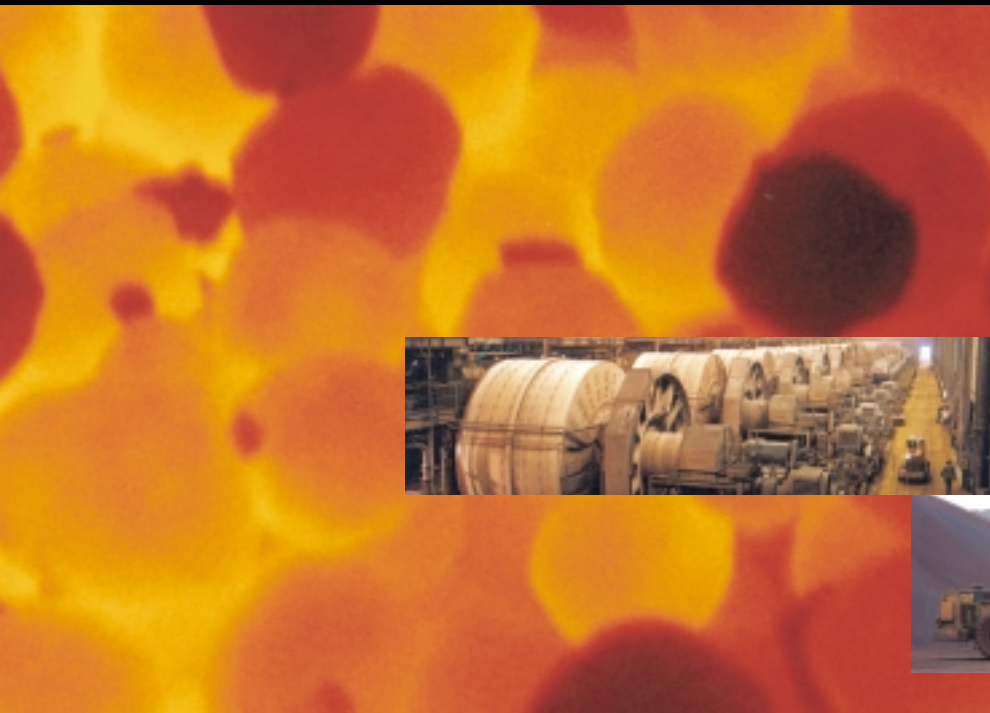


PRODUCING AN ESSENTIAL RAW MATERIAL FOR NORTH AMERICA'S CRITICAL INDUSTRIAL BASE



CORE VALUES

In support of the
Company's objective
to be the most admired
minerals company,
we are building on
a framework of strong
corporate values.

SAFE PRODUCTION - record production with: lack of injuries....good housekeeping and orderly work areas.... well-maintained equipment....proper training and procedures....looking out for and correcting each other....safe conditions, safe behavior....Sentinel of Safety award winner.

CUSTOMER FOCUS - listening to the customer....being responsive and on time....meeting quality expectations....helping the customer succeed.

CREATING ECONOMIC VALUE - doing the right things right the first time....elimination of waste and inefficiency....breakthroughs in productivity and technology.

BIAS FOR ACTION - getting things done....reduced red tape....barrierless....call anybody you want.... management by fact....plan the work – work the plan.

TRUST, RESPECT AND OPEN COMMUNICATION - open access to information....constructive conflict.... delegation to the appropriate level....toleration of failure in pursuit of business success.... encouraging and accepting different views....feeling an obligation to explain your actions to those it affects....gender and racial diversity.

GROUP AND INDIVIDUAL ACCOUNTABILITY - behaving in line with our core values....being responsible for our actions....providing plans/standards/expectations....holding yourself and/or the group to a high standard of performance....walk the talk.

INTEGRITY - doing what you say you're going to do....no hidden agendas....doing the right thing....being truthful....zero tolerance – not walking away from a situation....be credible.

TEAMWORK - actively involve others in decision making....know when to take a leadership role and when to be an active member....recognize the value of teamwork and the synergy it creates.

RECOGNIZE AND REWARD ACHIEVEMENT - celebrating successes....stress training and development....an effective appraisal of performance....giving a simple thank you.

