there is an observable price for similar securities in the market.
- Real estate assets are Level 3 and valued at the fair value of the underlying assets held at year-end, which the custodian of the fund obtains from third-party appraisers.
- Assets valued as Level 2 are a collective trust fund where observable inputs are used to establish a value. Assets valued as Level 3 are primarily limited partnerships that have liquidity constraints. Generally, alternative assets are valued at the Partnership's proportionate share of the fair value of the fund at year-end, which the custodian of the fund obtains from third-party pricing services.

Purchases of Level 3 investments were $285,076 in 2019 and $330,162 in 2018.

The USW contract requires the Partnership to contribute to a multiemployer pension plan known as the Steelworkers Pension Trust ("SPT") (EIN 23-6648508 Plan No. 499). Almost all of our represented employees who are not eligible for the Partnership sponsored defined benefit pension plan participate in the SPT. The SPT provides pension benefits upon retirement based on employer contributions and accrual rates while participating in the plan. During 2018 the contribution rate was increased to $3.50 per contributory hour. Expense recognized for the contributions were $620,709 in 2019 and $513,345 in 2018.

Under a multiemployer plan arrangement, several employers make contributions into a single plan. The assets of the plan can be used to pay the benefits of all participants (retirees and dependents) and are not limited to the participants of a particular employer. If an employer stops contributing to the plan, any unfunded obligations may be borne by the remaining employers. Additionally, if an employer no longer participates in the plan (for example because it no longer employs participants in the plan), it may be required to pay an amount based on the underfunded status of the plan known as a withdrawal liability.

As of December 31, 2018 (the last date for which there is public information), there were 485 participating employers in the SPT. The Partnership did not make more than 5% of the total contributions into the plan. As of December 31, 2019 and 2018, the SPT was in the "green" zone under the Pension Protection Act of 2006 meaning that it is not presently considered endangered or in critical status. As such, the plan is not required to make any funding or improvement plan.

Retiree Health Benefits—Substantially all USW represented employees hired before June 23, 2016 are covered under postretirement life insurance and medical benefit plans that require deductible and premium payments from retirees. The postretirement life insurance benefits are primarily specific amounts for hourly employees. Most Medicare eligible participants participate in a Medicare Advantage Plan. The Company charges participants for a portion of the cost and pays a premium to a third-party insurer. Pre-Medicare retirees are covered under a self-insured plan. Employees hired after June 23, 2016 are not eligible for postretirement medical or life insurance benefits. In lieu of retiree medical coverage, these employees will receive a 401(k) contribution of $0.50 per hour worked to a restricted Retiree Health Care Account. There were minor changes to the postretirement medical benefits under the new labor contract, mainly related to the premiums paid by participants.

Reconciliation of the other postretirement benefit obligations from December 31, 2018, through the measurement date of December 31, 2019, was as follows:

	2019	2018
Benefit obligation – beginning of year	**$ 37,819,079**	$ 39,236,919
Service cost	**866,639**	1,011,977
Interest cost	**1,672,179**	1,489,263
Actuarial loss (gain)	**915,092**	(3,873,532)
Plan amendments	**—**	773,870
Benefits Paid	**(438,054)**	(819,418)
Benefit obligation – end of year	**40,834,935**	37,819,079
Unfunded status of the plan	**$ (40,834,935)**	$ (37,819,079)
Current retiree medical liability	**$ (1,068,119)**	$ (1,027,275)
Noncurrent retiree medical liability	**(39,766,816)**	(36,791,804)
Benefit liability - end of year	**$ (40,834,935)**	$ (37,819,079)

Changing healthcare providers for Medicare eligible participants for a lower premium was primarily responsible for a significant actuarial gain in 2018. The discount rates used in the determination of the actuarial present value of the projected benefit obligation were 3.37% for 2019 and 4.38% for 2018. The discount rates used in the determination of the net periodic benefit costs were 4.38% for 2019 and 3.84% for 2018. For purposes of measuring the expected cost of benefits covered by the plan for next year, we assumed an average health care trend rate of 6.55% for pre-Medicare retirees trending down until it reaches an ultimate trend rate of 4.50% in 2027. For Medicare eligible participants, the trend rate next year is 5.00%, and is expected to increase in the next few years and then decrease before reaching an ultimate trend rate of 4.50% in 2029.

Components of net periodic benefit cost for the years ended December 31, 2019 and 2018 in the statements of operations and comprehensive income were as follows:

	2019	2018
Service Cost	**$ 866,639**	$ 1,011,977
Interest Cost	**1,672,179**	1,489,263
Recognition net actuarial loss	**—**	—
Amortization of prior service credit	**(956,464)**	(1,505,641)
Net periodic benefit cost	**$ 1,582,354**	**$ 995,599**

The payments for retiree health benefits, which reflect expected future service are expected to be paid as follows:

Years Ending December 31		
2020	$	1,068,119
2021		1,147,716
2022		1,236,438
2023		1,377,742
2024		1,555,988
2025 - 2029		9,350,027

For all retirement plans, components of accumulated other comprehensive loss for the years ended December 31, 2019 and 2018, were as follows:

		2019		2018
Unrecognized actuarial loss	$	10,523,028	$	8,640,808
Prior service cost not yet recognized		(1,117,512)		(1,660,763)
Accumulated other comprehensive loss	$	9,405,516	$	6,980,045

7. CONCENTRATION OF RISKS

For the years ended December 31, 2019 and 2018, approximately 40% of the Partnership's sales were to four customers in the automotive market. Total sales to these customers, taken individually as a percentage of the Partnership's sales revenue, ranged from approximately 8% to 12% and approximately 8% to 13% for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, approximately 80% of the active workforce was represented by the USW. The existing labor contract between the USW and the Partnership was renewed effective September 1, 2018. This contract expires on September 1, 2022.

8. INCOME TAXES

The results of operations of the Partnership are included in the income tax returns of the Partners, and accordingly, no provision for income taxes is included in the accompanying financial statements.

9. CONTINGENCIES

The Partnership is involved in various legal proceedings, which are incident to the ordinary course of its business. Management does not believe that the adverse determination of any such routine litigation, either individually or in the aggregate, will have a material adverse effect on the Partnership's business, financial condition, results of operations, or cash flows.

10. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through the date the financial statements were issued, March 30, 2020.

The Partnership's business operations and financial condition may be materially and adversely affected as a result of any weakening end-use market demand for steel in the wake of the global coronavirus outbreak. Due to the significant uncertainties surrounding the potential impacts of the coronavirus outbreak, the extent of any potential negative impact to the Partnership's operating results and financial condition cannot be reasonably estimated.

EXHIBIT 99.4

I/N Kote

(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and
Nippon Steel Corporation)

Financial Statements as of
September 30, 2020 and December 31, 2019
and for the nine months ended
September 30, 2020 and September 30, 2019

Financial Statements
I/N Kote
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Unaudited Condensed Balance Sheets

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 21,971,700**	$ 1,155,468
Accounts receivable - net	**41,394,550**	29,714,001
Inventory - steel	**39,735,419**	63,448,669
Receivables from related parties:		
AMUSA Kote	**5,831,500**	223,564
NS Kote	**5,831,500**	223,564
AMUSA - Corporate	**28,177,769**	9,288,612
AMUSA - Burns Harbor	**6,181,158**	4,947,600
Total Current Assets	**149,123,596**	109,001,478
Property plant & equipment, at cost:		
Property plant & equipment	**661,940,184**	660,416,668
Less: accumulated depreciation	**(572,498,157)**	(568,590,799)
Total property, plant & equipment, net	**89,442,027**	91,825,869
Other assets:		
Spares and repair parts	**9,112,172**	9,052,996
TOTAL ASSETS	**$ 247,677,795**	$ 209,880,343
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 1,325,698**	$ 1,680,139
Accrued interest	**79,624**	277,048
Payable to related parties:		
AMUSA - IHE	**9,776,679**	2,672,069
I/N Tek	**784,045**	361,027
Nippon Steel & Sumitomo Metal Corp. USA	**5,239**	32,274
Current portion of long term debt	**10,642,492**	7,284,462
Other accrued liabilities	**10,437,715**	9,678,665
Total current liabilities	**33,051,492**	21,985,684
Long-term liabilities:		
Partner loans	**—**	8,072,386
Post retirement benefits	**51,092,196**	49,030,100
TOTAL LIABILITIES	**84,143,688**	79,088,170
Commitments and contingencies (See Note 5 and Note 9)		
Partners' equity (see Note 1):		
Contributions from partners, net of distributions	**142,392,722**	130,729,722
Accumulated other comprehensive loss	**(9,224,019)**	(9,405,516)
Retained earnings, net of distributions	**30,365,404**	9,467,967
TOTAL EQUITY	**$ 163,534,107**	$ 130,792,173
TOTAL LIABILITIES AND EQUITY	**$ 247,677,795**	$ 209,880,343

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

I/N Kote
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)
Statements of Unaudited Operations and Comprehensive Income

	Nine Months Ended September 30,	
	2020	2019
Sales revenue	**$ 265,247,423**	$ 364,650,786
Operating costs and expenses:		
Production expenses - excludes depreciation and amortization expense disclosed below	**69,424,178**	89,552,937
Substrate costs	**170,642,824**	240,834,459
Depreciation and amortization expense	**4,180,984**	4,341,455
Interest expense to Partners	**102,000**	428,736
Total expenses costs	**244,349,986**	335,157,587
Net income	**$ 20,897,437**	$ 29,493,199
Other Comprehensive income (loss):		
Defined benefit plans:		
Amortization of actuarial losses and prior service (credit)	**$ 181,497**	$ (407,438)
Total other comprehensive income (loss)	**181,497**	(407,438)
Comprehensive income	**$ 21,078,934**	$ 29,085,761

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

I/N Kote
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)
Statements of Unaudited Changes in Partners' Equity

	Contributed Capital - Net of Distributions	Retained Earnings - Net of Distributions	Accumulated Other Comprehensive Loss	Total Partners' Equity
Balance January 1, 2020	**$ 130,729,722**	**$ 9,467,967**	**$ (9,405,516)**	**$ 130,792,173**
Contributions from partners (Note 5)	**11,663,000**	**—**	**—**	**11,663,000**
Net income	**—**	**20,897,437**	**—**	**20,897,437**
Other comprehensive income	**—**	**—**	**181,497**	**181,497**
Balance - September 30, 2020	**$ 142,392,722**	**$ 30,365,404**	**$ (9,224,019)**	**$ 163,534,107**

	Contributed Capital - Net of Distributions	Retained Earnings - Net of Distributions	Accumulated Other Comprehensive Loss	Total Partners' Equity
Balance January 1, 2019	$ 124,428,191	$ 14,513,782	$ (6,980,045)	$ 131,961,928
Contributions from partners (Note 5)	4,377,000	—	—	4,377,000
Net income	—	29,493,199	—	29,493,199
Other comprehensive loss	—	—	(407,438)	(407,438)
Balance September 30, 2019	$ 128,805,191	$ 44,006,981	$ (7,387,483)	$ 165,424,689

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

I/N Kote
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Statements of Unaudited Cash Flows

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net Income	**$ 20,897,437**	$ 29,493,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**4,180,984**	4,341,455
Changes in assets and liabilities:		
Accounts receivable	**(11,680,549)**	(7,760,390)
Inventories	**23,439,624**	(10,545,536)
Other assets	**(59,152)**	(219,841)
Accounts payable	**(273,628)**	(310,697)
Payables to and receivables from related parties	**(12,622,123)**	(11,365,993)
Accrued interest	**(197,424)**	(176,824)
Other accrued liabilities	**2,821,119**	968,511
Deferred employee benefits	**181,497**	(407,438)
Net cash provided by operating activities	**26,687,785**	4,016,446
Cash flows used in investing activities:		
Capital expenditures	**(1,604,329)**	(2,998,663)
Net cash used in investing activities	**(1,604,329)**	(2,998,663)
Cash flows from financing activities:		
Proceeds from capital loans from Partners	**2,570,203**	2,577,163
Principal payments on capital loans from Partners	**(7,284,559)**	(5,342,522)
Contributions from partners - AMUSA Kote, Inc.	**3,150,766**	2,427,742
Contributions from partners - NS Kote, Inc.	**3,150,766**	2,427,742
Distributions to partners - AMUSA Kote, Inc.	**(2,927,200)**	(4,564,975)
Distributions to partners - NS Kote, Inc.	**(2,927,200)**	(4,564,975)
Net cash used in financing activities	**(4,267,224)**	(7,039,825)
Net increase (decrease) in cash & equivalents	**20,816,232**	(6,022,042)
Cash & equivalents - beginning of period	**1,155,468**	20,452,515
Cash & equivalents - end of period	**$ 21,971,700**	$ 14,430,473
Noncash investing and financing activities:		
Capital expenditures included in accounts payable	**$ 17,199**	$ 213,272
Cash paid during the period for interest	**$ 537,204**	$ 638,445

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description of the Partnership - I/N Kote (the “Partnership”), a Delaware limited partnership, is 50% owned by ArcelorMittal Kote, Inc. (“AMUSA Kote”), a wholly owned subsidiary of ArcelorMittal USA LLC (“AMUSA”), and 50% owned by NS Kote, Inc. (“NS Tek”), an indirect wholly owned subsidiary of Nippon Steel Corporation (NSC) (collectively, the “Partners”). The Partnership was formed for the purpose of constructing, owning, financing, and operating a coating facility to process substrate as hot-dipped galvanized (CGL) or electro-galvanized (EGL) steel and for the sale of such products principally to the automotive market. The EGL was commissioned on September 9, 1991, and the CGL was commissioned on November 23, 1991. Funding for the CGL/EGL facility was provided by the Partners and by a loan from Mizuho Corporate Bank Limited, formerly the Industrial Bank of Japan, Chicago Branch. Refer to footnotes 2 and 4.

Basis of Presentation - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. There have been no material changes in our significant accounting policies and estimates from those disclosed in our annual report for the year ended December 31, 2019. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

2. ORGANIZATION OF THE PARTNERSHIP

On December 20, 2002, the Partners agreed to extend the term of the Partnership through December 31, 2021, and to amend and restate the Basic Agreement (“Basic Agreement”) in its entirety.

In accordance with the Basic Agreement, as amended, between AMUSA and NSC dated September 12, 1989, and as amended on December 20, 2002, AMUSA Kote and NS Kote contributed $60 million each in capital contributions and committed an additional $60 million as a loan to the Partnership in proportion to their ownership interests.

The Partnership operates as an independent entity under the control of a management committee (the “Management Committee”) comprising three representatives from each of the Partners. Significant matters, as defined in the Partnership Agreement, require unanimous approval by the Management Committee.

The Partners have entered into several other agreements relating to services and personnel to be provided by the Partners, fees for the use of certain technologies, and a sales agreement with AM USA. These agreements are discussed further in Note 5.

3. INVENTORIES STATED AT LIFO

Inventories as of September 30, 2020 and December 31, 2019, are classified as follows:

	September 30, 2020	December 31, 2019
Steel inventories:		
Raw substrate	**$ 1,688,908**	$ 658,316
Finished products	**37,174,324**	62,032,276
Total steel inventories	**$ 38,863,232**	$ 62,690,592
Coating materials and supplies	**872,187**	758,077
Total inventories	**$ 39,735,419**	$ 63,448,669

4. FINANCING ARRANGEMENTS

Subordinated Capital Loans from Partners - On July 29, 1993, the Partnership entered into a subordinated loan agreement with the Partners. The Partner Capital Expenditure Loan Agreement ("Capital Agreement") provides the Partnership with the ability to obtain loans from the Partners to fulfill certain types of maintenance and capital expenditure needs. The Partnership had Capital Agreement loans outstanding of $10,642,492 as of September 30, 2020 and $15,356,848 as of December 31, 2019.

The Capital Agreement calls for semiannual payments commencing six months from the draw date of each borrowing under the Capital Agreement. The amount and maturity period of each draw is determined by recommendation of the Management Committee. The rate of each borrowing is 2% over the average yield to maturity of the most recently issued five-year U.S. Treasury note (or shorter maturity note if the loan maturity is less than five years), readjusted every five years, as is necessary, based upon the maturity of the note. If the Partnership fails to make timely payments under the Capital Agreement, upon demand by the Partners, it shall pay interest on the overdue amount from the due date to the date of actual payment at a rate of 2% per annum above the rate, which would have been payable if the overdue amount had, during the period of nonpayment, constituted a draw under the Capital Agreement. Interest rates on borrowings under the Capital Agreement range from 2.15% to 4.51%. All Partner Loans are subordinate to the position of the revolving credit facility.

The current and noncurrent portions of capital loans from Partners at September 30, 2020 and December 31, 2019, is comprised of the following:

	September 30, 2020	December 31, 2019
Current loans under Capital Agreements:		
AMUSA Kote	**$ 5,321,246**	$ 3,642,231
NS Kote	**5,321,246**	3,642,231
Total current portion of capital loans from Partners	**10,642,492**	7,284,462
Noncurrent loans under Capital Agreements:		
AMUSA Kote	—	4,036,193
NS Kote	—	4,036,193
Total noncurrent portion of capital loans from Partners	—	8,072,386
Total capital loans from Partners	**$ 10,642,492**	$ 15,356,848

The aggregate loans under capital agreements were settled as part of I/N Post-Closing Agreement - described in Note 10 Subsequent Events.

5. COMMITMENTS AND RELATED-PARTY TRANSACTIONS

In connection with its formation, the Partnership entered into a number of agreements with AMUSA, NSC, and the Partners, which have defined each party's commitments with regard to the Partnership. The material aspects of certain significant agreements and the related commitments of the Partnership are discussed in the following paragraphs.

Technology Transfer Agreements - Under the terms of the technology transfer agreement, as amended, with AMUSA, AMUSA granted the Partnership a license to use AMUSA's technology for the operation and maintenance of the coating facility. AMUSA also agreed to provide the Partnership with standard practice instructions for the operation and maintenance of the EGL, to provide training to Partnership personnel in statistical process control methods and applications, and to provide assistance and advice related to the start-up of the coating facility. The technology transfer agreement is effective for the term of the Partnership Agreement, which expires on December 31, 2021.

Under the terms of a technology transfer agreement with NSC, NSC granted the Partnership a license to use NSC's technology in the maintenance and operation of the CGL and in the D-Coating of EGL products. NSC also agreed to provide standard practice instructions in the operation and maintenance of the CGL, training of the Partnership's operations and maintenance personnel, assistance with the start-up of operations, and training of the Partnership personnel in NSC quality control procedures. The technology transfer agreement is effective for the term of the Partnership Agreement, which expires December 31, 2021.

Relationship to I/N Tek - The parent companies of the Partnership also formed a partnership called I/N Tek. I/N Tek, which is owned 60% by AMUSA Tek, Inc. (a subsidiary of AMUSA) and 40% by NS Tek, Inc. (a subsidiary of NSC), operates a cold rolling mill steel finishing facility that processes hot band steel into cold rolled steel. I/N Tek and the Partnership run concurrently and adjacent to each other in New Carlisle, Indiana. The Partnership shares its senior management and other personnel resources with I/N Tek. Salaried employees' assignment to the appropriate Partnership is determined by the Management Committee.

