Class A - no par value
    Authorized - 500,000 shares;Ď×

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the financial statement footnotes and other information in the Company's 1998 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited consolidated financial statements present fairly the Company's financial position and results in accordance with generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

References to the "Company" mean Cleveland-Cliffs Inc and consolidated subsidiaries, unless otherwise indicated. Quarterly results are not representative of annual results due to seasonal and other factors. Certain prior year amounts have been reclassified to conform to current year

| | Iron Ore | Ferrous Metallics | Segments Total | Other | Consolidated Total |
|---|---|---|---|---|---|
| Equity (loss)* | | (5.8) | (5.8) | | (5.8) |

</TABLE>

<TABLE>
<CAPTION>

| (In Millions) | Iron Ore | Ferrous Metallics | Segments Total | Other | Consolidated Total |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| First Nine Months 1998 | | | | | |
| Sales and services to external customers | $328.5 | $ | $328.5 | $ | $328.5 |
| Royalties and management fees | 36.8 | | 36.8 | | 36.8 |
| Total operating revenues | 365.3 | | 365.3 | | 365.3 |
| Income (loss) before taxes | 62.8 | (3.7) | 59.1 | (8.4) | 50.7 |
| Equity (loss)* | | (1.5) | (1.5) | | (1.5) |

</TABLE>

* Included in income (loss) before taxes.

NOTE F - COST OF GOODS SOLD ADJUSTMENTS

The third quarter and the first nine months of 1999 cost of goods sold and operating expenses include approximately $25 million of fixed costs relating to production curtailments by the Company, which were undertaken to reduce inventory levels. This was partially offset by favorable adjustments, recorded mainly in the first quarter, of approximately $7 million primarily related to recoveries of prior years' state taxes.



MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

COMPARISON OF THIRD QUARTER AND FIRST NINE MONTHS - 1999 AND 1998

Net losses were $10.7 million, or $.96 per share (all per share results are "per diluted share" unless stated otherwise) in the third quarter, and $.2 million, or $.02 per share in the first nine months. In 1998, third quarter earnings were $20.1 million, or $1.78 per share, and first nine months earnings were $37.5 million, or $3.30 per share.

The $30.8 million decrease in third quarter earnings and $37.7 million decrease in nine month results were primarily due to production curtailments, which were undertaken to reduce inventory levels because of lower sales volume. Year-to-date sales volume in 1999 was adversely affected by the extended shutdown of a large customer's blast furnaces due to a power plant explosion and significant imports of unfairly traded steel. Included in third quarter and nine months cost of goods sold and operating expenses is approximately $25 million of fixed costs related to the production curtailments. This was partially offset by favorable adjustments, recorded mainly in the first quarter, of $7 million, primarily related to recoveries of prior years' state taxes. Lower price realization and reduced royalty and management fee income also contributed to the decrease in results. [illegible]

[illegible]

The Compliance Program was divided into five phases: 1) inventory, 2) assessment, 3) renovation, 4) unit testing, and 5) system integration testing. The inventory, assessment, renovation and unit testing phases were substantially completed in 1998. Renovation and unit testing of critical items (impacting production, safety or quality) are essentially complete with minor delays attributable to availability of manufacturers' support personnel and hardware/software upgrades. The percentage of completion of unit testing at operational locations ranges from 95 to 100 percent. System integration testing has been substantially completed for operating locations.

A substantial portion of Year 2000 information technology compliance has been achieved as a result of the Company's Information Technology Plan ("IT Plan"). The IT Plan, initiated in 1996, involved the implementation of a purchased, mining-based, Year 2000 compliant, software suite to replace legacy programs for operations and administrative mainframe systems servicing most domestic locations. In addition to avoiding Year 2000 problems, the IT Plan resulted in improved system and operating effectiveness. Implementation was achieved at the Michigan mines in the first quarter of 1999, and at the Minnesota mines in the second quarter of 1999. Implementation at the corporate office and central service locations was achieved in the third quarter of 1999. Year 2000 compliance of the new software suite is expected to be confirmed in the fourth quarter upon completion of system integration testing. The Company charged to operations current state assessment, process re-engineering, and training costs associated with the IT Plan.

For legacy programs and locations not included in the IT Plan, modifications and/or replacement of existing programs for achieving Year 2000 compliance were completed at a cost of $1.1 million.