As of September 30, 2020 and December 31, 2019, payables of $784,045 and $361,027, respectively, to I/N Tek were comprised primarily of utility charges paid by I/N Tek on behalf of the Partnership.

Substrate Supply Agreement - Under a Substrate Supply Agreement with AMUSA, as amended ("Substrate Agreement"), AMUSA is to provide the Partnership with its substrate requirements. The Partnership is required to provide estimated demands for each production year not less than 90 days in advance of the commencement of the production year. AMUSA is to provide substrate produced at either I/N Tek or various AMUSA locations. The supply price for the substrate is determined based upon a formula as specified in the Substrate Agreement. Under the formula, the cumulative yearly supply price is computed on the basis of the Partnership's operating, financing and equity costs that result in an annual return on equity to the Partners, depending on operating levels, of up to 10%. The Substrate Agreement with AMUSA expires on December 31, 2021.

As defined in the Substrate Agreement, AMUSA is obligated to provide a sufficient amount of production orders in any semiannual period to either the CGL or EGL of the Partnership to allow that line to operate at a minimum level, or be subject to a base loading fee (the "Base Loading Obligation"). The base load fee decreases the aggregate substrate price for the applicable line's product. The base load fee is distributed by the Partnership to each partner in proportion to their ownership interests. AMUSA met its Base Loading Obligation in 2019 for all lines. Any consideration relative to the Base Load Obligation for 2020 would have been incorporated as part of the I/N Post-Closing Agreement described in Note 10 Subsequent Events.

In addition, as outlined in the Substrate Agreement, if the operating rate for either the CGL or EGL falls below 80% for any year, a unit price adjustment, as defined, is required. The amount of the unit price adjustment is reduced by the amount of any Base Loading Obligation during the year. The unit price adjustment increases the aggregate substrate price for the applicable line's product to the amount that it would have been if the respective line had achieved an operating rate of 80%. As the operating rate of the EGL line was below 80% in 2020 and 2019 and no Base Loading Obligation was required, a unit price adjustment was recorded to increase the cost of substrate by $11,663,000 and $4,377,000 for the nine months ending September 30, 2020 and 2019, respectively. The provisions of the Substrate Agreement require that the unit price adjustment for both the EGL and the CGL be funded by the Partners in proportion to their ownership interests as a capital contribution, net of any equity return. The unit price adjustment required an additional capital contribution from each Partner of $5,831,500 and $2,188,500 for the nine months ending September 30, 2020 and 2019, respectively.

Tolling Agreement with AMUSA - Burns Harbor - As outlined in the agreement, the Partnership can perform tolling services for third parties if unused capacity exceeds 5%. A customer of AMUSA - Burns Harbor has requested that it be permitted to purchase products coated at the Partnership directly

from AMUSA - Burns Harbor rather than from the Partnership. In order to accommodate this request, the Partners and the Partnership have agreed that under certain limited circumstances the Partnership will coat substrate owned by AMUSA - Burns Harbor in exchange for the payment of a toll as specified in the tolling agreement (the "Tolling Agreement") between the Partnership and AMUSA - Burns Harbor. The Tolling Agreement with AMUSA - Burns Harbor expires on December 31, 2021. The amount of the toll was $15,060,490 and $24,988,370 for the nine months ended September 30, 2020 and 2019, respectively, and is included in sales revenue in the statements of operations and comprehensive income. The amounts due from AMUSA - Burns Harbor were $6,181,158 and $4,947,600 as of September 30, 2020 and December 31, 2019, respectively.

Sales Agreement with AMUSA - AMUSA has entered into an exclusive sales agreement (the "Sales Agreement") with the Partnership to provide the Partnership with sales and sales-related services, including credit and collections. Commissions paid to AMUSA are based upon a specified percentage of the net sales price by product as outlined in the Sales Agreement. Commissions paid to AMUSA under this agreement for the nine months ended September 30, 2020 and 2019, were $2,455,995 and $3,316,817, respectively, and are included as production costs in the statements of unaudited operations and comprehensive income. The Sales Agreement with AMUSA expires on December 31, 2021.

Personnel Dispatch Agreements with Partners' Parent Companies - The Partnership has entered into personnel dispatch agreements with AMUSA and NSC, whereby each of the parties furnish the Partnership with personnel to assist in the management and technical operation of the CGL/EGL facility. Employees furnished to the Partnership are compensated based on a salary structure approved by AMUSA and NSC. The Partnership also pays benefits and relocation expenses for these employees. Amounts incurred by the Partnership under these agreements were $157,560 and $320,499 for the nine months ended September 30, 2020 and 2019, respectively, which are included in production expenses in the statements of unaudited operations and comprehensive income.

Transactions with AMUSA - At September 30, 2020 and December 31, 2019, the Partnership's net payable to AMUSA - Indiana Harbor East consisted of the following:

	September 30, 2020		December 31, 2019	
Freight Liability - net of receivable	**$**	**(474,909)**	$	(914,870)
Substrate purchases payable		**(9,301,769)**		(1,757,199)
Total	**$**	**(9,776,678)**	$	(2,672,069)

Purchases of substrate from AMUSA for the nine months ended September 30, 2020 and 2019, totaled $141,544,299 and $244,688,175, respectively.

The receivable from affiliates of AMUSA includes cash collected by AMUSA on behalf of the Partnership. Several larger customers pay AMUSA for purchased steel from AMUSA and the Partnership. AMUSA segregates the cash receipts from such customers according to the origin of the sale. As of September 30, 2020 and December 31, 2019, the receivable from AMUSA related to this arrangement was $29,635,733 and $9,791,800, respectively.

AMUSA pays freight charges on behalf of the Partnership, and the Partnership reimburses AMUSA for those charges. Amounts outstanding for freight liability were $872,925 and $1,630,056 as of September 30, 2020 and December 31, 2019, respectively. Freight expenses, which are included in production expenses on the statements of unaudited operations and comprehensive income, were $1,242,027 and $5,713,528 for the nine months ended September 30, 2020 and 2019, respectively.

6. RETIREMENT BENEFIT PLANS

The Partnership maintains a 401(k) plan for bargaining unit employees. The Partnership does not contribute to this plan. The Partnership provides defined benefit pension benefits to represented

employees hired before November 2005 and non-represented employees hired before January 2003 through the Partnership-sponsored pension plan administered by AMUSA. The plan is a noncontributory defined pension plan covering most all of the Partnership's employees. Benefits under this sponsored plan are based on both services rendered while employed at the Partnership and any service rendered at affiliated companies prior to transfer of the Partnership. All the plan assets of the sponsored plan are held in the ArcelorMittal USA LLC Pension Trust (the "Trust Fund"). The Partnership's actuarial method used in the determination of pension expense is the projected unit credit cost method.

Substantially all USW represented employees hired before June 23, 2016 are covered under postretirement life insurance and medical benefit plans that require deductible and premium payments from retirees. The postretirement life insurance benefits are primarily specific amounts for hourly employees. Most Medicare eligible participants participate in a Medicare Advantage Plan. The Company charges participants for a portion of the cost and pays a premium to a third-party insurer. Pre- Medicare retirees are covered under a self-insured plan. Employees hired after June 23, 2016 are not eligible for postretirement medical or life insurance benefits. In lieu of retiree medical coverage, these employees receive a 401(k) contribution of $0.50 per hour worked to a restricted Retiree Health Care Account.

The following are the components of defined benefit pension and other postretirement benefit plans costs (credits):

	Defined Benefit Pension Costs (Credits)		**Other Postretirement Benefit Plans**	
	Nine Months Ended September 30,		**Nine Months Ended September 30,**	
	2020	2019	**2020**	2019
Service cost	**$ 1,847,072**	$ 1,571,116	**$ 708,570**	$ 649,979
Interest cost	**2,112,371**	2,449,164	**1,042,595**	1,254,134
Expected return on plan assets	**(3,253,574)**	(3,148,452)	**—**	—
Amortization:				
Prior service costs (credits)	**83,485**	309,910	**(717,348)**	(717,348)
Net actuarial loss	**815,360**	—	**—**	—
Net periodic benefit cost	**$ 1,604,714**	$ 1,181,738	**$ 1,033,817**	$ 1,186,765

7. CONCENTRATION OF RISKS

As of September 30, 2020, approximately 83% of the active workforce was represented by the USW. The existing labor contract between the USW and the Partnership was renewed effective September 1, 2018. This contract expires on September 1, 2022.

8. INCOME TAXES

The results of operations of the Partnership are included in the income tax returns of the Partners, and accordingly, no provision for income taxes is included in the accompanying financial statements.

9. CONTINGENCIES

The Partnership is involved in various legal proceedings, which are incidental to the ordinary course of its business. Management does not believe that the adverse determination of any such routine litigation, either individually or in the aggregate, will have a material adverse effect on the Partnership's business, financial condition, results of operations, or cash flows.

10. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through the date the financial statements were issued, February 8, 2021.

The Partnership's business operations and financial condition may be materially and adversely affected as a result of any weakening end-use market demand for steel in the wake of the global coronavirus outbreak. Due to the significant uncertainties surrounding the potential impacts of the coronavirus outbreak, the extent of any potential negative impact to the Partnership's operating results cannot be reasonably estimated.

On October 28, 2020, ArcelorMittal S.A., a company incorporated under the laws of the Grand Duchy of Luxembourg ("AM") and Nippon Steel Corporation, a company incorporated under the laws of Japan ("NSC") entered into the I/N Post-Closing Agreement whereby NSC elected to exercise its put options under Section 10(b) of the I/N Kote Basic Agreement and Section 10(b) of the Tek Basic Agreement and sell NS Kote's 50% partnership interest in the Kote joint venture and the I/N Kote Partner Loans and NS Tek's 40% partnership interest in the Tek joint venture and the I/N Tek Partner Loans to AM for a combined purchase price of $182,295,383.

On December 9, 2020, pursuant to the terms of an agreement, dated as of September 28, 2020 (the "Transaction Agreement"), by and between Cleveland-Cliffs Inc., an Ohio corporation (the "Company"), and AM., AM sold to the Company substantially all of the operations of ArcelorMittal USA LLC, a Delaware limited liability company, and its subsidiaries AM USA. As contemplated by the terms of the Transaction Agreement, AM's joint venture partner in the I/N Kote L.P. and I/N Tek L.P. joint ventures (collectively, the "I/N JVs") exercised its put options pursuant to the terms of the I/N JVs' joint venture agreements. As a result, the Company was required to purchase all of such joint venture partner's interests in the I/N JVs for a transfer price of $182,295,383. Following the closing of the transaction, the Company, through its subsidiaries, owns 100% of the interests in the I/N JVs.

EXHIBIT 99.5

I/N Tek

(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and
Nippon Steel Corporation)

Financial Statements as of
December 31, 2019 and December 31, 2018, and
Independent Auditors’ Report

INDEPENDENT AUDITORS' REPORT

To the Partners and Management Committee of
I/N Tek
New Carlisle, Indiana

We have audited the accompanying financial statements of I/N Tek (A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation) (the "Partnership") which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and comprehensive income, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As more fully described in Notes 1, 2, 3, 4, and 5, the Partnership has engaged in significant transactions with subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation and their affiliates, under terms and conditions prescribed by the partners. Because of these relationships, the terms of these transactions

may not be the same as those that would result from transactions among unrelated parties. Accordingly, the accompanying financial statements may not be indicative of the financial position that would have existed or the results of operations that would have occurred had the Partnership operated without such affiliations. Our opinion is not modified with respect to this matter.

/s/ DELOITTE & TOUCHE LLP

March 30, 2020
Chicago, IL

I/N TEK
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

BALANCE SHEETS
AS OF DECEMBER 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1,924,633**	$ 2,113,310
Receivables from related parties:		
I/N Kote	**361,027**	174,459
ArcelorMittal USA LLC–Indiana Harbor East	**50,253,269**	45,979,458
Other current assets	**538,962**	628,265
Total current assets	**53,077,891**	48,895,492
PROPERTY, PLANT, AND EQUIPMENT–At cost		
Land and improvements	**10,184,106**	10,187,367
Building and improvements	**58,546,857**	58,546,857
Machinery and equipment	**591,388,129**	578,315,830
Construction in progress	**9,222,380**	12,023,954
Less accumulated depreciation and amortization	**(569,629,541)**	(563,499,895)
Property, plant, and equipment–net	**99,711,931**	**95,574,113**
Other assets:		
Spares and repair parts	**15,871,557**	15,070,715
Other noncurrent assets	**61,313**	78,831
Total other assets	**15,932,870**	15,149,546
TOTAL	**$ 168,722,692**	$ 159,619,151
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**$ 3,303,549**	$ 2,674,269
Payable to related parties:		
ArcelorMittal USA LLC	**1,081,549**	1,219,706
Nippon Steel & Sumitomo Metal U.S.A., Inc.	**35,200**	30,103
AMUSA Tek, Inc.	**3,391,747**	2,655,444
NS Tek, Inc.	**2,261,164**	1,770,296
Accrued interest to Partners	**608,307**	654,630
Accrued utilities	**2,996,426**	2,921,510
Other accrued liabilities	**11,083,661**	11,970,835
Current portion of capital loan from Partners	**18,562,624**	13,728,151
Total current liabilities	**43,324,227**	37,624,944
Long-term liabilities:		
Long-term capital loan from Partners	**19,688,407**	28,285,288
Deferred employee benefits	**76,478,366**	65,752,917
Total long-term liabilities	**96,166,773**	94,038,205
Total liabilities	**139,491,000**	**131,663,149**
Commitments and contingencies (See Note 4 and Note 8)		
PARTNERS' EQUITY:		
Retained earnings, net of distributions	**39,436,678**	30,446,862
Accumulated other comprehensive loss	**(10,204,986)**	(2,490,860)
Total partners' equity	**29,231,692**	**27,956,002**
TOTAL	**$ 168,722,692**	$ 159,619,151

See notes to financial statements.

I/N TEK
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
TOLLING REVENUE	$ 167,216,544	$ 167,776,879
OPERATING COSTS AND EXPENSES:		
Processing costs - excluding depreciation and amortization disclosed below	89,187,581	92,646,971
General and administrative expenses	877,407	900,301
Depreciation and amortization	8,862,240	9,044,443
Total operating costs and expenses	98,927,228	102,591,715
OPERATING INCOME	68,289,316	65,185,164
NON-OPERATING POSTRETIREMENT BENEFIT EXPENSE	(825,142)	(624,386)
INTEREST EXPENSE TO PARTNERS	(1,050,507)	(1,099,989)
Total other expense, net	(1,875,649)	(1,724,375)
NET INCOME	66,413,667	63,460,789
OTHER COMPREHENSIVE (LOSS) INCOME:		
Defined benefit plans:		
Net actuarial (losses) gains arising during period	(6,483,281)	5,086,296
Prior service cost from plan amendments	—	(1,654,135)
Amortization of actuarial losses and prior service (credit)	(1,230,845)	(858,345)
Total other comprehensive (loss) income	(7,714,126)	2,573,816
COMPREHENSIVE INCOME	$ 58,699,541	$ 66,034,605

See notes to financial statements.

I/N TEK
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

STATEMENTS OF CHANGES IN PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Retained Earnings - Net of Distributions	Accumulated Other Comprehensive Loss	Total Partners' Equity (Deficit)
BALANCE–January 1, 2018	$ 25,910,023	$ (5,064,676)	$ 20,845,347
Distributions to Partners - return on investment	(58,923,950)	—	(58,923,950)
Net income	63,460,789	—	63,460,789
Other comprehensive income	—	2,573,816	2,573,816
BALANCE–December 31, 2018	$ 30,446,862	$ (2,490,860)	$ 27,956,002
Distributions to Partners - return on investment	**(57,423,853)**	**—**	**(57,423,853)**
Net income	**66,413,667**	**—**	**66,413,667**
Other comprehensive income	**—**	**(7,714,126)**	**(7,714,126)**
BALANCE–December 31, 2019	**$ 39,436,676**	**$ (10,204,986)**	**$ 29,231,690**

See notes to financial statements.

I/N TEK
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 66,413,667**	$ 63,460,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**8,873,246**	9,044,443
Changes in assets and liabilities:		
Receivable from related parties	**(4,460,379)**	(4,846,815)
Other current assets	**89,303**	(22,195)
Other assets	**(783,324)**	(534,571)
Accounts payable	**509,972**	(81,388)
Payables to related parties	**1,094,112**	20,764
Accrued interest	**(46,323)**	14,473
Other accrued liabilities	**(812,258)**	3,290,508
Deferred employee benefits	**3,011,323**	2,936,073
Net cash provided by operating activities	**73,889,339**	73,282,081
CASH FLOWS FROM INVESTING ACTIVITIES–Capital expenditures:	**(12,891,757)**	(13,226,577)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital loans from Partners	**9,964,930**	8,099,710
Principal payments on capital loans from Partners	**(13,727,336)**	(11,468,883)
Distributions to Partners:		
AMUSA Tek, Inc.	**(34,454,312)**	(35,354,370)
NS Tek, Inc.	**(22,969,541)**	(23,569,580)
Net cash used in financing activities	**(61,186,259)**	(62,293,123)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(188,677)**	**(2,237,619)**
CASH AND CASH EQUIVALENTS–Beginning of year	**2,113,310**	4,350,929
CASH AND CASH EQUIVALENTS–End of year	**$ 1,924,633**	$ 2,113,310
NONCASH INVESTING ACTIVITIES–Capital expenditures included in accounts payable at year-end	**$ 565,045**	$ 445,737
CASH PAID DURING THE YEAR FOR–Interest	**$ 1,530,769**	$ 1,479,688

See notes to financial statements.

I/N TEK
(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and Nippon Steel Corporation)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description of the Partnership—I/N Tek (the "Partnership"), a Delaware limited partnership, is 60% owned by ArcelorMittal Tek, Inc. ("AMUSA Tek"), a wholly owned subsidiary of ArcelorMittal USA LLC ("AMUSA"), and 40% owned by NS Tek, Inc. ("NS Tek"), an indirect wholly owned subsidiary of Nippon Steel Corporation (NSC) (collectively, the "Partners"). The Partnership was formed for the purpose of constructing, owning, financing, and operating a continuous cold-rolling mill steel finishing facility to process hot band steel into cold-rolled steel for a tolling fee. The Partnership was formally commissioned on March 19, 1990. Funding was provided by the Partners and by a loan from Mitsui & Co., Ltd.; Mitsubishi Corporation; and Sojitz Corporation (the "Trading Companies"). The Partners provided capital to the Partnership in proportion to their ownership interests. Refer to Note 2.

Cash Equivalents—The Partnership considers all highly liquid, short-term investments purchased with original maturities of three months or less to be cash equivalents.

Property, Plant, and Equipment—Property, plant, and equipment are stated at cost. Depreciation for most asset classes is recorded on a straight-line basis over the estimated useful lives of the assets.

Depreciation is provided over the following estimated service lives:

Building	45 years
Land Improvements	20 years
Computer equipment and software	5 years
Machinery and equipment	21.5 years
Furniture and fixtures	10 years

For roll shop rolls, depreciation is recorded on the basis of actual roll consumption. Major improvements that add to productive capacity or extend the life of an asset are capitalized, while repairs and maintenance are charged to expense as incurred. The carrying amount for long-lived assets is reviewed whenever events or changes in circumstances indicate that an impairment may have occurred.

Spares and Repair Parts—Spares and repair parts are valued at cost. Such items comprise equipment replacement parts and miscellaneous operating supplies that are expected to be used in the future. Spares and repair parts are expensed as they are requisitioned for use.

Tolling Revenue— The Partnership does not take title to and does not have control over inventory and materials provided by AMUSA to the Partnership; rather, the Partnership performs further processing on these materials and earns tolling revenue for performing these processing services. Tolling revenue is computed and recognized as tolling services are provided in accordance with the provisions of the AMUSA Tolling Agreement (the "Tolling Agreement"), as amended. The Tolling Agreement provides that tolling fees billed to AMUSA be computed on the basis of the Partnership's cash operating, financing, and equity costs. Equity costs are based on operating levels achieved by the Partnership in a given period. The difference between tolling revenue recognized, tolling fees billed, and progress payments for toll processing made by AMUSA is included in the accompanying balance sheets as a net payable to or receivable from AMUSA, as applicable. The net payable to or receivable from AMUSA is settled on a monthly basis. See further discussion in Note 4.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 — Unobservable inputs that reflect the reporting entity's own assumptions.

The Partnership's financial instruments, consist primarily of cash and cash equivalents, capital loan from Partners as well as accounts receivable and accounts payable. The fair values of accounts receivable and accounts payable approximate their carrying value because of the short-term maturity of the instruments.

Comprehensive Income —The Partnership reports comprehensive income in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*. ASC Topic 220 requires companies to report all changes in equity during a period, except those resulting from investment by owners and distributions to owners, in a financial statement for the period in which they are recognized.

Reclassification—Certain amounts in the financial statements for the year ended December 31, 2018 have been adjusted to be consistent with the current year presentation.

New Accounting Pronouncements —In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in ASC 606— *Revenue Recognition*, and most industry-specific guidance. This ASU requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The Partnership adopted this new standard on January 1, 2019. The adoption of this standard did not affect the amount or timing of our usual sales transactions.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation — Retirement Benefits*. This ASU requires that components of net periodic pension cost and net periodic postretirement benefit cost (pension and OPEB cost) other than current service be presented separately on the statement of operations and excluded from the subtotal operating income. Previously I/N Tek presented all pension and OPEB cost on the line Processing costs. We adopted this ASU in 2019 and $825,142 of expense is shown on the line Non-operating postretirement benefit expense. Amounts for 2018 were recast consistent with the new presentations with the amount shown for processing costs decreased by $624,386 in 2018 with a corresponding amount in a new line shown after the subtotal operating income.

2. ORGANIZATION OF THE PARTNERSHIP

On December 20, 2002, the Partners agreed to extend the term of the Partnership through December 31, 2021, and to amend and restate the Basic Agreement ("Basic Agreement") in its entirety.

In accordance with the Basic Agreement, as amended, between AMUSA and NSC, dated July 21, 1987, AMUSA Tek and NS Tek were required to contribute to the Partnership $90 million and $60 million, respectively, for a total capital contribution of $150 million. In addition, the Partnership obtained a financing commitment of $381 million from the Trading Companies. In 1990, pursuant to the terms of the Basic Agreement, as amended, the Partners agreed to contribute $45 million in additional capital in proportion to their respective interests. The Partners were required to contribute $36 million to complete the Partnership facility and agreed to make the remaining $9 million commitment available for subsequent capital improvements. The $9 million commitment for capital improvements was fully satisfied in 1993. Additional capital improvement needs may be funded under a subordinated Partner Capital Expenditure Loan Agreement (see Note 3) or through the Tolling Agreement (see Note 4).

The Partnership operates as an independent entity under the control of a management committee (the "Management Committee") comprising three representatives of AMUSA Tek and two representatives of NS Tek. Significant matters, as stipulated in the Partnership Agreement, require unanimous approval by the Management Committee. In accordance with the terms of the Tolling Agreement between AMUSA and the Partnership dated July 21, 1987, as amended, the Partnership processes steel for AMUSA, which pays a toll to the Partnership for this service. Pursuant to the Tolling Agreement, AMUSA generally has exclusive rights to the productive capacity of the Partnership. The Partnership is also a party to a tolling agreement with Nippon Steel Sales ("NS Sales") with respect to unused capacity of the Partnership. NS Sales must obtain the prior approval of AMUSA in order to process steel under the Tolling Agreement (see Note 4 for further discussion of the tolling agreements).

The Partners have entered into several other agreements relating to services, personnel, and certain technologies provided by the Partners. These agreements are discussed further in Note 4.

3. CAPITAL LOANS FROM PARTNERS

On July 29, 1993, the Partnership entered into a loan arrangement with the Partners. The Partner Capital Expenditure Loan Agreement ("Capital Agreement") provides the Partnership with the ability to obtain loans from the Partners to fulfill certain types of maintenance and capital expenditure needs. The Partnership obtained Capital Agreement loans in 2019 and 2018 totaling $9,964,930 and $8,099,710, respectively.

The Capital Agreement calls for semiannual payments commencing six months from the date of each draw under the Capital Agreement. The amount and maturity period of each draw is determined by recommendation of the Management Committee. Maturities range from 2018 to 2021. The rate of each borrowing is 2% more than the average yield to maturity of the most recently issued five-year U.S. Treasury note (or shorter maturity note if the borrowing maturity is less than five years), readjusted every five years as necessary based upon the maturity of the note. If the Partnership fails to make timely payments under the Capital Agreement, upon demand by the Partners, it shall pay interest on the overdue amount from the due date to the date of actual payment at a rate of 2% per annum above the rate that would have been payable if the overdue amount had, during the period of nonpayment, constituted a draw under the Capital Agreement. Interest rates on borrowings under the Capital Agreement range from 3.04% to 4.78%.

The current portion of capital loans from Partners at December 31, 2019 and 2018, comprises the following:

	2019	2018
Current portion of loans under capital agreements		
AMUSA Tek	**$ 11,137,574**	$ 8,236,891
NS Tek	**7,425,050**	5,491,260
Total current portion of capital loans from Partners	**$ 18,562,624**	$ 13,728,151

The noncurrent portion of capital loans from Partners at December 31, 2019 and 2018, comprises the following:

	2019	2018
Loans under capital agreements maturing from January 1, 2021 to July 21, 2021:		
AMUSA Tek	**$ 11,813,044**	$ 16,971,173
NS Tek	**7,875,363**	11,314,115
Total noncurrent portion of capital loans from Partners	**$ 19,688,407**	$ 28,285,288
Total capital loans from Partners	**$ 38,251,031**	$ 42,013,437

The aggregate maturities of capital loans from Partners at December 31, 2019 are as follows:

Years Ending December 31	
2020	**$ 18,562,624**
2021	**19,688,407**
Total	**$ 38,251,031**

4. COMMITMENTS AND RELATED-PARTY TRANSACTIONS

In connection with its formation, the Partnership entered into a number of agreements with AMUSA, NSC, and the Partners, which have defined each party's commitments with regard to the Partnership. The material aspects of certain significant agreements and the related commitments of the Partnership are discussed in the following paragraphs.

Service and Personnel Dispatch Agreements—To coordinate the operation and management of the Partnership, Service and Personnel Dispatch Agreements were entered into with the Partners' parent companies. The Service Agreements provide for certain services to assist in operating the Partnership. The services are rendered at the request of the President of the Partnership, and compensation for such services is based upon actual costs incurred in rendering such services. The Personnel Dispatch Agreements with AMUSA and NSC call for each to furnish the Partnership with personnel to assist in the management and technical organization of the Partnership. Employees furnished to the Partnership are compensated based on a salary structure approved by AMUSA and NSC. The Partnership also pays benefits and relocation expenses for these employees. The costs incurred under these agreements were $462,095 and $427,929 for the years ended December 31, 2019 and 2018, respectively, and are included in operating expenses in the statements of operations and comprehensive income.

ArcelorMittal USA LLC Tolling Agreement and NS Sales Tolling Agreement —The Partnership has entered into tolling agreements, as amended, with AMUSA and NS Sales, each of which sets forth certain rights and obligations of the parties thereto with regard to use of the production capabilities of the Partnership. NS Sales' right to obtain processing services from the Partnership is limited to unused capacity, and approval must be obtained from AMUSA to exercise its right. No amounts were recorded under the NS Sales Tolling Agreement in either 2019 or 2018.

Under the terms of the Tolling Agreement, as amended, the Partnership has agreed to sell processing services only to AMUSA or NS Sales. AMUSA is required to provide the Partnership with all hot band steel necessary to perform the processing and to pay a toll for all processing services. AMUSA retains title and risk to all hot band steel shipped to the Partnership for processing. The toll is computed monthly based upon a predetermined formula and totaled $167,216,544 and $167,776,879 for the years ended December 31, 2019 and 2018, respectively, and is reflected as tolling revenue in the statements of operations and comprehensive income.

As defined in the Tolling Agreement, AMUSA is obligated to use a minimum amount of the production capabilities of the Partnership or be subject to a base loading fee (the "Base Loading Obligation"). The Base Loading Obligation for each semiannual computation period equals the difference between the

tolling revenue, which would have been payable to the Partnership if the number of hours of processing services performed had equaled the minimum required hours as agreed to by the Partners, and the actual amount of processing hours utilized in the period. AMUSA met its Base Loading Obligation in 2019 and 2018.

Relationship to I/N Kote—During 1989, a second partnership, I/N Kote, was formed to construct, own, finance, and operate a facility to process hot-dipped galvanized and electrogalvanized steel. I/N Kote became fully operational on July 1, 1992. I/N Kote is owned equally by AMUSA—Kote Inc. (a subsidiary of AMUSA) and NS Kote, Inc. (an indirect wholly owned subsidiary of NSC). I/N Kote and the Partnership operate concurrently and adjacent to each other in New Carlisle, Indiana. AMUSA is the exclusive supplier of substrate to I/N Kote through various AMUSA locations, primarily AMUSA's Indiana Harbor Works or through the Partnership. The Partnership shares its senior management and other personnel resources with I/N Kote. Salaried employees' assignment to the appropriate company is determined by the Management Committee.

As of December 31, 2019 and 2018, receivables of $361,027 and $174,459, respectively, from I/N Kote relate primarily to utility charges paid by the Partnership on behalf of I/N Kote.

Progress Payments—The Partnership has entered into an agreement with AMUSA wherein AMUSA makes periodic progress payments for toll processing. The agreement requires the application of the progress payments toward toll activities. These periodic progress payments allow the Partnership to meet its operating cash needs and are reflected within the balance sheets in the net payable to or receivable from AMUSA. Progress payments include amounts for certain long-term assets, consisting of roll shop rolls and spares. The funding for these assets will be earned by the Partnership as the costs of the acquired assets are recognized in expense and recovered as tolling revenue under the Tolling Agreement. As of December 31, 2019 and 2018, the unamortized amount of toll-funded assets (included in Property, Plant, and Equipment in the balance sheets) was $23,667,678 and $21,058,525, respectively.

Receivable from AMUSA—Indiana Harbor East— At December 31, 2019 and 2018, the Partnership has amounts due from AMUSA Indiana Harbor East representing the net of tolling revenue due, receivable for other postretirement benefits, progress payments made by AMUSA, and utility charges paid by AMUSA Indiana Harbor East on behalf of the Partnership. As of December 31, 2019 and 2018, the amount due from AMUSA Indiana Harbor East was $50,253,269 and $45,979,458, respectively.

5. RETIREMENT BENEFIT PLANS

Pension Plan— The Partnership maintains a 401(k) plan for bargaining unit employees. The Partnership does not contribute to this plan.

The Partnership provides defined benefit pension benefits to employees hired before November 2005 through the Partnership-sponsored pension plan administered by AMUSA (the "I/N Tek Plan"). Benefits under this sponsored plan are based on both service rendered while employed at the Partnership and any service rendered at affiliated companies prior to transfer to the Partnership. The I/N Tek Plan is a noncontributory defined benefit pension plan covering most all of the Partnership's employees. Benefits for most non-represented employees are determined under a "Cash Balance" formula as an account balance that grows as a result of interest credits and of allocations based on a percentage of pay. Participants are credited at a rate of 5%. Benefits for wage and salaried employees represented by the United Steelworkers ("USW") are determined as a monthly benefit at retirement based on a fixed rate and service. In 2018, the Company signed a new four-year agreement with the USW. Changes to the monthly rate earned for certain periods of service resulted in a modest increase to the projected benefit obligation. The plan assets are invested in stocks, bonds, real estate, and other investments. All the plan assets of the sponsored plan are held in the ArcelorMittal USA LLC Pension Trust (the "Trust Fund"). The Partnership's actuarial method used in the determination of pension expense is the projected unit credit cost method.

The AMUSA sets the investment objectives for the plan through its Statement of Investment Policy which states:

- Investments of the Trust Fund are made solely in the interest of the participants and beneficiaries of the I/N Tek Plan and for the exclusive purposes of providing benefits to such participants and their beneficiaries and defraying the reasonable expenses of administering the plan and the Trust Fund.

- The investment objectives shall be to (a) provide long-term growth (in the form of income and/or capital appreciation) in trust assets so as to maximize the amounts available to provide benefits to plan participants and their beneficiaries and (b) maintain adequate liquidity in the Trust Fund's assets to permit timely payment of all benefits to such participants and their beneficiaries. In carrying out these objectives, short-term fluctuations in the value of the Trust Fund's assets shall be considered secondary to long-term investment results.

- The Trust Fund shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

The Pension Fund Management Committee (the "Committee") of the board of directors of AMUSA has general supervisory authority over the Trust Fund. The Committee has established the following asset allocation targets:

Equity securities - domestic	20 to 60 %
Equity securities - international	10 to 35
Fixed income (including cash)	15 to 45
Real estate	0 to 10
Alternative investments	0 to 25

The Policy provides for broad ranges around these targets to reduce rebalancing trading cost and facilitate the management of the Trust Fund. Investment risk is monitored on an ongoing basis, in part through the use of quarterly investment portfolio reviews, compliance reporting by investment managers, and periodic asset/liability studies and reviews of the sponsored plan's funded status.

The Partnership used a long-term rate of return assumption on assets of 5.70% for 2019 and 2018. This assumption is viewed in a long-term context and is evaluated annually. The expected return assumption is supported by the asset allocation of the trust and the historical long-term return on trust assets.

The Partnership did not contribute to the Trust Fund in 2019 or 2018 and expects to contribute $4,296,000 in 2020.

Reconciliation of the pension benefit obligation and plan assets for the measurement periods ended December 31, 2019 and 2018, was as follows:

	2019	2018
Change in benefit obligation:		
Benefit obligation - beginning of year	$ 80,708,576	$ 82,400,419
Service cost	1,916,495	2,296,128
Interest cost	3,419,270	2,980,356
Actuarial loss (gain)	13,358,093	(4,500,396)
Plan amendments	—	783,729
Benefits Paid	(3,393,821)	(3,251,660)
Projected benefit obligation - end of year	$ 96,008,613	$ 80,708,576
Change in plan assets:		
Fair value of plan assets - beginning of year	$ 56,894,876	$ 62,722,493
Actual return on plan assets	10,752,032	(2,575,957)
Benefits paid	(3,393,821)	(3,251,660)
Fair value of plan assets - end of year	$ 64,253,087	$ 56,894,876
Unfunded status of the plan	$ (31,755,526)	$ (23,813,700)
Noncurrent pension liability - end of year	$ (31,755,526)	$ (23,813,700)

The accumulated benefit obligation was $95,802,907 and $80,512,355 at December 31, 2019 and 2018.

Lower discount rates partially offset by better than expected asset performance resulted in an actuarial loss for 2019. The net actuarial loss in 2018 was a result of lower than expected asset performance partially offset by a lower benefit obligation principally because of higher discount rates. The discount rates used in the determination of the actuarial present value of the projected benefit obligation were 3.13% for 2019 and 4.23% for 2018. The discount rate used to measure the liability at year-end is used to calculate the net periodic expense in the following year. The discount rates used in the determination of the net periodic benefit costs were 4.23% for 2019 and 3.69% for 2018. The assumed rate of increase in future compensation levels was 2.5% for 2019 and 2018.

Components of net periodic benefit cost for the years ended December 31, 2019 and 2018 in the statements of operations and comprehensive income were as follows:

	2019	2018
Service cost	$ 1,916,495	$ 2,296,128
Interest cost	3,419,270	2,980,356
Expected return on plan assets	(3,271,634)	(3,275,580)
Amortization of prior service cost	—	13,942
Recognized net actuarial loss	116,280	408,084
Net periodic benefit cost	$ 2,180,411	$ 2,422,930

The benefit payments below, which reflect expected future service are expected to be paid as follows:

Years Ending December 31		
2020	$	4,075,366
2021		4,005,918
2022		4,834,656
2023		5,250,855
2024		5,756,527
2025 - 2029		30,708,237

The fair value of the Partnership's share of the Trust Fund assets percentage was 2.25% at December 31, 2019. The asset category and fair value hierarchy follows:

Asset Type	Level 1	Level 2	Level 3	Total
Domestic equity	$ 4,476,754	$ 15,874,595	$ —	$ 20,351,349
International equity	6,327,900	2,215,404	—	8,543,304
Emerging market equity	—	1,588,893	—	1,588,893
Fixed income	2,763,070	22,189,640	—	24,952,710
Real estate	—	—	2,520,008	2,520,008
Alternatives	—	2,797,640	3,499,183	6,296,823
Total	$ 13,567,724	$ 44,666,172	$ 6,019,191	$ 64,253,087

The fair value of the Partnership's share of the Trust Fund assets percentage was 2.50% at December 31, 2018. The asset category and fair value hierarchy follows:

Asset Type	Level 1	Level 2	Level 3	Total
Domestic equity	$ 3,905,609	$ 11,436,911	$ —	$ 15,342,520
International equity	4,893,632	1,721,034	—	6,614,666
Emerging market equity	—	1,207,553	—	1,207,553
Fixed income	1,868,558	21,901,906	—	23,770,464
Real estate	—	—	3,421,880	3,421,880
Alternatives	—	2,972,668	3,565,125	6,537,793
Total	$ 10,667,799	$ 39,240,072	$ 6,987,005	$ 56,894,876

A description of the valuation methodologies for measuring assets at fair value is as follows:

- Equity securities are valued at the closing price reported on the active market on which the security is traded and are classified as Level 1. Some common collective trust investments consist of publicly traded equity securities but the fund itself is not publicly traded, so these investments are classified as Level 2.
- Fixed income assets consist of corporate bonds and notes, preferred stock, mutual funds, government securities, and common collective trusts. Fixed income mutual funds and some government securities made up of U.S. Treasury notes and bonds are classified as Level 1 since there is an active publicly traded market. Most collective trusts consist of corporate bonds. These are classified as Level 2 as the underlying securities are not publicly traded but there is an observable price for similar securities in the market.