In addition to addressing software legacy program issues, the Compliance Program has addressed the impact of the date change on the Company's mainframe computer system, technical infrastructure, end user-computing, process control systems, environmental and safety monitoring, and security and access systems. Emphasis has been placed on those systems which affect production, quality or safety. The Company has completed internal audits at various operations to verify that progress is on schedule toward timely completion of the Compliance Program. The incremental expense of achieving Year 2000 compliance on systems not covered by the IT Plan and other software legacy programs is estimated to be $4.4 million for the Company and its ventures.



Following is a summary of the Year 2000 total project compliance cost and project cost incurred to date:

<TABLE>
<CAPTION>

| | (In Millions) | | | |
|---|---|---|---|---|
| | September 30, 1999 | | Total Project | |
| | Company's Share | Total | Company's Share | Total |
| <S> | <C> | <C> | <C> | <C> |
| IT Plan: | | | | |
| Capital | $15.2 | $16.3 | $16.9* | $18.0 |
| Operating | 1.7 | 5.9 | 2.0 | 7.0 |
| Total IT Plan | 16.9 | 22.2 | 18.9 | 25.0 |
| Other** | 1.7 | 4.3 | 2.2 | 5.5 |
| Total | $18.6 | $26.5 | $21.1 | $30.5 |

</TABLE>

* Includes amounts reimbursable by mining ventures of $14.3 million.

** Includes charges for legacy software not covered by the IT Plan, hardware, process control systems, environmental and safety monitoring, etc.

The Company has sent Year 2000 compliance questionnaires to 305 of its major suppliers and customers as part of the Year 2000 readiness program. Of these, 44 vendors have been identified as critical and on site assessments have been performed, with vendor assessments classified as "low risk" and the remaining vendors classified as "medium risk". Follow-up assessments for medium risk vendors are in progress.

- Availability and cost of the key components of production (e.g., labor, electric power, fuel, water);

- Weather conditions (e.g., extreme winter weather, availability of process water due to drought);

- Timing and successful completion of construction projects;

- Failure or delay in achieving Year 2000 compliance by the Company or any of its key suppliers or customers;

- Changes in tax laws (e.g., percentage depletion allowance);

- Changes in laws, regulations or enforcement practices governing environmental site remediation requirements and the technology available to complete required remediation. Additionally, the impact of inflation, the identification and financial condition of other responsible parties, as well as the number of sites and quantity and type of material to be removed, may significantly affect estimated environmental remediation liabilities;

- Changes in laws, regulations or enforcement practices governing compliance with environmental and safety standards at operating locations; and,

- Accounting principle or policy changes by the Financial Accounting Standards Board or the Securities and Exchange Commission.

The Company is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



## PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits - Refer to Exhibit Index on page 17.

(b) During the quarter for which this 10-Q Report is filed, the Company filed two Current Reports on Form 8-K, one dated August 1, 1999 and the other dated September 14, 1999, both covering information reported under ITEM 5. OTHER EVENTS. There were no financial statements filed as part of the Current Reports on Form 8-K.

SIGNATURE

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, thereunto duly authorized.

CLEVELAND-CLIFFS INC

Date October 27, 1999 By /s/ C. B. Bezik

C. B. Bezik
Senior Vice President-Finance and
Principal Financial Officer



## EXHIBIT INDEX

<TABLE>
<CAPTION>

| Exhibit Number | Exhibit | |
|---|---|---|
| <S> | <C> | <C> |
| 27 | Consolidated Financial Data Schedule submitted for Securities and Exchange Commission information only | - |
| 99(a) | Cleveland-Cliffs Inc News Release published on October 20, 1999, with respect to third quarter | Filed Herewith |

1999 loss
</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM STATEMENTS
OF CONSOLIDATED INCOME, CONSOLIDATED FINANCIAL POSTION AND COMPUTATION OF
EARNINGS PER SHARE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.
</LEGEND>
<CIZE

| | | | | |
|---|---|---|---|---|
| [illegible] | [illegible] | 10.8 | 26.9 | 30.2 |

</TABLE>

Prior to initiating the cutbacks, 1999 was shaping up to be an excellent operating year for production and costs. Through July 31, production volume was 3 percent ahead of last year and unit operating costs were below 1998 costs. In 1998, the six mines managed by Cliffs implemented comprehensive cost reduction plans that were yielding encouraging results until the production cutbacks. Cost savings include maintenance planning programs, material purchasing initiatives, and research and engineering efforts. In addition, the installation of a Y2K compliant, enterprise-wide, software system was completed on time and on budget. The installation of the new system, which took about two years to complete, significantly upgraded information technology at the domestic operations and will also facilitate cost reduction efforts.