- Real estate assets are Level 3 and is valued at the fair value of the underlying assets held at year-end, which the custodian of the fund obtains from third-party appraisers.
- Assets valued as Level 2 are a collective trust fund where observable inputs are used to establish a value. Asset valued as Level 3 are primarily limited partnerships that have liquidity constraints. Generally, alternative assets are valued at the Partnership's proportionate share of the fair value of the fund at year-end, which the custodian of the fund obtains from third-party pricing services.

Purchases of Level 3 investments were $230,919 in 2019 and $271,205 in 2018.

The USW contract requires the Partnership to contribute to a multiemployer pension plan known as the Steelworkers Pension Trust ("SPT") (EIN 23-6648508 Plan No. 499). Almost all of our represented employees who are not eligible for the Partnership sponsored defined benefit pension plan participate in the SPT. The SPT provides pension benefits upon retirement based on employer contributions and accrual rates while participating in the plan. During 2018 the contribution rate was increased to $3.50 per contributory hour. Expense recognized for the contributions when the employee worked an eligible hour was $1,092,394 in 2019 and $783,303 in 2018.

Under a multiemployer plan arrangement, several employers make contributions into a single plan. The assets of the plan can be used to pay the benefits of all participants (retirees and dependents) and are not limited to the participants of a particular employer. If an employer stops contributing to the plan, any unfunded obligations may be borne by the remaining employers. Additionally, if an employer no longer participates in the plan (for example because it no longer employs participants in the plan), it may be required to pay an amount based on the underfunded status of the plan known as a withdrawal liability.

As of December 31, 2018 (the last date for which there is public information), there were 485 participating employers in the SPT. The Partnership did not make more than 5% of the total contributions into the plan. As of December 31, 2019 and 2018, the SPT was in the "green" zone under the Pension Protection Act of 2006 meaning that it is not presently considered endangered or in critical status. As such, the plan is not required to make any funding or improvement plan.

Retiree Health Benefits—Substantially all USW represented employees hired before June 23, 2016 are covered under postretirement life insurance and medical benefit plans that require deductible and premium payments from retirees. The postretirement life insurance benefits are primarily specific amounts for hourly employees. Most Medicare eligible participants participate in a Medicare Advantage Plan. The Company charges participants for a portion of the cost and pays a premium to a third-party insurer. Pre-Medicare retirees are covered under a self-insured plan. Employees hired after June 23, 2016 are not eligible for postretirement medical or life insurance benefits. In lieu of retiree medical coverage, these employees will receive a 401(k) contribution of $0.50 per hour worked to a restricted Retiree Health Care Account. There were minor changes to the postretirement medical benefits under the new labor contract, mainly related to the premiums paid by participants.

Reconciliation of the other postretirement benefit obligations from December 31, 2018 through the measurement date of December 31, 2019, was as follows:

	2019	2018
Change in benefit obligation:		
Benefit obligation - beginning of year	**$ 43,353,750**	$ 47,117,652
Service cost	**915,596**	1,064,740
Interest cost	**1,908,351**	1,777,955
Actuarial loss (gain)	**605,586**	(6,437,437)
Benefits paid	**(611,253)**	(1,037,566)
Plan amendments	**—**	870,406
Benefit obligation - end of year	**46,172,030**	43,355,750
Unfunded status of the plan	**$ (46,172,030)**	$ (43,355,750)
Current retiree medical liability	**$ (1,449,190)**	$ (1,414,533)
Noncurrent retiree medical liability	**(44,722,840)**	(41,939,217)
Benefit liability - end of year	**$ (46,172,030)**	$ (43,353,750)

Changing healthcare providers for Medicare eligible participants for a lower premium was primarily responsible for a significant actuarial gain in 2018. The discount rates used in the determination of the actuarial present value of the projected benefit obligation were 3.38% for 2019 and 4.38% for 2018. The discount rates used in the determination of the net periodic benefit costs were 4.38% for 2019 and 3.83% for 2018. For purposes of measuring the expected cost of benefits covered by the plan for next year, we assumed an average health care trend rate of 6.55% for pre-Medicare retirees trending down until it reaches an ultimate trend rate of 4.5% in 2027. For Medicare eligible participants, the trend rate next year is 5.00% and is expected to increase in the next few years and then decrease before reaching an ultimate trend rate of 4.50% in 2029.

Components of net periodic benefit cost for the years ended December 31, 2019 and 2018 in the statements of operations and comprehensive income, were as follows:

	2019	2018
Service Cost	**$ 915,596**	$ 1,064,740
Interest Cost	**1,908,351**	1,777,955
Amortization of prior service cost	**(1,347,125)**	(1,481,033)
Recognized net actuarial loss	**—**	200,662
Net periodic benefit cost	**$ 1,476,822**	**$ 1,562,324**

The payments for retiree health benefits, which reflect expected future service, are expected to be paid as follows:

Years Ending December 31	
2020	$ 1,449,190
2021	1,522,936
2022	1,699,131
2023	1,770,942
2024	1,898,396
2025 - 2029	10,037,225

For all retirement plans, components of accumulated other comprehensive loss for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Unrecognized actuarial loss	$ 13,019,230	$ 6,535,949
Prior service cost not yet recognized	(2,814,244)	(4,045,089)
Accumulated other comprehensive loss	$ 10,204,986	$ 2,490,860

6. CONCENTRATION OF RISKS

As of December 31, 2019 and 2018, approximately 85% of the active workforce was represented by the USW. The existing labor contract between the USW and the Partnership was renewed effective September 1, 2018. This contract expires on September 1, 2022.

7. INCOME TAXES

The results of operations of the Partnership are included in the income tax returns of the Partners, and accordingly, no provision for income taxes is included in the accompanying financial statements.

8. CONTINGENCIES

The Partnership is involved in various legal proceedings, which are incidental to the ordinary course of its business. Management does not believe that the adverse determination of any such routine litigation, either individually or in the aggregate, will have a material adverse effect on the Partnership's business, financial condition, results of operations, or cash flows.

9. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through the date the financial statements were issued, March 30, 2020. There are no subsequent events to disclose as of March 30, 2020.

The Partnership's business operations and financial condition may be materially and adversely affected as a result of any weakening end-use market demand for steel in the wake of the global coronavirus outbreak. Due to the significant uncertainties surrounding the potential impacts of the coronavirus outbreak, the extent of any potential negative impact to the Partnership's operating results and financial condition cannot be reasonably estimated.

EXHIBIT 99.6

I/N Tek

(A Partnership between Subsidiaries of
ArcelorMittal USA LLC and
Nippon Steel Corporation)

Financial Statements as of
September 30, 2020 and December 31, 2019
and for the nine months ended
September 30, 2020 and September 30, 2019

Financial Statements
I/N Tek
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Unaudited Condensed Balance Sheets

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,738,795**	$ 1,924,633
Receivables from related parties:		
Due from AMUSA - IHE	**44,540,869**	50,253,269
Due from I/N Kote	**784,045**	361,027
Other current assets	**658,045**	538,962
Total current assets	**47,721,754**	53,077,891
Property, plant & equipment, at cost:		
Property, plant & equipment	**678,271,215**	669,341,472
Less: accumulated depreciation	**(576,129,316)**	(569,629,541)
Total property, plant & equipment, net	**102,141,899**	99,711,931
Other assets:		
Spares and repair parts	**16,494,608**	15,871,557
Other Assets	**39,416**	61,313
TOTAL ASSETS	**$ 166,397,677**	$ 168,722,692
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 2,522,986**	$ 3,303,549
Accrued interest	**180,057**	608,307
Payable to related parties:		
AMUSA - Corporate	**974,550**	1,081,549
Nippon Steel	**24,169**	35,200
AMUSA Tek. Inc.	**2,604,088**	3,391,747
NS Tek. Inc.	**1,736,058**	2,261,164
Current portion of long term debt	**25,955,100**	18,562,624
Other accrued liabilities	**13,478,700**	14,080,087
Total current liabilities	**47,475,708**	43,324,227
Long-term liabilities:		
Partner loans	**—**	19,688,407
Post retirement benefits	**79,428,636**	76,478,366
TOTAL LIABILITIES	**126,904,344**	139,491,000
Commitments and contingencies (See Note 4 and Note 8)		
Partners' equity (see Note 1):		
Accumulated other comprehensive loss	**(10,312,187)**	(10,204,986)
Retained earnings, net of distributions	**49,805,520**	39,436,678
TOTAL EQUITY	**39,493,333**	29,231,692
TOTAL LIABILITIES AND EQUITY	**$ 166,397,677**	$ 168,722,692

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

I/N Tek
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Statements of Unaudited Operations and Comprehensive Income

	Nine Months Ended September 30,	
	2020	2019
Tolling revenue	**$ 108,342,570**	$ 123,519,821
Operating costs and expenses:		
Production expenses - excludes depreciation and amortization expense disclosed below	**57,441,301**	67,268,893
Depreciation and amortization expense	**6,499,776**	6,400,165
Interest expense to partners	**457,254**	909,609
Total expenses costs	**64,398,331**	74,578,667
Net income	**$ 43,944,239**	$ 48,941,154
Other Comprehensive income (loss):		
Defined benefit plans:		
Amortization of actuarial losses and prior service (credit)	**$ (107,201)**	$ (923,134)
Total other comprehensive loss	**(107,201)**	(923,134)
Comprehensive income	**$ 43,837,038**	$ 48,018,020

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

I/N Tek
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Statements of Unaudited Changes in Partners' Equity

	Retained Earnings - Net of Distributions	Accumulated Other Comprehensive Loss	Total Partners' Equity
Balance January 1, 2020	**$ 39,436,676**	**$ (10,204,986)**	**$ 29,231,690**
Distributions to partners - return on investment	**(33,575,395)**	**—**	**(33,575,395)**
Net income	**43,944,239**	**—**	**43,944,239**
Other comprehensive loss	**—**	**(107,201)**	**(107,201)**
Balance - September 30, 2020	**$ 49,805,520**	**$ (10,312,187)**	**$ 39,493,333**

	Retained Earnings - Net of Distributions	Accumulated Other Comprehensive Loss	Total Partners' Equity
Balance January 1, 2019	$ 30,446,862	$ (2,490,860)	$ 27,956,002
Distributions to partners - return on investment	(42,690,990)	—	(42,690,990)
Net income	48,941,154	—	48,941,154
Other comprehensive loss	—	(923,134)	(923,134)
Balance September 30, 2019	$ 36,697,026	$ (3,413,994)	$ 33,283,032

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

I/N Tek
(A Partnership between Subsidiaries of ArcelorMittal USA LLC and Nippon Steel Corporation)

Statements of Unaudited Cash Flows

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net Income	**$ 43,944,239**	$ 48,941,154
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**6,499,776**	6,400,164
Changes in assets and liabilities:		
Receivable from related parties	**5,289,382**	124,051
Other current assets	**(119,083)**	56,091
Other assets	**(601,153)**	(452,970)
Accounts payable	**(351,228)**	1,612,457
Payables to related parties	**(118,030)**	(31,823)
Accrued interest	**(428,251)**	(380,216)
Other accrued liabilities	**2,348,883**	1,668,645
Deferred employee benefits	**(107,201)**	(923,134)
Net cash provided by operating activities	**56,357,334**	57,014,419
Cash flows used in investing activities:		
Capital expenditures	**(9,359,079)**	(8,480,926)
Net cash used in investing activities	**(9,359,079)**	(8,480,926)
Cash flows from financing activities:		
Proceeds from capital loans from Partners	**6,267,000**	7,125,466
Principal payments on capital loans from Partners	**(18,562,931)**	(13,727,336)
Distributions to partners - AMUSA Tek, Inc. (see Note 1)	**(20,932,897)**	(25,266,052)
Distributions to partners - NS Tek, Inc. (see Note 1)	**(13,955,265)**	(16,844,035)
Net cash used in financing activities	**(47,184,093)**	(48,711,957)
Net decrease in cash & equivalents	**(185,838)**	(178,464)
Cash & equivalents - beginning of period	**1,924,633**	2,113,310
Cash & equivalents - end of period	**$ 1,738,795**	$ 1,934,846
Noncash investing and financing activities:		
Capital expenditures included in accounts payable	**$ 135,709**	$ 765,240
Cash paid during the period for interest	**$ 1,373,366**	$ 1,530,769

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description of the Partnership - I/N Tek (the "Partnership"), a Delaware limited partnership, is 60% owned by ArcelorMittal Tek, Inc. ("AMUSA Tek"), a wholly owned subsidiary of ArcelorMittal USA LLC ("AMUSA"), and 40% owned by NS Tek, Inc. ("NS Tek"), an indirect wholly owned subsidiary of Nippon Steel Corporation (NSC) (collectively, the "Partners"). The Partnership was formed for the purpose of constructing, owning, financing, and operating a continuous cold-rolling mill steel finishing facility to process hot band steel into cold-rolled steel for a tolling fee. The Partnership was formally commissioned on March 19, 1990. Funding was provided by the Partners and by a loan from Mitsui & Co., Ltd.; Mitsubishi Corporation; and Sojitz Corporation (the "Trading Companies"). The Partners provided capital to the Partnership in proportion to their ownership interest. Refer to Note 2.

Basis of Presentation - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. There have been no material changes in our significant accounting policies and estimates from those disclosed in our annual report for the year ended December 31, 2019. The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

2. ORGANIZATION OF THE PARTNERSHIP

On December 20, 2002, the Partners agreed to extend the term of the Partnership through December 31, 2021, and to amend and restate the Basic Agreement ("Basic Agreement") in its entirety.

In accordance with the Basic Agreement, as amended, between AMUSA and NSC, dated July 21, 1987, AMUSA Tek and NS Tek were required to contribute to the Partnership $90 million and $60 million, respectively, for a total capital contribution of $150 million. In addition, the Partnership obtained a financing commitment of $381 million from the Trading Companies. In 1990, pursuant to the terms of the Basic Agreement, as amended, the Partners agreed to contribute $45 million in additional capital in proportion to their respective interests. The Partners were required to contribute $36 million to complete the Partnership facility and agreed to make the remaining $9 million commitment available for subsequent capital improvements. The $9 million commitment for capital improvements was fully satisfied in 1993. Additional capital improvement needs may be funded under a subordinated Partner Capital Expenditure Loan Agreement (see Note 3) or through the Tolling Agreement (see Note 4).

The Partnership operates as an independent entity under the control of a management committee (the "Management Committee") comprising three representatives of AMUSA Tek and two representatives of NS Tek. Significant matters, as stipulated in the Partnership Agreement, require unanimous approval by the Management Committee. In accordance with the terms of the Tolling Agreement between AMUSA and the Partnership dated July 21, 1987, as amended, the Partnership processes steel for AMUSA, which pays a toll to the Partnership for this service. Pursuant to the Tolling Agreement, AMUSA generally has exclusive rights to the productive capacity of the Partnership. The Partnership is also a party to a tolling agreement with Nippon Steel Sales ("NS Sales") with respect to unused capacity of the Partnership. NS Sales must obtain the prior approval of AMUSA in order to process steel under the Tolling Agreement (see Note 4 for further discussion of the tolling agreements).

The Partners have entered into several other agreements relating to services, personnel, and certain technologies provided by the Partners. These agreements are discussed further in Note 4.

3. CAPITAL LOANS FROM PARTNERS

On July 29, 1993, the Partnership entered into a loan arrangement with the Partners. The Partner Capital Expenditure Loan Agreement ("Capital Agreement") provides the Partnership with the ability to obtain loans from the Partners to fulfill certain types of maintenance and capital expenditure needs. The

Partnership had Capital Agreement loans outstanding of $25,955,100 as of September 30, 2020 and $38,251,031 as of December 31, 2019. The Capital Agreement calls for semiannual payments commencing six months from the date of each draw under the Capital Agreement. The amount and maturity period of each draw is determined by recommendation of the Management Committee. The rate of each borrowing is 2% more than the average yield to maturity of the most recently issued five-year U.S. Treasury note (or shorter maturity note if the borrowing maturity is less than five years), readjusted every five years as necessary based upon the maturity of the note. If the Partnership fails to make timely payments under the Capital Agreement, upon demand by the Partners, it shall pay interest on the overdue amount from the due date to the date of actual payment at a rate of 2% per annum above the rate that would have been payable if the overdue amount had, during the period of nonpayment, constituted a draw under the Capital Agreement. Interest rates on borrowings under the Capital Agreement range from 2.15% to 4.78%.

The current and noncurrent portions of capital loans from Partners at September 30, 2020 and December 31 2019, is comprised of the following:

		September 30, 2020		December 31, 2019
Current portion of loans under capital agreements				
AMUSA Tek	**$**	**15,573,060**	$	11,137,574
NS Tek		**10,382,040**		7,425,050
Total current portion of capital loans from Partners	**$**	**25,955,100**	$	18,562,624
Noncurrent loans under Capital Agreements:				
AMUSA Tek		**—**	$	11,813,044
NS Tek		**—**		7,875,363
Total noncurrent portion of capital loans from Partners		**—**		19,688,407
Total capital loans from Partners	**$**	**25,955,100**	$	38,251,031

The aggregate loans under capital agreements were settled as part of the I/N Post-Closing Agreement described in Note 9 Subsequent Events.

4. COMMITMENTS AND RELATED-PARTY TRANSACTIONS

In connection with its formation, the Partnership entered into a number of agreements with AMUSA, NSC, and the Partners, which have defined each party's commitments with regard to the Partnership. The material aspects of certain significant agreements and the related commitments of the Partnership are discussed in the following paragraphs.

Service and Personnel Dispatch Agreements - To coordinate the operation and management of the Partnership, Service and Personnel Dispatch Agreements were entered into with the Partners' parent companies. The Service Agreements provide for certain services to assist in operating the Partnership. The services are rendered at the request of the President of the Partnership, and compensation for such services is based upon actual costs incurred in rendering such services. The Personnel Dispatch Agreements with AMUSA and NSC call for each to furnish the Partnership with personnel to assist in the management and technical organization of the Partnership. Employees furnished to the Partnership are compensated based on a salary structure approved by AMUSA and NSC. The Partnership also pays benefits and relocation expenses for these employees. The costs incurred under these agreements were $348,860 and $345,127 for the nine months ended September 30, 2020 and 2019 respectively, and are included in production expenses in the statements of unaudited operations and comprehensive income.

ArcelorMittal USA LLC Tolling Agreement and NS Sales Tolling Agreement - The Partnership has entered into tolling agreements, as amended, with AMUSA and NS Sales, each of which sets forth certain rights and obligations of the parties thereto with regard to use of the production capabilities of the Partnership. NS Sales' right to obtain processing services from the Partnership is limited to unused capacity, and approval must be obtained from AMUSA to exercise its right. No amounts were recorded under the NS Sales Tolling Agreement for the nine months ended September 30, 2020 and 2019.

Under the terms of the Tolling Agreement, as amended, the Partnership has agreed to sell processing services only to AMUSA or NS Sales. AMUSA is required to provide the Partnership with all hot band steel necessary to perform the processing and to pay a toll for all processing services. AMUSA retains title and risk to all hot band steel shipped to the Partnership for processing. The toll is computed monthly based upon a predetermined formula and totaled $108,342,570 and $123,519,821 for the nine months ended September 30, 2020 and 2019, respectively, and is reflected as toll revenue in the statements of unaudited operations and comprehensive income.

As defined in the Tolling Agreement, AMUSA is obligated to use a minimum amount of the production capabilities of the Partnership or be subject to a base loading fee (the "Base Loading Obligation"). The Base Loading Obligation for each semiannual computation period equals the difference between the tolling revenue, which would have been payable to the Partnership if the number of hours of processing services performed had equaled the minimum required hours as agreed to by the Partners, and the actual amount of processing hours utilized in the period. AMUSA met its Base Loading Obligation for the nine months ended September 30, 2020 and 2019.

Relationship to I/N Kote - During 1989, a second partnership, I/N Kote, was formed to construct, own, finance, and operate a facility to process hot-dipped galvanized and electrogalvanized steel. I/N Kote became fully operational on July 1, 1992. I/N Kote is owned equally by AMUSA - Kote Inc. (a subsidiary of AMUSA) and NS Kote, Inc. (an indirect wholly owned subsidiary of NSC). I/N Kote and the Partnership operate concurrently and adjacent to each other in New Carlisle, Indiana. AMUSA is the exclusive supplier of substrate to I/N Kote through various AMUSA locations, primarily AMUSA's Indiana Harbor Works or through the Partnership. The Partnership shares its senior management and other personnel resources with I/N Kote. Salaried employees' assignment to the appropriate company is determined by the Management Committee.

As of September 30, 2020 and December 31, 2019, receivables of $784,045 and $361,027, respectively, from I/N Kote relate primarily to utility charges paid by the Partnership on behalf of I/N Kote.

Progress Payments - The Partnership has entered into an agreement with AMUSA wherein AMUSA makes periodic progress payments for toll processing. The agreement requires the application of the progress payments toward toll activities. These periodic progress payments allow the Partnership to meet its operating cash needs and are reflected within the balance sheets in the net payable to or receivable from AMUSA. Progress payments include amounts for certain long-term assets, consisting of roll shop rolls and spares. The funding for these assets will be earned by the Partnership as the costs of the acquired assets are recognized in expense and recovered as tolling revenue under the Tolling Agreement. As of September 30, 2020 and December 31, 2019, the unamortized amount of toll-funded assets (included in Property, Plant, and Equipment in the balance sheets) was $24,344,899 and $23,667,678, respectively.

Receivable from AMUSA - Indiana Harbor East - As of September 30, 2020 and December 31, 2019, the Partnership has amounts due from AMUSA Indiana Harbor East representing the net of tolling revenue due, receivable for other postretirement benefits, progress payments made by AMUSA, and utility charges paid by AMUSA Indiana Harbor East on behalf of the Partnership. As of September 30, 2020 and December 31, 2019, the amount due from AMUSA Indiana Harbor East was $44,540,869 and $50,253,269, respectively.

5. RETIREMENT BENEFIT PLANS

The Partnership maintains a 401(k) plan for bargaining unit employees. The Partnership does not contribute to this plan. The Partnership provides defined benefit pension benefits to employees hired before November 2005 through the Partnership-sponsored pension plan administered by AMUSA (the "I/N Tek Plan"). Benefits under this sponsored plan are based on both services rendered while employed at the Partnership and any service rendered at affiliated companies prior to transfer of the Partnership. All the plan assets of the sponsored plan are held in the ArcelorMittal USA LLC Pension Trust (the "Trust Fund"). The Partnership's actuarial method used in the determination of pension expense is the projected unit credit cost method.

Substantially all USW represented employees hired before June 23, 2016 are covered under postretirement life insurance and medical benefit plans that require deductible and premium payments from retirees. The postretirement life insurance benefits are primarily specific amounts for hourly employees. Most Medicare eligible participants participate in a Medicare Advantage Plan. The Company charges participants for a portion of the cost and pays a premium to a third-party insurer. Pre- Medicare retirees are covered under a self-insured plan. Employees hired after June 23, 2016 are not eligible for postretirement medical or life insurance benefits. In lieu of retiree medical coverage, these employees receive a 401(k) contribution of $0.50 per hour worked to a restricted Retiree Health Care Account.

The following are the components of defined benefit pension and other postretirement benefit plans costs (credits):

	Defined Benefit Pension Costs (Credits)		Other Postretirement Benefit Plans	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Service cost	**$ 1,756,628**	$ 1,437,371	**$ 756,110**	$ 686,697
Interest cost	**2,261,319**	2,564,452	**1,177,801**	1,431,263
Expected return on plan assets	**(2,527,208)**	(2,453,726)	**—**	—
Amortization:				
Prior service costs (credits)	**87,210**	87,210	**(1,010,344)**	(1,010,344)
Net actuarial loss	**815,933**	—	**—**	—
Net periodic benefit cost	**$ 2,393,882**	$ 1,635,307	**$ 923,567**	$ 1,107,616

6. CONCENTRATION OF RISKS

As of September 30, 2020 and December 31, 2019, approximately 85% of the active workforce was represented by the USW. The existing labor contract between the USW and the Partnership was renewed effective September 1, 2018. This contract expires on September 1, 2022.

7. INCOME TAXES

The results of operations of the Partnership are included in the income tax returns of the Partners, and accordingly, no provision for income taxes is included in the accompanying financial statements.

8. CONTINGENCIES

The Partnership is involved in various legal proceedings, which are incidental to the ordinary course of its business. Management does not believe that the adverse determination of any such routine litigation, either individually or in the aggregate, will have a material adverse effect on the Partnership's business, financial condition, results of operations, or cash flows.

9. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through the date the financial statements were issued, February 8, 2021.

The Partnership's business operations and financial condition may be materially and adversely affected as a result of any weakening end-use market demand for steel in the wake of the global coronavirus outbreak. Due to the significant uncertainties surrounding the potential impacts of the coronavirus outbreak, the extent of any potential negative impact to the Partnership's operating results cannot be reasonably estimated.

On October 28, 2020, ArcelorMittal S.A., a company incorporated under the laws of the Grand Duchy of Luxembourg ("AM") and Nippon Steel Corporation, a company incorporated under the laws of Japan ("NSC") entered into the I/N Post-Closing Agreement ("Agreement") whereby NSC elected to exercise its put options under Section 10(b) of the I/N Kote Basic Agreement and Section 10(b) of the Tek Basic Agreement and sell NS Kote's 50% partnership interest in the Kote joint venture and the I/N Kote Partner Loans and NS Tek's 40% partnership interest in the Tek joint venture and the I/N Tek Partner Loans to AM for a combined purchase price of $182,295,383.

On December 9, 2020, pursuant to the terms of an agreement, dated as of September 28, 2020 (the "Transaction Agreement"), by and between Cleveland-Cliffs Inc., an Ohio corporation (the "Company"), and AM., AM sold to the Company substantially all of the operations of ArcelorMittal USA LLC, a Delaware limited liability company, and its subsidiaries AM USA. As contemplated by the terms of the Transaction Agreement, AM's joint venture partner in the I/N Kote L.P. and I/N Tek L.P. joint ventures (collectively, the "I/N JVs") exercised its put options pursuant to the terms of the I/N JVs' joint venture agreements. As a result, the Company was required to purchase all of such joint venture partner's interests in the I/N JVs for a transfer price of $182,295,383 . Following the closing of the transaction, the Company, through its subsidiaries, owns 100% of the interests in the I/N JVs.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

The following unaudited pro forma condensed combined financial statements and related notes present the historical consolidated financial statements of Cleveland-Cliffs Inc. (the "Company", "Cliffs"), AK Steel Holding Corporation ("AK Steel") and ArcelorMittal USA LLC and Affiliates ("AM USA"), I/N Kote and I/N Tek, as if the completion of the AM USA Transaction (defined below) had occurred on the dates specified below.

On December 9, 2020, pursuant to the terms of the Transaction Agreement, dated as of September 28, 2020 (the "Transaction Agreement"), by and between the Company and ArcelorMittal S.A., an entity formed under Luxembourg law, ArcelorMittal S.A. sold substantially all of the operations of ArcelorMittal S.A.'s former wholly-owned subsidiary ArcelorMittal USA LLC, a Delaware limited liability company, its subsidiaries and certain affiliates (collectively “ArcelorMittal USA”) to Cliffs. In connection with the closing of the AM USA Transaction, as contemplated by the terms of the Transaction Agreement, ArcelorMittal S.A.'s joint venture partner in the I/N Kote and I/N Tek joint ventures (collectively, the "I/N JVs") exercised its put rights pursuant to the terms of the I/N JVs joint venture agreements. As a result, the Company purchased all of such joint venture partner's interests in the I/N JVs. Following the closing of the AM USA Transaction, the Company, through its subsidiaries, own 100% of the interests in the I/N JVs. Together we refer to these transactions as the "AM USA Transaction".

Additionally on March 13, 2020, pursuant to the AK Steel Merger Agreement, we completed the acquisition of AK Steel, in which we were the acquirer (the "AK Steel Merger").

The following unaudited pro forma condensed combined statement of financial position of the Company as of September 30, 2020 is based on the historical consolidated financial statements of Cliffs, AM USA, I/N Kote and I/N Tek using the acquisition method of accounting. The unaudited pro forma condensed combined statements of operations of the Company for the year ended December 31, 2019 and for the nine months ended September 30, 2020 are based on the historical consolidated financial statements of Cliffs, AK Steel, AM USA, I/N Kote and I/N Tek using the acquisition method of accounting.

The transaction accounting adjustments consist of those necessary to account for the AM USA Transaction and the AK Steel Merger. The unaudited pro forma condensed combined statement of financial position as of September 30, 2020 gives effect to the AM USA Transaction as if it had occurred on September 30, 2020 and includes all adjustments necessary to reflect the application of acquisition accounting for the AM USA Transaction and those measurement period adjustments related to the AK Steel Merger. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and the nine months ended September 30, 2020 give effect to the AM USA Transaction and the AK Steel Merger as if they both had occurred on January 1, 2019 and include all adjustments necessary to reflect the application of acquisition accounting for the AM USA Transaction and AK Steel Merger. The transaction accounting adjustments related to the AK Steel Merger for the nine months ended September 30, 2020 reflect the period of January 1, 2020 through March 12, 2020 (the "Pre-AK Steel Merger Period").

The unaudited pro forma condensed combined financial information does not give effect to any cost savings, operating synergies or revenue synergies that may result from the AM USA Transaction or AK Steel Merger or the costs to achieve any synergies. Furthermore, the unaudited pro forma condensed financial information does not give effect to the working capital deficiency of AM USA at the closing of the AM USA Transaction, which has been funded by the Company post-closing with borrowings on the asset-based revolving credit facility. The working capital deficiency was due to factored accounts receivable, of which the balance was approximately $575 million at closing.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only, in accordance with Article 11 of Regulation S-X, and are not intended to represent or to be indicative of the income or financial position that the Company would have reported had the AK Steel Merger and/or the AM USA Transaction been completed as of the dates set forth in the unaudited pro forma condensed combined financial statements due to various factors. The unaudited pro forma condensed combined statement of financial position does not purport to represent the future financial position of the Company and the unaudited pro forma condensed combined statements of operations do not purport to represent the future results of operations of the Company.

The unaudited pro forma condensed combined financial statements reflect management’s preliminary estimates of the fair value of purchase consideration and the fair values of tangible and intangible assets acquired and liabilities assumed in the AK Steel Merger and the AM USA Transaction, with the remaining estimated purchase consideration

recorded as goodwill. Independent valuation specialists have conducted analyses to assist management of the Company in determining the fair values of the assets acquired and liabilities assumed. The Company's management is responsible for these third-party valuations and appraisals. Since these unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of the fair value of purchase consideration and fair values of assets acquired and liabilities assumed, the actual amounts to be reported in future filings may differ materially from the amounts used in the pro forma condensed combined financial statements.

On May 20, 2020, the Securities and Exchange Commission (the "SEC") adopted *Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses*, that updated certain presentation requirements for pro forma financial information. The amended guidance is effective January 1, 2021, but voluntary early compliance is permitted. The Company adopted the new guidance when preparing the unaudited pro forma condensed combined financial statements. The historical financial information has been adjusted to give effect to the application of acquisition accounting. The unaudited pro forma condensed combined financial information is based upon currently available information and estimates and assumptions that Cliffs management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be materially different.

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the AK Steel Merger and AM USA Transaction, and should be read in conjunction with the following:

- The accompanying notes to the unaudited pro forma condensed combined financial statements;
- The Cliffs historical audited consolidated financial statement(s) and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019
- The Cliffs historical unaudited condensed consolidated financial statements and notes thereto contained in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020;
- The AK Steel historical audited consolidated financial statement(s) and notes thereto contained in AK Steel's Annual Report on Form 10-K for the year ended December 31, 2019
- The Current Report on Form 8-K/A of the Company to which these unaudited pro forma condensed combined financial statements are attached as an exhibit;
- The audited combined consolidated financial statements of ArcelorMittal USA LLC and Affiliates as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto, included in Exhibit 99.1 to the Current Report on Form 8-K/A of the Company to which these unaudited pro forma financial statements are attached as an exhibit;
- The unaudited condensed combined consolidated financial statements of ArcelorMittal USA and Affiliates as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto, included in Exhibit 99.2 to the Current Report on Form 8-K/A of the Company to which these unaudited pro forma financial statements are attached as an exhibit;
- The audited financial statements of I/N Kote as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto, included in Exhibit 99.3 to the Current Report on Form 8-K/A of the Company to which these unaudited pro forma financial statements are attached as an exhibit;
- The unaudited condensed financial statements of I/N Kote as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto, included in Exhibit 99.4 to the Current Report on Form 8-K/A of the Company to which these unaudited pro forma financial statements are attached as an exhibit;
- The audited financial statements of I/N Tek as of December 31, 2019 and 2018 and for the years then ended, and the notes related thereto, included in Exhibit 99.5 to the Current Report on Form 8-K/A of the Company to which these unaudited pro forma financial statements are attached as an exhibit; and
- The unaudited condensed financial statements of I/N Tek as of September 30, 2020 and for the nine-months ended September 30, 2020 and 2019, and the notes related thereto, included in Exhibit 99.6 to the Current Report on Form 8-K/A of the Company to which these unaudited pro forma financial statements are attached as an exhibit.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION

As of September 30, 2020

(Dollars, in millions)

	Historical Cleveland-Cliffs Inc.	AK Steel Holding Corporation Measurement Period Transaction Accounting Adjustments (Note 8)	Notes (Note 8)	Pro Forma After AK Steel Merger	Historical AM USA After Reclassifications (Note 4)	Historical I/N Kote After Reclassifications (Note 4)	Historical I/N Tek After Reclassifications (Note 4)	Transaction Accounting Adjustments (Note 9)	Eliminations (Note 9)	Notes (Note 9)	Pro Forma Combined Company
ASSETS											
Current Assets:											
Cash and cash equivalents	$ 56.0	$ —		$ 56.0	$ 68.0	$ 22.0	$ 1.7	$ 3.2	$ —	9f	$ 150.9
Accounts receivable, net	653.7	—		653.7	591.0	87.5	45.3	(246.0)	(148.5)	9a	983.0
Inventories	1,795.1	(203.2)	8a	1,591.9	1,390.8	48.8	16.5	734.8	—	9b	3,782.8
Income tax receivable, current	9.0	—		9.0	13.0	—	—	—	—		22.0
Other current assets	115.0	—		115.0	30.0	—	0.7	(55.5)	(58.5)	9c	31.7
Total current assets	2,628.8	(203.2)		2,425.6	2,092.8	158.3	64.2	436.5	(207.0)		4,970.4
Non-current assets:											
Property, plant and equipment, net	4,550.7	148.4	8b	4,699.1	3,703.0	89.4	102.1	(134.5)	—	9d	8,459.1
Goodwill	144.0	32.4	8c	176.4	—	—	—	1,355.4	—	9e	1,531.8
Intangible assets, net	190.1	—		190.1	—	—	—	—	—		190.1
Deferred income taxes	519.5	30.6	8d	550.1	—	—	—	—	—		550.1
Right-of-use asset, operating lease	207.7	—		207.7	60.0	—	—	—	—		267.7
Other non-current assets	240.1	—		240.1	2,587.0	—	—	(2,450.8)	(23.3)	9h	353.0
TOTAL ASSETS	$ 8,480.9	$ 8.2		$8,489.1	$ 8,442.8	$ 247.7	$ 166.3	$ (793.4)	$ (230.3)		$16,322.2
LIABILITIES AND EQUITY											
Current liabilities:											
Accounts payable	$ 710.7	$ —		$ 710.7	$ 1,335.3	$ 12.0	$ 7.8	$ (195.1)	$ (148.5)	9i	$ 1,722.2
Accrued liabilities	279.4	—		279.4	414.0	0.1	0.2	(39.1)	—	9j	654.6
Other current liabilities	224.0	—		224.0	672.5	21.0	39.4	(412.5)	(58.5)	9k	485.9
Total current liabilities	1,214.1	—		1,214.1	2,421.8	33.1	47.4	(646.7)	(207.0)		2,862.7
Non-current liabilities:											
Long-term debt	4,309.8	—		4,309.8	—	—	—	693.0	—	9l	5,002.8
Operating lease liability, non-current	174.1	—		174.1	45.0	—	—	0.2	—	9f	219.3
Intangible liabilities, net	65.9	—		65.9	—	—	—	—	—		65.9
Pension and OPEB liabilities	1,130.6	—		1,130.6	2,964.0	51.1	79.4	109.4	—	9m	4,334.5
Asset retirement obligations	182.0	—		182.0	77.0	—	—	17.6	—	9f	276.6
Other non-current liabilities	280.7	8.2	8e	288.9	545.0	—	—	(154.6)	—	9n	679.3
TOTAL LIABILITIES	7,357.2	8.2		7,365.4	6,052.8	84.2	126.8	18.9	(207.0)		13,441.1
Commitments and contingencies											
Series B Participating Redeemable Preferred Stock	—	—		—	—	—	—	738.4	—	9o	738.4
Equity:											
Common shares	53.6	—		53.6	—	—	—	9.7	—	9p	63.3
Capital in excess of par value of shares	4,446.3	—		4,446.3	6,250.0	142.4	—	(5,412.3)	(23.3)	9p	5,403.1
Retained deficit	(3,052.5)	—		(3,052.5)	(5,031.0)	30.3	49.8	4,953.9		9p	(3,049.5)
Treasury shares	(354.8)	—		(354.8)	—	—	—	—	—	9p	(354.8)
Accumulated other comprehensive loss	(282.0)	—		(282.0)	1,171.0	(9.2)	(10.3)	(1,117.0)	—	9p	(247.5)
TOTAL EQUITY	810.6	—		810.6	2,390.0	163.5	39.5	(1,565.7)	(23.3)		1,814.6
Noncontrolling interest	313.1	—		313.1				15.0	—	9p	328.1
TOTAL LIABILITIES AND EQUITY	$ 8,480.9	$ 8.2		$8,489.1	$ 8,442.8	$ 247.7	$ 166.3	$ (793.4)	$ (230.3)	$—	$16,322.2