New five-year labor agreements between United Steelworkers of America (USWA) and the Empire, Hibbing, and Tilden Mines were ratified by the union membership in August. The agreements, which were patterned after agreements negotiated earlier by major steel companies, provide employees with improvements in pensions, wages, and other benefits. The agreements also commit the mines and the union to jointly seek operating cost improvements that will help reduce mine costs in a very competitive global iron ore market. LTV Steel Mining Company, in separate negotiations, also entered into a new five-year pattern agreement with the USWA. The Wabush Mine in Canada settled on a new five-year contract in July.

FERROUS METALLICS
- -----------------

Third quarter and nine-month results were also adversely affected by on-going ferrous metallics activities. The pre-tax costs of ferrous metallics activities, which are included in other e7ɒl e is

Media:  David L. Gardner, (216) 694-5407

Financial Community: Fred B. Rice, (800) 214-0739 or (216) 694-5459

To obtain faxed copies of Cleveland-Cliffs Inc news releases dial
(800) 778-3888. News releases and other information on the Company are available
on the Internet at http://www.cleveland-cliffs.com



CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED INCOME

<TABLE>
<CAPTION>

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In Millions Except Per Share Amounts) | 1999 | 1998 | 1999 | 1998 |
| <S> | <C> | <C> | <C> | <C> |
| REVENUES | | | | |
| Product sales and services | $ 80.2 | $ 158.1 | $ 176.7 | $ 328.5 |
| Royalties and management fees | 10.3 | 15.5 | 33.0 | 36.8 |
| Total Operating Revenues | 90.5 | 173.6 | 209.7 | 365.3 |
| Interest income | .5 | 1.5 | 2.4 | Ď[illegible]4 |

| | | | | |
|---|---|---|---|---|
| Depreciation and amortization: | | | | |
| Consolidated | 2.8 | 2.1 | 7.2 | 6.4 |
| Share of associated companies | 2.6 | 3.1 | 9.1 | 9.4 |
| Other | (.8) | 3.6 | 1.0 | 3.9 |
| | ------------ | ------------ | ------------ | ------------ |
| Total before changes in operating assets and liabilities | (6.1) | 28.9 | 17.3 | 57.2 |
| Changes in operating assets and liabilities | 32.3 | 45.1 | (71.7) | 2.4 |
| | ------------ | ------------ | ------ ľ - ľ-Æ ş | |

| | | | | |
|---|---|---|---|---|
| PROPERTIES - NET | 154.1 | 155.5 | 150.0 | 146.0 |
| INVESTMENTS IN ASSOCIATED COMPANIES | 229.2 | 231.3 | 235.4 | 225.8 |
| OTHER ASSETS | 82.2 | 80.5 | 78.2 | 76.7 |
| TOTAL ASSETS | $ 688.6 | $ 715.3 | $ 723.5 | $ 702.6 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| CURRENT LIABILITIES | $ 77.1 | $ 79.6 | $ 89.2 | $ 87.0 |
| LONG-TERM DEBT | 70.0 | 70.0 | 70.0 | 70.0 |
| POSTEMPLOYMENT BENEFIT LIABILITIES | 65.7 | 68.2 | 70.5 | 69.8 |
| OTHER LIABILITIES | 57.1 | 57.8 | 56.2 | 55.1 |
| SHAREHOLDERS' EQUITY | 418.7 | 439.7 | 437.6 | 420.7 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 688.6 | $ 715.3 | $ 723.5 | $ 702.6 |

</TABLE>

- ---------------------------------------------------------------------------------

UNAUDITED FINANCIAL STATEMENTS

In management's opinion, the unaudited financial statements present fairly the company's financial position and results. All supplementary information required by generally accepted accounting principles for complete financial statements has not been included. For further information, please refer to the Company's latest Annual Report.