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

Year Ended December 31, 2019

(In Millions, Except Per Share Amounts)

	Historical Cleveland-Cliffs Inc.	Historical AK Steel Holding Corporation After Reclassifications (Note 4)	Transaction Accounting Adjustments (Note 6)	Elims. (Note 6)	Notes (Note 6)	Pro Forma After AK Steel Merger	AM USA after Reclass. (Note 4)	I/N KOTE after Reclass. (Note 4)	I/N TEK after Reclass (Note 4)	Transaction Accounting Adjustments (Note 7)	Elims. (Note 7)	Notes (Note 7)	Pro Forma Combined Company
Revenues from product sales and services	$ 1,989.9	$ 6,359.4	$ —	$ (597.1)	6a	$ 7,752.2	$ 10,169.0	$ 498.1	$ 167.2	$ —	$ (1,423.4)	7a	$ 17,163.1
Operating costs:													
Cost of goods sold	(1,414.2)	(5,798.9)	(67.7)	569.8	6b	(6,711.0)	(9,973.0)	(459.8)	(98.1)	(223.8)	1,415.9	7b	(16,049.8)
Selling, general and administrative expenses	(112.9)	(293.4)	(10.0)	—	6c	(416.3)	(369.0)	—	(0.9)	129.0	—	7c	(657.2)
Acquisition-related costs	(6.5)	(1.8)	—	—		(8.3)	—	—	—	(21.0)	—	7d	(29.3)
Miscellaneous – net	(27.0)	(56.0)	—	—		(83.0)	42.0	—	—	(31.4)	—	7e	(72.4)
Total operating costs	(1,560.6)	(6,150.1)	(77.7)	569.8		(7,218.6)	(10,300.0)	(459.8)	(99.0)	(147.2)	1,415.9		(16,808.7)
Operating income (loss)	429.3	209.3	(77.7)	(27.3)		533.6	(131.0)	38.3	68.2	(147.2)	(7.5)		354.4
Other income (expense)													
Interest income (expense), net	(101.2)	(145.7)	16.5	—	6d	(230.4)	58.0	0.1	(1.0)	(108.8)	—	7f	(282.1)
Gain (loss) on extinguishment of debt	(18.2)	0.6	—	—		(17.6)	—	—	—	—	—		(17.6)
Other non-operating income (expense)	2.2	5.0	(12.1)	—	6e	(4.9)	(59.0)	(0.2)	(0.8)	(20.8)	—	7g	(85.7)
Total other income (expense)	(117.2)	(140.1)	4.4	—		(252.9)	(1.0)	(0.1)	(1.8)	(129.6)	—		(385.4)
Income (loss) from continuing operations before income taxes	312.1	69.2	(73.3)	(27.3)		280.7	(132.0)	38.2	66.4	(276.8)	(7.5)		(31.0)
Income tax benefit (expense)	(17.6)	(6.2)	13.6	6.6	6f	(3.6)	53.0	—	—	77.3	1.8	7h	128.5
Income (loss) from continuing operations	294.5	63.0	(59.7)	(20.7)		277.1	(79.0)	38.2	66.4	(199.5)	(5.7)		97.5
Loss from discontinued operations, net of tax	(1.7)		—	—		(1.7)	—	—	—	—	—		(1.7)
Net income (loss)	292.8	63.0	(59.7)	(20.7)		275.4	(79.0)	38.2	66.4	(199.5)	(5.7)		95.8
Income attributable to noncontrolling interest	—	(51.8)	—	—		(51.8)	—	—	—	—	—		(51.8)
Net income (loss) attributable to Cliffs shareholders	$ 292.8	$ 11.2	$ (59.7)	$ (20.7)		$ 223.6	$ (79.0)	$ 38.2	$ 66.4	$ (199.5)	$ (5.7)		$ 44.0
Earnings (loss) per common share attributable to Cliffs shareholders - basic													
Continuing operations	$ 1.06				6g	$ 0.56						7j	$ 0.08
Discontinued operations	(0.01)					—							—
	$ 1.05					$ 0.56							$ 0.08
Earnings (loss) per common share attributable to Cliffs shareholders - diluted													
Continuing operations	$ 1.04				6h	$ 0.55						7k	$ 0.08
Discontinued operations	(0.01)					—							—
	$ 1.03					$ 0.55							$ 0.08
Average number of shares (in thousands)													
Basic	276,761				6g	403,520						7j	481,707
Diluted	284,480				6h	412,371						7k	548,885

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2020

(In Millions, Except Per Share Amounts)

	Historical Cleveland-Cliffs Inc.	Historical AK Steel Holding Corporation (Pre-AK Steel Merger Period)	Transaction Accounting Adjustments (Note 6)	Elims. (Note 6)	Notes (Note 6)	Pro Forma After AK Steel Merger	AM USA after Reclass. (Note 4)	I/N KOTE after Reclass. (Note 4)	I/N TEK after Reclass (Note 4)	Transaction Accounting Adjustments (Note 7)	Elims. (Note 7)	Notes (Note 7)	Pro Forma Combined Company
Revenues from product sales and services	$ 3,097.8	$ 1,235.0	$ —	$ (67.8)	6a	$ 4,265.0	$5,629.0	$ 265.2	$ 108.3	$ —	$(776.3)	7a	$ 9,491.2
Operating costs:													
Cost of goods sold	(3,088.9)	(1,172.9)	7.0	81.4	6b	(4,173.4)	(6,103.0)	(244.2)	(63.9)	79.3	763.8	7b	(9,741.4)
Selling, general and administrative expenses	(149.2)	(59.0)	(1.5)	—	6c	(209.7)	(243.0)	—	—	98.0	—	7c	(354.7)
Acquisition-related costs	(68.4)	(3.4)	—	—		(71.8)	—	—	—	—	—		(71.8)
Miscellaneous – net	(40.5)	—	—	—		(40.5)	(8.0)	—	—	10.0	—	7e	(38.5)
Total operating costs	(3,347.0)	(1,235.3)	5.5	81.4		(4,495.4)	(6,354.0)	(244.2)	(63.9)	187.3	763.8		(10,206.4)
Operating income (loss)	(249.2)	(0.3)	5.5	13.6		(230.4)	(725.0)	21.0	44.4	187.3	(12.5)		(715.2)
Other income (expense)													
Interest income (expense), net	(167.9)	(27.0)	(17.5)	—	6d	(212.4)	54.0	(0.1)	(0.5)	(87.9)		7f	(246.9)
Gain (loss) on extinguishment of debt	132.6	—	—	—		132.6	—	—	—	—	—		132.6
Other non-operating income (expense)	31.2	5.4	1.1	—	6e	37.7	(34.0)	—	—	14.1	—	7g	17.8
Total other income (expense)	(4.1)	(21.6)	(16.4)	—		(42.1)	20.0	(0.1)	(0.5)	(73.8)	—		(96.5)
Income (loss) from continuing operations before income taxes	(253.3)	(21.9)	(10.9)	13.6		(272.5)	(705.0)	20.9	43.9	113.5	(12.5)		(811.7)
Income tax benefit (expense)	98.5	2.2	10.1	(3.3)	6f	107.5	3.0	—	—	144.7	3.0	7h	258.2
Income (loss) from continuing operations	(154.8)	(19.7)	(0.8)	10.3		(165.0)	(702.0)	20.9	43.9	258.2	(9.5)		(553.5)
Loss from discontinued operations, net of tax	—	—	—	—		—	—	—	—	—	—		—
Net income (loss)	(154.8)	(19.7)	(0.8)	10.3		(165.0)	(702.0)	20.9	43.9	258.2	(9.5)		(553.5)
Loss (income) attributable to noncontrolling interest	(31.2)	(12.5)	—	—		(43.7)	—	—	—	8.4	—	7i	(35.3)
Net income (loss) attributable to Cliffs shareholders	$ (186.0)	$ (32.2)	$ (0.8)	$ 10.3		$ (208.7)	$ (702.0)	$ 20.9	$ 43.9	$ 266.6	$ (9.5)		$ (588.8)
Earnings (loss) per common share attributable to Cliffs shareholders - basic													
Continuing operations	$ (0.51)				6g	$ (0.52)						7j	$ (1.22)
Discontinued operations	—					—							—
	$ (0.51)					$ (0.52)							$ (1.22)
Earnings (loss) per common share attributable to Cliffs shareholders - diluted													
Continuing operations	$ (0.51)				6h	$ (0.52)						7k	$ (1.22)
Discontinued operations	—					—							—
	$ (0.51)					$ (0.52)							$ (1.22)
Average number of shares (in thousands)													
Basic	365,245				6g	403,520						7j	481,707
Diluted	365,245				6h	403,520						7k	481,707

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

Note 1: Description of transactions

On December 9, 2020, pursuant to the terms of the Transaction Agreement, dated as of September 28, 2020 (the "Transaction Agreement"), by and between the Company and ArcelorMittal S.A., an entity formed under Luxembourg law, ArcelorMittal S.A. sold substantially all of the operations of ArcelorMittal S.A.'s former wholly-owned subsidiary ArcelorMittal USA LLC, a Delaware limited liability company, and its subsidiaries and certain affiliates (“ArcelorMittal USA”) to the Company. In connection with the closing of the AM USA Transaction (as defined below), as contemplated by the terms of the Transaction Agreement, ArcelorMittal S.A.'s joint venture partner in the I/N Kote and I/N Tek joint ventures(collectively, the "I/N JVs") exercised its put rights pursuant to the terms of the I/N JVs joint venture agreements. As a result, the Company purchased all of such joint venture partner's interests in the I/N JVs. Following the closing of the AM USA Transaction, the Company, through its subsidiaries, own 100% of the interests in the I/N JVs. Together we refer to these transactions as the "AM USA Transaction".

Additionally on March 13, 2020, pursuant to the AK Steel Merger Agreement, we completed the acquisition of AK Steel, in which we were the acquirer (the "AK Steel Merger").

The unaudited pro forma condensed combined financial information is based on the historical consolidated financial information of Cliffs, AK Steel, AM USA, I/N Kote and I/N Tek and has been prepared to give effect of the AM USA Transaction and the AK Steel Merger.

Note 2: Basis of presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting, with Cliffs considered the accounting acquirer in both the AM USA Transaction and the AK Steel Merger. Under the acquisition method of accounting, the preliminary purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with the excess purchase price, if any, allocated to goodwill. To prepare the unaudited pro forma condensed combined financial information, Cliffs adjusted the assets and liabilities included within the AM USA Transaction and AK Steel Merger to their estimated fair values based on Cliffs’ most recent preliminary valuation work. Cliffs has not completed the detailed valuation work necessary to finalize the required estimated fair values and estimated useful lives of the assets acquired and liabilities assumed and the related allocations of the purchase prices. The final allocations of the purchase prices will be determined during the respective measurement periods and determination of the estimated fair value of assets and liabilities, and associated tax adjustments. Accordingly, the final acquisition accounting adjustments may be materially different from the unaudited transaction accounting adjustments contained herein.

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by Cliffs. Certain financial information of AK Steel, AM USA, I/N Kote and I/N Tek as presented in their historical consolidated financial statements has been preliminarily reclassified to conform to the historical presentation in Cliffs’ consolidated financial statements for the purposes of preparing the unaudited pro forma condensed combined financial information. Upon integration during the respective measurement periods, Cliffs will perform a full and detailed review of accounting policies. As a result of that review, Cliffs may identify additional differences between the accounting policies of the companies that, when conformed, could have a material impact on the consolidated financial statements of the combined company.

Historical results should not be considered indicative of future combined company performance as there are certain non-recurring items. For example, AK Steel’s historical financial statements include non-recurring Ashland Works closure charges of $69.3 million, with an income tax benefit of $16.9 million, for the year ended December 31, 2019 and charges related to pension plan annuity transactions, which resulted in a non-cash pension settlement charge of $26.9 million, with an income tax benefit of $6.6 million, for the year ended December 31, 2019. Additionally, AM USA's historical financial statements include non-recurring impairment charges of $21 million, with an income tax benefit of $5.1 million, related to its idling of Indiana Harbor's blast furnace #3 during the year ended December 31, 2019 and impairment charges of $26 million, with an income tax benefit of $6.3 million, for the nine month period ended September 30, 2020 for its idling of its hot dipped coating line in Columbus, Ohio. These costs will not affect the Company's statement of operations beyond 12 months after the acquisition date.

Note 3: Accounting policies

The unaudited pro forma condensed combined financial information reflects adjustments to conform AK Steel’s, AM USA's, I/N Kote's and I/N Tek's results to Cliffs’ accounting policies.

There is a significant difference between AK Steel's and Cliffs' accounting policies related to pension and OPEB amortization methods. Both AK Steel and Cliffs use a “corridor,” defined as 10% of the larger of the projected benefit obligation and plan assets, to determine recognition of previously unrecognized actuarial net gains or losses. AK Steel immediately recognizes net actuarial gains or losses that exceed the corridor and amortizes net actuarial gains or losses within the corridor over the plan participants’ average life expectancy. Cliffs amortizes net actuarial gains or losses that exceed the corridor over the plan participants’ average future service period.

Upon consummation of the AM USA Transaction, the inventory valuation method for valuing inventory for AM USA was changed from the LIFO method to the average cost method. The Company believes that using the average cost method improves comparability with Cliffs other operations, more closely tracks the physical flow of inventory, better matches revenue with expenses and aligns with how the Company internally manages its business.

Note 4: Reclassification adjustments

Certain reclassifications have been applied to the historical presentation of AK Steel’s, AM USA's, I/N Kote's and I/N Tek's statements of operations and financial positions to conform to Cliffs' financial statement presentation. Additionally, for the year ended December 31, 2019, certain amounts from Cliffs' historical statement of operations have been reclassified to conform with the current year presentation.

Reclassifications to AK Steel’s consolidated statement of operations for the year ended December 31, 2019 are as follows:

Financial Statement Line	Historical AK Steel Holding Corporation Before Reclassifications	Reclassifications	Notes	Historical AK Steel Holding Corporation After Reclassifications
Cost of products sold (exclusive of items shown separately below)	$ (5,606.3)	$ 5,606.3	i	$ —
Cost of goods sold	—	(5,798.9)	i	(5,798.9)
Selling and administrative expenses	(295.2)	295.2	vii, viii	—
Selling, general and administrative expenses	—	(293.4)	viii	(293.4)
Acquisition related costs	—	(1.8)	vii	(1.8)
Miscellaneous – net	—	(56.0)	ii	(56.0)
Depreciation	(192.6)	192.6	i	—
Ashland Works closure	(56.0)	56.0	ii	—
Interest expense, net	(146.6)	0.9	iii	(145.7)
Gain (loss) on extinguishment of debt	—	0.6	iv	0.6
Pension and OPEB income (expense)	(12.0)	12.0	v	—
Other income (expense)	18.5	(18.5)	iii, iv, vi,	—
Other non-operating income	—	5.0	v, vi	5.0

i. Represents the reclassification of $192.6 million of *Depreciation* and $5,606.3 million of *Cost of products sold (exclusive of items shown separately below)* to *Cost of goods sold*.

ii. Represents the reclassification of $56.0 million of closure cost expenses from *Ashland Works closure* to *Miscellaneous - net*.

iii. Represents the reclassification of $0.9 million of interest income from *Other income (expense)* to *Interest expense, net*.

iv. Represents the reclassification of debt extinguishment gains of $0.6 million from *Other income (expense)* to *Gain (loss) on extinguishment of debt*.

v. Represents the reclassification of losses of $12.0 million from *Pension and OPEB income (expense)* to *Other non-operating income*.

vi. Represents the reclassification of gains of $17.0 million from *Other income (expense)* to *Other non-operating income*.

vii. Represents the reclassification of acquisition-related costs of $1.8 million from *Selling and administrative expenses* to *Acquisition-related costs*.

viii. Represents the reclassification of $293.4 million of *Selling and administrative expenses* to *Selling, general and administrative expenses.*

Reclassifications to AM USA's consolidated statement of operations for the year ended December 31, 2019 are as follows:

Financial Statement Line	Historical AM USA Before Reclassifications	Reclassifications	Notes	Historical AM USA After Reclassifications
Cost of goods sold	$ (9,614.0)	$ (359.0)	i	$ (9,973.0)
Miscellaneous – net	—	42.0	ii, iii, v	42.0
Depreciation and amortization	(359.0)	359.0	i	—
Asset impairments	(21.0)	21.0	ii	—
Other operating income (expense)	68.0	(68.0)	iii	—
Interest and other financing expense, third party	(100.0)	100.0	v, vi	—
Interest expense, net	—	58.0	iv, vi	58.0
Interest income, related party	146.0	(146.0)	iv	—
Interest income, third party	7.0	(7.0)	iv	—
Non-operating postretirement benefit expense	(59.0)	59.0	vii	—
Other non-operating income (expense)	—	(59.0)	vii	(59.0)

i. Represents the reclassification of $359.0 million of *Depreciation and amortization* to *Cost of goods sold*.

ii. Represents the reclassification of $21.0 million of impairment charges from *Asset impairments* to *Miscellaneous - net*.

iii. Represents the reclassification of $68.0 million of operating income from *Other operating income (expense)* to *Miscellaneous - net.*

iv. Represents the reclassification of $146.0 million and $7.0 million of interest income from *Interest income, related party,* and *Interest income, third party*, respectively, to *Interest expense, net*.

v. Represents the reclassification of $5.0 million of a joint venture impairment charge from *Interest and other financing expense, third party* to *Miscellaneous - net*.

vi. Represents the reclassification of $95.0 million of interest expense from *Interest and other financing expense, third party* to *Interest expense, net*.

vii. Represents the reclassification of losses of $59.0 million from *Non-operating postretirement benefit expense* to *Other non-operating income*.

Reclassifications to I/N Kote's statement of operations for the year ended December 31, 2019 are as follows:

Financial Statement Line	Historical I/N Kote Before Reclassifications	Reclassifications	Notes	Historical I/N Kote After Reclassifications
Cost of goods sold	$ —	$ (459.8)	i,ii,iii	$ (459.8)
Production costs-excluding depreciation and amortization disclosed below	(140.4)	140.4	i	—
Substrate costs	(313.5)	313.5	ii	—
Depreciation and amortization	(5.9)	5.9	iii	—
Interest expense to Partners	(0.4)	0.4	iv	—
Interest income	0.5	(0.5)	v	—
Interest expense, net	—	0.1	iv,v	0.1
Non-operating post retirement benefit expense	(0.2)	0.2	vi	—
Other non-operating income (expense)	—	(0.2)	vi	(0.2)

i. Represents the reclassification of $140.4 million of *Production costs-excluding depreciation and amortization disclosed below* to *Cost of goods sold*.
ii. Represents the reclassification of $313.5 million of *Substrate costs* to *Cost of goods sold*.
iii. Represents the reclassification of $5.9 million of *Depreciation and amortization* to *Cost of goods sold*.
iv. Represents the reclassification of $0.4 million of *Interest expense to Partners* to *Interest expense, net*.
v. Represents the reclassification of $0.5 million of *Interest income* to *Interest expense, net*.
vi. Represents the reclassification of losses of $0.2 million from *Non-operating post retirement benefit expense* to *Other non-operating income*.

Reclassifications to I/N Tek's statement of operations for the year ended December 31, 2019 are as follows:

Financial Statement Line	Historical I/N Tek Before Reclassifications	Reclassifications	Notes	Historical I/N Tek After Reclassifications
Cost of goods sold	$ —	$ (98.1)	i,ii	$ (98.1)
Processing costs-excluding depreciation and amortization disclosed below	(89.2)	89.2	i	—
Depreciation and amortization	(8.9)	8.9	ii	—
Interest expense to Partners	(1.0)	1.0	iii	—
Interest expense, net	—	(1.0)	iii	(1.0)
Non-operating post retirement benefit expense	(0.8)	0.8	iv	—
Other non-operating income (expense)	—	(0.8)	iv	(0.8)

i. Represents the reclassification of $89.2 million of *Processing costs-excluding depreciation and amortization disclosed below* to *Cost of goods sold*.
ii. Represents the reclassification of $8.9 million of *Depreciation and amortization* to *Cost of goods sold*.
iii. Represents the reclassification of $1.0 million of *Interest expense to Partners* to *Interest expense, net*.
iv. Represents the reclassification of losses of $0.8 million from *Non-operating post retirement benefit expense* to *Other non-operating income*.

Reclassifications to AM USA's consolidated statement of operations for the nine months ended September 30, 2020 are as follows:

Financial Statement Line	Historical AM USA Before Reclassifications	Reclassifications	Notes	Historical AM USA After Reclassifications
Cost of goods sold	$ (5,794.0)	$ (309.0)	i	$ (6,103.0)
Miscellaneous – net	—	(8.0)	ii, iii,	(8.0)
Depreciation and amortization	(309.0)	309.0	i	—
Asset impairments	(26.0)	26.0	ii	—
Other operating income	18.0	(18.0)	iii	—
Interest and other financing expense, third party	(50.0)	50.0	v	
Interest expense, net	—	54.0	iv, v	54.0
Interest income, related party	103.0	(103.0)	iv	
Interest income, third party	1.0	(1.0)	iv	
Pension and OPEB income (expense)	(34.0)	34.0	vi	—
Other non-operating income (expense)	—	(34.0)	vi	(34.0)

i. Represents the reclassification of $309.0 million of *Depreciation and amortization* to *Cost of goods sold*.
ii. Represents the reclassification of $26.0 million of impairment charges from *Asset Impairments* to *Miscellaneous - net*.
iii. Represents the reclassification of $18.0 million of operating income from *Other operating income* to *Miscellaneous - net.*
iv. Represents the reclassification of $103.0 million and $1.0 million of interest income from *Interest income, related party* and *Interest income, third party* to *Interest expense, net*, respectively.
v. Represents the reclassification of $50.0 million of interest expense from *Interest expense and other financing, third party* to *Interest expense, net*.
vi. Represents the reclassification of losses of $34.0 million from *Pension and OPEB income (expense)* to *Other non-operating income*.

Reclassifications to I/N Kote's statement of operations for the nine months ended September 30, 2020 are as follows:

Financial Statement Line	Historical I/N Kote Before Reclassifications	Reclassifications	Notes	Historical I/N Kote After Reclassifications
Cost of goods sold	$ —	$ (244.2)	i,ii,iii	$ (244.2)
Production expenses - excludes depreciation and amortization expense disclosed below	(69.4)	69.4	i	—
Substrate costs	(170.6)	170.6	ii	—
Depreciation and amortization	(4.2)	4.2	iii	—

i. Represents the reclassification of $69.4 million of *Production expenses - excluding depreciation and amortization disclosed below* to *Cost of goods sold*.
ii. Represents the reclassification of $170.6 million of *Substrate costs* to *Cost of goods sold*.
iii. Represents the reclassification of $4.2 million of *Depreciation and amortization* to *Cost of goods sold*.

Reclassifications to I/N Tek’s statement of operations for the nine months ended September 30, 2020 are as follows:

Financial Statement Line	Historical I/N Tek Before Reclassifications	Reclassifications	Notes	Historical I/N Tek After Reclassifications
Cost of goods sold	$ —	$ (63.9)	i,ii	$ (63.9)
Production expenses - excludes depreciation and amortization expense disclosed below	(57.4)	57.4	i	—
Depreciation and amortization	(6.5)	6.5	ii	—

i. Represents the reclassification of $57.4 million of *Production expenses - excludes depreciation and amortization expense disclosed below* to *Cost of goods sold*.

ii. Represents the reclassification of $6.5 million of *Depreciation and amortization* to *Cost of goods sold*.

Reclassifications to AM USA's consolidated statement of financial position as of September 30, 2020 are as follows:

Financial Statement Line	Historical AM USA Before Reclassifications	Reclassifications	Notes	Historical AM USA After Reclassifications
Accounts receivable, net	$ 80.0	$ 511.0	i	$ 591.0
Receivables from related companies	511.0	(511.0)	i	—
Inventories	1,328.0	62.8	ii	1,390.8
Income tax receivable, current	—	13.0	iv	13.0
Investments in and advances to joint ventures	5.0	(5.0)	iii	—
Other current assets	—	30.0	iii,iv,v	30.0
Prepaid expenses and other	38.0	(38.0)	v,iv	—
Property, plant and equipment, net	3,569.0	134.0	vi	3,703.0
Investments in and advances to joint ventures	128.0	(128.0)	vii	—
Receivables from related companies	2,358.0	(2,358.0)	viii	—
Finance Right-of-use assets, net	134.0	(134.0)	vi	—
Other non-current assets	101.0	2,486.0	vii,viii	2,587.0
Accounts payable	737.0	598.3	ii,ix,x	1,335.3
Payables to related parties	565.0	(565.0)	ix	—
Accrued salaries, wages and benefits	361.0	(361.0)	xi	—
Accrued taxes	58.0	(58.0)	xv	—
Accrued expenses and other liabilities	100.0	(100.0)	xii,xiii	—
Accrued liabilities	—	414.0	xi,xiii	414.0
Unfavorable contracts and firm commitments	34.0	(34.0)	xiv	—
Debt	436.0	(436.0)	xvi	—
Finance lease obligations	52.0	(52.0)	xvii	—
Operating lease obligations	16.0	(16.0)	xviii	—
Other current liabilities	—	672.5	ii,x,xii,xiv,xv,xvi, xvii,xviii	672.5
Finance lease obligations	178.0	(178.0)	xix	—
Deferred income taxes	3.0	(3.0)	xx	—
Other long-term liabilities	441.0	(441.0)	xxi,xxii	—
Asset retirement obligations	—	77.0	xxi	77.0
Other non-current liabilities	—	545.0	xix,xx,xxii	545.0

i. Represents the reclassification of $511.0 million from *Receivables from related companies* to *Accounts receivable, net.*

ii. Represents an increase in *Inventories* for $62.8 million*, Accounts payable* of $56.3 million and *Other current liabilities* for $6.5 million to AM USA's Historical balances to reflect inventory in which control transferred from Cliffs to AK Steel under ASC 606.

iii. Represents the reclassification of $5.0 million of *Investment in and advances to joint ventures* to *Other current assets.*
iv. Represents the reclassification of $13.0 million of *Prepaid expenses and other* to *Income tax receivable, current.*
v. Represents the reclassification of $25.0 million of *Prepaid expenses and other* to *Other current assets.*
vi. Represents the reclassification of $134.0 million of *Finance Right-of-use assets, net* to *Property, plant and equipment, net*.
vii. Represents the reclassification of $128.0 million of *Investment in and advances to joint ventures* to *Other non-current assets.*
viii. Represents the reclassification of $2,358.0 million of *Receivables from related companies* to *Other non-current assets.*
ix. Represents the reclassification of $565.0 million of *Payables to related parties* to *Accounts payable.*
x. Represents the reclassification of $23.0 million of derivative liabilities from *Accounts payable* to *Other current liabilities*.
xi. Represents the reclassification of $361.0 million of *Accrued salaries, wages and benefits* to *Accrued liabilities*.
xii. Represents the reclassification of $47.0 million of derivative liabilities from *Accrued expenses and other liabilities* to *Other current liabilities*.
xiii. Represents the reclassification of $53.0 million of *Accrued expenses and other liabilities* to *Accrued liabilities*.
xiv. Represents the reclassification of $34.0 million of *Unfavorable contracts and firm commitments* to *Other current liabilities*.
xv. Represents the reclassification of $58.0 million of *Accrued taxes* to *Other current liabilities*.
xvi. Represents the reclassification of $436.0 million of *Debt* to *Other current liabilities*.
xvii. Represents the reclassification of $52.0 million of the current portion of *Finance lease obligations* to *Other current liabilities*.
xviii. Represents the reclassification of $16.0 million of the current portion of *Operating lease obligations* to *Other current liabilities*.
xix. Represents the reclassification of $178.0 million of the non-current portion of *Finance lease obligations* to *Other non-current liabilities*.
xx. Represents the reclassification of $3.0 million of *Deferred income taxes* to *Other non-current liabilities*.
xxi. Represents the reclassification of $77.0 million of *Other long-term liabilities* to *Asset retirement obligations.*
xxii. Represents the reclassification of $364.0 million of *Other long-term liabilities* to *Other non-current liabilities.*

Reclassifications to I/N Kote's statement of financial position as of September 30, 2020 are as follows:

Financial Statement Line	Historical I/N Kote Before Reclassifications	Reclassifications	Notes	Historical I/N Kote After Reclassifications
Accounts receivable, net	$ 41.4	$ 46.1	i	$ 87.5
Receivables from related companies	46.1	(46.1)	i	—
Inventories	39.7	9.1	ii	48.8
Spares and repair parts	9.1	(9.1)	ii	
Accounts payable	1.3	10.7	iii	12.0
Payables to related parties	10.7	(10.7)	iii	—
Accrued interest	0.1	(0.1)	iv	—
Accrued liabilities	—	0.1	iv	0.1
Current portion of long term debt	10.6	(10.6)	v	—
Other accrued liabilities	10.4	(10.4)	vi	—
Other current liabilities	—	21.0	v, vi	21.0

i. Represents the reclassification of $46.1 million from *Receivables from related companies* to *Accounts receivable, net.*
ii. Represents the reclassification of $9.1 million from *Spares and repair parts* to *Inventories* related to supplies inventories.
iii. Represents the reclassification of $10.7 million of *Payables to related parties* to *Accounts payable.*
iv. Represents the reclassification of $0.1 million of *Accrued interest* to *Accrued liabilities*.
v. Represents the reclassification of $10.6 million of *Current portion of long term debt* to *Other current liabilities*.
vi. Represents the reclassification of $10.4 million of *Other accrued liabilities* to *Other current liabilities*.

Reclassifications to I/N Tek's statement of financial position as of September 30, 2020 are as follows:

Financial Statement Line	Historical I/N Tek Before Reclassifications	Reclassifications	Notes	Historical I/N Tek After Reclassifications
Accounts receivable, net	$ —	$ 45.3	i	$ 45.3
Receivables from related parties	45.3	(45.3)	i	—
Inventories	—	16.5	ii	16.5
Spares and repair parts	16.5	(16.5)	ii	
Accounts payable	2.5	5.3	iii	7.8
Payables to related parties	5.3	(5.3)	iii	—
Accrued interest	0.2	(0.2)	iv	—
Accrued liabilities	—	0.2	iv	0.2
Current portion of long term debt	25.9	(25.9)	v	—
Other accrued liabilities	13.5	(13.5)	vi	—
Other current liabilities	—	39.4	v, vi	39.4

i. Represents the reclassification of $45.3 million from *Receivables from related parties* to *Accounts receivable, net.*
ii. Represents the reclassification of $16.5 million from *Spares and repair parts* to *Inventories* related to supplies inventories.
iii. Represents the reclassification of $5.3 million of *Payables to related parties* to *Accounts payable.*
iv. Represents the reclassification of $0.2 million of *Accrued interest* to *Accrued liabilities*.
v. Represents the reclassification of $25.9 million of *Current portion of long term debt* to *Other current liabilities*.
vi. Represents the reclassification of $13.5 million of *Other accrued liabilities* to *Other current liabilities*.

Note 5: Purchase consideration

AM USA Transaction

The unaudited pro forma condensed combined statement of financial position has been adjusted to reflect a preliminary allocation of the estimated purchase price to identifiable assets to be acquired and liabilities to be assumed, with any remaining excess recorded as goodwill, if applicable. The preliminary purchase price allocation in this unaudited pro forma condensed combined financial information for the AM USA Transaction is based upon an estimated purchase price of approximately $2,596.0 million.

Total estimated transaction consideration is calculated as follows:

		Amount
Fair value of Cliffs common shares issued	$	989.8
Fair value of Cliffs preferred stock issued		738.4
Estimated cash consideration paid		631.2
Fair value of settlement of a pre-existing relationship		236.6
Total estimated transaction consideration	**$**	**2,596.0**

The fair value of Cliffs common shares issued is calculated as follows:

		Amount
Number of Cliffs common shares issued		78.2
Closing price of Cliffs common share as of December 9, 2020	$	12.66
Fair value of Cliffs common shares issued	**$**	**989.8**

The fair value of Cliffs Series B Participating Redeemable Preferred Stock issued is calculated as follows:

		Amount
Number of Cliffs Series B Participating Redeemable Preferred Stock issued		0.6
Redemption price as of December 9, 2020	$	1,266
Fair value of Cliffs preferred stock issued	**$**	**738.4**

The fair value of the estimated cash consideration is comprised of the following:

		Amount
Cash consideration pursuant to the AM USA Transaction Agreement	$	505.0
Cash consideration for purchase of the remaining JV partners' interest of I/N Kote and I/N Tek		182.3
Estimated total cash consideration payable (receivable)		(56.1)
Total estimated transaction consideration	**$**	**631.2**

The cash portion of the purchase price is subject to customary working capital adjustments.

The fair value of the settlement of a pre-existing relationship is comprised of the following:

		Amount
Accounts receivable	$	96.9
Freestanding derivative asset from customer supply agreement		139.7
Fair value of settlement of a pre-existing relationship	**$**	**236.6**

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by Cliffs, as if the AM USA Transaction had occurred on September 30, 2020:

	Amount
Cash and cash equivalents	$ 94.9
Accounts receivable, net	389.6
Inventories	2,190.9
Income tax receivable, current	13.0
Other current assets	31.2
Property, plant and equipment, net	3,760.0
Right-of-use asset, operating leases	60.0
Other non-current assets	112.9
Accounts payable	(1,011.5)
Accrued liabilities	(375.2)
Other current liabilities	(261.9)
Operating lease liability, non-current	(45.2)
Pension and other postretirement benefit liabilities	(3,203.9)
Asset retirement obligations	(94.6)
Other non-current liabilities	(404.6)
Noncontrolling interest	(15.0)
Net identifiable assets acquired	$ 1,240.6
Goodwill	1,355.4
Total net assets acquired	$ 2,596.0

Note 6: AK Steel Holding Corporation Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

a. *Revenue from product sales and services* —Represents elimination of revenues earned by Cliffs on sales to AK Steel that would be considered intercompany transactions and will be eliminated in the consolidated financial statements of the combined company following completion of the AK Steel Merger. Revenue eliminated for the year ended December 31, 2019 and the nine months ended September 30, 2020 was $597.1 million and $67.8 million, respectively.

b. *Costs of goods sold*—Represents adjustments comprised of the following:

	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Amortization of acquired intangible liabilities (i)	$ 3.6	$ 17.5
Depreciation of property, plant and equipment (ii)	5.8	(7.8)
Amortization of fair value step up of inventory (iii)	—	(74.2)
Amortization of equity method investment basis adjustment (iv)	(2.4)	(3.2)
Total transaction accounting adjustments	$ 7.0	$ (67.7)
Elimination of costs related to intercompany sales from Cliffs to AK Steel (v)	$ 81.4	$ 569.8

i. The net impact of removal of historical amortization expense and the amortization credit for the fair value of definite lived intangible liabilities recognized as part of acquisition accounting. Amortization credit for intangible liabilities is calculated using the straight-line method.

ii. The adjustment to historical depreciation expense due to the recognition of AK Steel’s property, plant and equipment at their preliminary fair values in acquisition accounting, depreciated over their estimated remaining useful lives, determined in accordance with Cliffs’ policy.

iii. The increase to cost of goods sold for related to the fair value step up of inventory for the same amount as the inventory is expected to be sold within four months of the acquisition date. These costs will not affect the Company's statement of operations beyond 12 months after the acquisition date. The income tax benefit of $18.0 million related to the acquisition-related costs is also reflected in the unaudited pro forma condensed combined statement of operations as a nonrecurring adjustment to income (loss) from continuing operations.

iv. Amortization of the basis adjustment related to the fair value increase to AK Steel's equity method of investments.

v. Elimination of cost of goods sold relating to transactions between Cliffs and AK Steel that would be considered intercompany transactions and will be eliminated in the consolidated financial statements of the combined company following the AK Steel Merger.

c. *Selling, general and administrative expenses*—Represents impact of amortization expense of $1.5 million and $9.1 million for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively, on the fair value of the definite lived intangible assets recognized as part of acquisition accounting. Amortization expense for intangible assets is calculated using the straight-line method. Transaction accounting adjustments for the year ended December 31, 2019 also includes $0.9 million of additional transaction costs incurred by the Company subsequent to September 30, 2020. The remaining transaction costs are included in the historical statement of operations for the nine months ended September 30, 2020 and year ended December 31, 2019. These costs will not affect the Company's statement of operations beyond 12 months after the acquisition date.

d. *Interest (expense) income, net*—Represents adjustments to reflect the planned refinancing of AK Steel’s historical debt in connection with the AK Steel Merger:

	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Elimination of AK Steel's historical debt issuance costs and original issue discounts	$ 1.5	$ 14.5
Decreased (increase) interest expense from the planned debt refinancing	(19.0)	2.0
Total transaction accounting adjustments	$ (17.5)	$ 16.5

A 0.125% increase in anticipated interest rates is not expected to have a material impact on pro forma interest expense.

e. *Other non-operating income (expense)*—The $1.1 million credit and $12.1 million expense relates to non-service pension benefit costs for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively. These adjustments reflect the elimination of prior service cost/credit and actuarial gain/loss amortization, and the net impact of the estimated remeasurement of the liability on interest costs and expected return on plan assets to conform to Cliffs' accounting policy.

f. *Income tax benefit (expense)*—Represents adjustments to reflect the following: i) income tax expense on Historical AK Steel Holding Corporation After Reclassifications—*Income (Loss) From Continuing Operations Before Income Taxes* , attributable to AK Steel stockholders, at a statutory rate of 24.3% to remove the historical impact of the valuation allowance and ii) income tax impact of transaction accounting adjustments that affect *Income (Loss) From Continuing Operations Before Income Taxes* at a statutory rate of 24.3%.

   The Elimination adjustments to *Income tax benefit (expense)* represent the income tax impact of eliminations that affect *Income from Continuing Operations Before Income Taxes* at a statutory rate of 24.3%.

g. *Basic average number of shares*—Reflects the pro forma issuance of 126.8 million Cliffs common shares issued upon closing of the AK Steel Merger as if the AK Steel Merger took place on January 1, 2019.

h. *Diluted average number of shares*—Reflects the pro forma issuance of 126.8 million Cliffs common shares issued upon closing of the AK Steel Merger as if the AK Steel Merger took place on January 1, 2019. Additionally, includes the potential issuance of 1.1 million Cliffs common shares under equity awards converted in accordance with the AK Steel Merger Agreement as if the AK Steel Merger took place on January 1, 2019, if not anti-dilutive. In connection with the AK Steel Merger, unvested awards held by certain AK Steel employees were converted to Cliffs awards with respect to a number of Cliffs common shares determined by the exchange ratio.

Note 7: AM USA, I/N Kote and I/N Tek Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

a. *Revenue from product sales and services*—Represents elimination of revenues earned by Cliffs on sales to AM USA, substrate sales by AM USA to I/N Kote, and tolling revenue earned by I/N Kote and I/N Tek on tolling completed for AM USA that would be considered intercompany transactions and will be eliminated in the consolidated financial statements of the combined company following completion of the AM USA Transaction. Revenue eliminated for the year ended December 31, 2019 and the nine months ended September 30, 2020 was $1,423.4 million and $776.3 million, respectively.

b. *Costs of goods sold* - Represents adjustments comprised of the following:

	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Depreciation of property, plant and equipment (i)	$ 107.3	$ 90.3
Depletion of mineral reserves (ii)	(19.6)	(26.2)
Incremental Hibbing idle costs (iii)	(8.4)	—
Amortization of fair value step up of inventory (iv)	—	(287.9)
Total transaction accounting adjustments	$ 79.3	$ (223.8)
Elimination of costs related to intercompany revenue (v)	$ 763.8	$ 1,415.9

i. The net adjustment of the reversal of historical depreciation expense and the depreciation expense due to the recognition of AM USA's, I/N Kote's and I/N Tek's property, plant and equipment at their preliminary fair values in acquisition accounting, depreciated over their estimated remaining useful lives, determined in accordance with Cliffs' policy.

ii. Depletion expense due to the recognition of AM USA's, mineral reserves at their preliminary fair values in acquisition accounting, depleted over the estimated remaining live of mines, determined in accordance with Cliffs' policy.

iii. The incremental idle costs for the Hibbing joint venture to include the 14.7 percent related to the noncontrolling interest.

iv. The increase to cost of goods sold for related to the fair value step up of inventory for the same amount as the inventory is expected to be sold within four months of the acquisition date. These costs will not affect the Company's statement of operations beyond 12 months after the acquisition date. The income tax benefit of $70.0 million related to the acquisition-related costs is also reflected in the unaudited pro forma condensed combined statement of operations as a nonrecurring adjustment to income (loss) from continuing operations.

v. Elimination of cost of goods sold relating to transactions between Cliffs, AM USA, I/N Kote and I/N Tek that would be considered intercompany transactions and will be eliminated in the consolidated financial statements of the combined company following the AM USA Transaction.

c. *Selling, general and administrative expenses* —Represents transaction adjustments of $98.0 million and $129.0 million for the nine months ended September 30, 2020 and year ended December 31, 2019, respectively, for the impact of reversal of the fees charged for management, financial and legal services under the Industrial Franchise Agreement with the former parent.

d. *Acquisition-related costs*—Represents $21.0 million of additional transaction costs incurred by the Company subsequent to September 30, 2020 that has been reflected as a transaction accounting adjustment for the year ended December 31, 2019. The remaining transaction costs are included in the historical statement of operations for the nine months ended September 30, 2020. These costs will not affect the Company's statement of operations beyond 12 months after the acquisition date. The income tax benefit of $5.1 million related to the acquisition-related costs is also reflected in the unaudited pro forma condensed combined statement of operations as a nonrecurring adjustment to income (loss) from continuing operations.

e. *Miscellaneous-net*—Represents adjustments to reflect the reversal of the income(loss) related to the historical AM USA's mark to market on hedging of the iron ore pellet sales/purchase agreement between Cliffs and AM USA, which is now intercompany and would be eliminated. For the nine months ended September 30, 2020 and the year ended December 31, 2019, $10.0 million of losses and $35.8 million of gains, respectively, were reversed. In addition for the year ended December 31, 2019, the transaction accounting adjustments to *Miscellaneous-net* include the impact to reflect a gain of $4.4 million recognized on the removal Cliffs' 23 percent equity method investment in the Hibbing joint venture which is now fully consolidated.

f. *Interest (expense) income, net*—Represents adjustments to reflect the below in connection with the AM USA Transaction:

	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Elimination of AM USA's historical deferred financing cost	$ 4.3	$ 5.2
Reversal of interest income on notes receivable settled with former parent and subsidiaries at acquisition date	(103.0)	(146.0)
Decreased interest expense	10.8	32.0
Total transaction accounting adjustments	$ (87.9)	$ (108.8)

A 0.125% increase in anticipated interest rates is not expected to have a material impact on pro forma interest expense.

g. *Other non-operating income (expense)*—The $14.1 million credit and $20.8 million expense relates to non-service pension benefit costs for nine months ended September 30, 2020 and the year ended December 31, 2019, respectively. These adjustments reflect the elimination of prior service cost and actuarial loss amortization.

h. *Income tax benefit (expense)*—Represents adjustments to reflect the following: i) income tax impact on Historical AM USA After Reclassifications— *Income (Loss) From Continuing Operations Before Income Taxes,* at a statutory rate of 24.3% to remove the historical impact of the valuation allowance and ii) income tax impact of transaction accounting adjustments that affect *Income (Loss) From Continuing Operations Before Income Taxes* at a statutory rate of 24.3%.

   The Elimination adjustments to *Income tax benefit (expense)* represent the income tax impact of eliminations that affect *Income from Continuing Operations Before Income Taxes* at a statutory rate of 24.3%.

i. *Noncontrolling interest*—Represent the 14.7 percent share of the idle costs incurred by the Hibbing joint venture for the nine months ended September 30, 2020.

j. *Basic average number of shares*—Reflects the pro forma issuance of 78.2 million Cliffs common shares issued upon closing of the AM USA Transaction. For the year ended December 31, 2020, we allocated $4.8 million to our 58.3 million Cliffs Series B Participating Redeemable Preferred Stock shares utilizing the two-class method.

k. *Diluted average number of shares*—Reflects the pro forma issuance of 78.2 million Cliffs common shares issued upon closing of the AM USA in accordance with the Transaction Agreement. Additionally, includes the 58.3 million Cliffs Series B Participating Redeemable Preferred Stock shares as if the AM USA Transaction took place on January 1, 2019, if not anti-dilutive.

Note 8: AK Steel Holding Corporation Adjustments to Unaudited Pro Forma Condensed Combined Statement of Financial Position

The following AK Steel Holding Corporation adjustments were the result of certain measurement period adjustments to the acquired assets and liabilities assumed related to the AK Steel Merger due to clarification of information utilized to determine fair value during the measurement period subsequent to September 30, 2020.

a. *Inventories*—Represents a measurement period adjustment to decrease the fair value assigned to manufacturing supplies inventory.

b. *Property, plant and equipment, net*—Represents the additional fair value adjustment to step-up AK Steel's property, plant and equipment by $148.4 million due to refinement of the preliminary fair value of property, plant and equipment. The estimated fair value is depreciated over the estimated useful lives of the assets, generally on a straight-line basis.

c. *Goodwill*—Represents the adjustment to goodwill by $32.4 million to reflect the additional excess consideration over the updated fair value of the assets to be acquired and liabilities to be assumed. Goodwill primarily represents the growth opportunities in lightweighting solutions to automotive customers, as well as any synergistic benefits to be realized from the acquisition of AK Steel. None of the goodwill is expected be deductible for income tax purposes.

d. *Deferred income taxes*—Represents measurement period adjustments of $19.5 million, recorded at a statutory rate of 24.3%. These adjustments include the tax impact of other fair value adjustments, primarily goodwill. The adjustments also include the results of prior period tax returns and an analysis of the limitation on certain tax attributes. Additionally $11.1 million was reclassed out of the deferred tax liability balance and into the deferred tax asset balance in order to reflect proper jurisdictional netting in accordance with U.S. GAAP.

e. *Other non-current liabilities*—Represents measurement period adjustment to the fair value assigned to other non-current liabilities of $8.2 million.

Note 9: AM USA, I/N Kote and I/N Tek's Adjustments to Unaudited Pro Forma Condensed Combined Statement of Financial Position

a. *Accounts receivable, net*—Represents adjustments and eliminations comprised of the following:

i. Transaction accounting adjustments of $246.0 million for the settlement of short-term loan receivables from subsidiaries of the former parent prior to completion of the AM USA Transaction, which were settled in contemplation of the AM USA Transaction.

ii. Elimination of $60.3 million related to supply agreements between Cliffs and AM USA for the sale and purchase of iron ore pellets and $88.2 million between AM USA, I/N Kote and I/N Tek.

b. *Inventories*— Represents adjustments comprised of the following:

	Transaction Accounting Adjustments	
Fair value step-up of inventory (i)	$	287
Elimination of LIFO inventory method (ii)		437
Impact of consolidation of Hibbing joint venture (iii)		9
Total	$	734

i. Includes the estimated fair value adjustment to step-up AM USA's inventories by $287.9 million to a preliminary estimated fair value of $2,190.9 million for inventories. The estimated step-up inventory will increase cost of goods sold as the acquired inventory is sold within the first turn of inventory after the acquisition.

ii. The elimination of the LIFO reserve as of September 30, 2020 due to the change in the inventory costing method as of the acquisition date.

iii. The impact of fully consolidating Hibbing joint venture as of September 30, 2020. See Note 9f for more details related to all balances impacted by fully consolidating the Hibbing joint venture.

c. *Other current assets*—Represents adjustments and eliminations comprised of the following:

i. Adjustment of $117.8 million reduction of other current assets related to the difference between the preexisting relationship balance as of the acquisition date of December 9, 2020 and the balance sheet date of September 30, 2020. The pre-existing relationship was deemed settled as part of the calculation of consideration in Note 5.

ii. Establishment of $61.8 million net working capital receivable from the former parent as defined by the AM USA Transaction agreement.

iii. The additional $0.5 million of other current assets as noted in Note 9f related to adjustments to fully consolidated the Hibbing joint venture that was previously proportionally consolidated.

iv. Elimination of $58.5 million related to supply agreements between Cliffs and AM USA for the sale and purchase of iron ore pellets.

d. *Property, plant and equipment, net* —Represents the elimination of AM USA’s historical accumulated depreciation of $4.8 billion and the preliminary estimated fair value adjustment to step-down AM USA’s property, plant and equipment by $134.5 million to a preliminary fair value of $3.8 billion. The preliminary estimated fair value is expected to be depreciated over the estimated useful lives of the assets, generally on a straight-line basis.

Property, Plant and Equipment Classification	Estimated Fair Value	Estimated Remaining Useful Life
Land, land improvements and leasehold improvements	$ 310.1	NA
Buildings	260.9	20-30 years
Machinery and equipment	2,725.0	2-15 years
Mineral reserves	235.0	6-13 years
Construction in progress	229.0	NA
Total	$ 3,760.0	

The preliminary estimated fair values and estimated useful lives are preliminary and subject to change once Cliffs has sufficient information as to the specific types, nature, age, condition and location of AM USA’s, I/N Kote's and I/N Tek's property, plant and equipment. The finalization of the detailed valuation work may have a material impact on the valuation of property, plant and equipment and the purchase price allocation.

e. *Goodwill*—To reflect goodwill representing the estimated excess preliminary consideration over the preliminary fair value of the assets to be acquired and liabilities to be assumed of $1,355.4 million. Goodwill primarily represents the growth opportunities in the automotive, construction, appliances, infrastructure and machinery and equipment markets, as well as any synergistic benefits to be realized from the AM USA Transaction. Goodwill is expected to be deductible for U.S. federal income tax purposes.

f. Hibbing joint venture ("Hibbing") investment—Prior to the acquisition of AM USA, Cliffs and AM USA held mine ownership interest percentages of 23.0 percent and 62.3 percent, respectively, in the co-owned joint venture of the Hibbing Taconite Company iron ore mine. Cliffs' ownership was recorded as an equity method investment, while AM USA's ownership was proportionally consolidated. The combined post acquisition ownership in Hibbing is required to be consolidated with a noncontrolling interest for the remaining 14.7 percent under *ASC 810, Consolidation.* The following represents the adjustments to the September 30, 2020 historical balances to fully consolidate the joint venture investment:

Financial Statement Line	Transaction Accounting Adjustments
Cash and equivalents	$ 3.2
Inventories	9.9
Other current assets	0.5
Property, plant and equipment, net	31.9
Other non-current assets	4.6
Accounts payable	11.8
Accrued liabilities	7.8
Other current liabilities	8.1
Operating lease liability, non-current	0.2
Pension and OPEB liabilities	30.4
Asset retirement obligations	17.6
Other non-current liabilities	2.3
Equity (see Note 9p. below)	(28.1)

In addition to the above transaction accounting adjustments to reflect the Hibbing investment at 100 percent, Cliffs' 23 percent equity method investment credit of $14.2 million and related accumulated other comprehensive loss of $34.5 million have been removed as a transaction accounting adjustment resulting in a gain recognized in retained deficit of $3.0 million.

g. *Deferred income taxes*—As an asset purchase for tax purposes under Internal Revenue Code Section 338, the AM USA Transaction results in book and tax basis being equal as of the acquisition date with no deferred income taxes recorded. Additionally, historical deferred tax assets and offsetting valuation allowance recorded by AM USA are not carried over as part of the acquisition.

h. *Other non-current assets*—Represents adjustments comprised of the following:

i. The removal of the equity method investment totaling $120.7 million related to the I/N Kote and I/N Tek investments that as of the acquisition date are wholly-owned subsidiaries and fully consolidated. Prior to the AM USA Transaction, AM USA accounted for I/N Kote and I/N Tek as equity method investments.

ii. The removal of $2,358.0 million of loan receivables with subsidiaries of the former parent. These loans were settled prior to the AM USA Transaction.

iii. The additional $4.6 million of non-current assets as noted in Note 9f related to adjustments to fully consolidated the Hibbing joint venture that was previously proportionally consolidated.

iv. The fair value of Cliffs' investment of $23.3 million in the Hibbing joint venture that is eliminated in the combined company.

i. *Accounts payable*—Represents adjustments and eliminations comprised of the following:

i. The removal of $145.0 million of short-term loan payables to subsidiaries of the former parent prior to completion of the AM USA Transaction. The short term loan payables were settled in contemplation of the AM USA Transaction.

ii. Transaction accounting adjustments of $49.9 million to true-up the now intercompany balances with Cliffs as of September 30, 2020.

iii. The removal of $12.0 million of loan payable to a subsidiary of the former parent. These loans were settled prior to the AM USA Transaction.

iv. The additional $11.8 million of accounts payable as noted in Note 9f related to adjustments to fully consolidated the Hibbing joint venture that was previously proportionally consolidated.

v. Elimination of $60.3 million related to supply agreements between Cliffs and AM USA for the sale and purchase of iron ore pellets and $88.2 million between AM USA, I/N Kote and I/N Tek.

j. *Accrued liabilities*—Represents adjustments comprised of the following:

i. Transaction accounting adjustment of $46.9 million to true-up the now intercompany balances with Cliffs as of September 30, 2020.

ii. The additional $7.8 million of accrued liabilities as noted in Note 9f related to adjustments to fully consolidate the Hibbing joint venture that was previously proportionally consolidated.

k. *Other current liabilities*—Represents adjustments comprised of the following:

i. The elimination of the short-term forfaiting arrangements that AM USA had with several of their suppliers totaling $436.0 million as of September 30, 2020. The forfaiting arrangement was restructured prior to the acquisition and eliminated.

ii. The elimination of short-term loans of $10.6 million and $26.0 million that I/N Kote and I/N Tek, respectively, had with their partners as of September 30, 2020. The partner loans were settled prior to the AM USA Transaction.

iii. Transaction accounting adjustment of $52.0 million to true-up the now intercompany balances with Cliffs as of September 30, 2020.

iv. The additional $8.1 million of current liabilities as noted in Note 9f related to adjustments to fully consolidated the Hibbing joint venture that was previously proportionally consolidated.

v. Elimination of derivative liability balances of $58.5 million related to supply agreements between Cliffs and AM USA for the sale and purchase of iron ore pellets.

l. *Long-term debt*—To reflect the assumed draw-down of $693.0 million from Cliffs' existing asset-based revolving credit facility to the extent additional cash is required to consummate the AM USA Transaction.

m. *Pension and OPEB liabilities*—Represents the fair value adjustment of $79.0 million to the pension and other postretirement benefit plans and the $30.4 million noted in Note 9f related to adjustments to fully consolidate the Hibbing joint venture that was previously proportionally consolidated.

n. *Other non-current liabilities*—Represents adjustments comprised of the following:

i. The reversal of non-current derivative liability of $142.7 million related to supply agreements between Cliffs and AM USA for the sale and purchase of iron ore pellets.

ii. The removal of $14.2 million related to Cliffs equity method investment in the Hibbing joint venture as described in Note 9f related to adjustments to fully consolidated the Hibbing joint venture.

iii. The additional $2.3 million of non-current liabilities as noted in Note 9f related to adjustments to fully consolidate the Hibbing joint venture that was previously proportionally consolidated.

o. *Series B Participating Redeemable Preferred Stock*—Represents 583,273 shares of a new series of our Serial Preferred Sock, Class B, without par value, issued to ArcelorMittal S.A. upon completion of the AM USA Transaction.

p. *Total equity*—Represents the elimination of AM USA's common stock, additional paid-in capital, retained deficit and accumulated other comprehensive loss, as well as the following adjustments to reflect the capital structure of the combined company.

	Common shares	Capital in excess of par value of shares	Retained deficit	Accumulated other comprehensive loss	Noncontrolling interest
Fair value of Cliffs common shares issued	$ 9.7	$ 980.1	$ —	$ —	$ —
Fair value of the noncontrolling interest	—	—	—	—	15.0
Elimination of AM USA's, I/N Kote's and I/N Tek's historical equity	—	(6,522.9)	5,062.7	—	—
Elimination of Cliffs' accumulated other comprehensive loss related to Hibbing	—	—	—	34.5	—
Impact of fully consolidating Hibbing	—	130.5	(111.8)	(46.8)	—
Gain recognized on elimination of Cliffs' investment related to Hibbing	—	—	3.0	—	—
Elimination of AM USA's, I/N Kote's and I/N Tek's historical unrealized losses related to pension and postretirement benefits	—	—	—	(1,104.7)	—
Total	$ 9.7	$ (5,412.3)	$ 4,953.9	$ (1,117.0)	$ 15.0