**THESE CORE VALUES ARE IMPORTANT TO OUR FUTURE.
EVERYONE WILL BE JUDGED ON THEIR SUPPORT OF AND
COMMITMENT TO THEM.**

COMPARATIVE HIGHLIGHTS

	2000	1999	Increase (Decrease)
Financial (In Millions Except Per Share Amounts)			
For the Year:			
Operating Revenues:			
Product Sales and Services	\$379.4	\$316.1	\$63.3
Royalties and Management Fees	50.7	48.5	2.2
Total	430.1	364.6	65.5
Income Before Special Items:			
Amount	10.1	.4	9.7
Per Diluted Share	.97	.04	.93
Net Income:			
Amount	18.1	4.8	13.3
Per Diluted Share	1.73	.43	1.30
At December 31:			
Cash and Cash Equivalents	29.9	67.9	(38.0)
Long-Term Debt	70.0	70.0	
Shareholders' Equity	402.0	407.3	(5.3)
Book Value Per Common Share	39.73	38.27	1.46
Market Value Per Common Share	21.56	31.13	(9.57)
Iron Ore Production and Sales (Millions of Gross Tons)			
Production At Mines Managed by Cliffs:			
Total	41.0	36.2	4.8
Cliffs' Share	11.8	8.8	3.0
Cliffs' Sales	10.4	8.9	1.5

COMPANY PROFILE

Cleveland-Cliffs Inc is the largest supplier of iron ore products to the North American steel industry. Iron ore is the fundamental raw material for integrated steel companies that make steel in blast furnaces. Subsidiaries of the Company manage and hold equity interests in five iron ore mines in Michigan, Minnesota and Eastern Canada. Nearly all the integrated steel companies in North America are partners or customers. Cliffs has a major iron ore reserve position in the United States and is a substantial iron ore merchant.

Cliffs is developing a significant ferrous metallics business to primarily serve steel companies that make steel in electric arc furnaces. The Company's first project is the hot briquetted iron (HBI) plant in Trinidad and Tobago.

Cliffs is in its 154th year of service to the steel industry.



LETTER TO OUR SHAREHOLDERS

Dear Fellow Shareholder:

A year ago, we told you that we were glad to put 1999 behind us. That statement was, of course, a reaction to the very difficult year our Company had in 1999 when we had to cope with an unexpected dip in pellet sales. We also told you we were anticipating a significant improvement in year 2000 earnings that would be driven by higher sales volume and better sales margins due to higher production volumes and cost reduction. At that time, our biggest uncertainty was the ramp-up of production at the Cliffs and Associates Limited (CAL) reduced iron plant in Trinidad.

Unfortunately, the strength of the U.S. and Canadian economies in the first half of 2000 proved to be a double-edged sword for the steel and iron ore business. Accelerating demand from the automotive, appliance and construction industries pushed operating rates at North American steel plants to near

capacity levels. However, the large steel consumers also began to import increasingly large amounts of steel. As the import volumes rose, North American steel operating rates fell and prices collapsed. At the same time, energy prices surged and the once strong economies in the United States and Canada began to rapidly weaken.

By the fourth quarter of 2000, deteriorating business conditions in the steel industry had reached catastrophic dimensions, and most of our partners and customers reported substantial losses for the quarter. A growing list of steel company bankruptcy filings demonstrated the severity of the crisis. Two filings in the fourth quarter were of particular significance to Cliffs – the November 16th filing by Wheeling-Pittsburgh Steel Corporation and the December 29th filing by LTV Corporation.

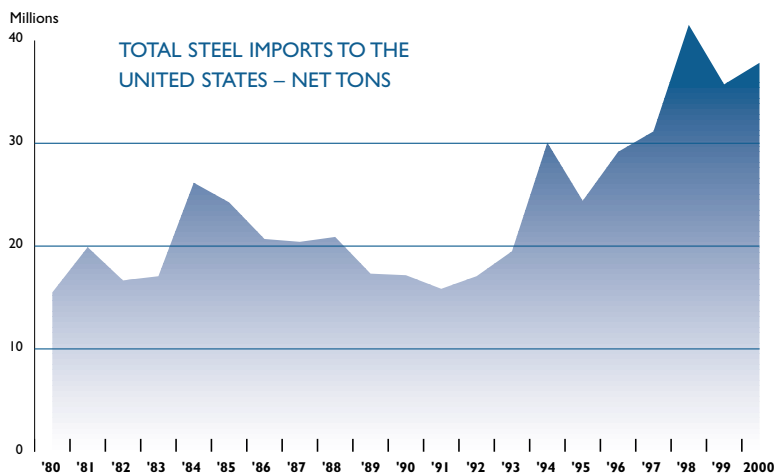


Despite the rapid deterioration of the North American steel business in the second half of 2000, Cliffs-managed mines operated at near-capacity levels and produced a record 41.0 million tons. Cliffs' share of production was 11.8 million tons versus 8.8 million tons in 1999. The Company sold 10.4 million tons of iron ore pellets in 2000. This was a major improvement from the 8.9 million tons sold in 1999, but less than our original sales expectation. While we planned to build inventory in 2000 to meet projected demand in future years, a steep decline in fourth quarter shipments caused our year-end inventory to increase to 3.3 million tons, well beyond the planned level.

Net income was \$18.1 million in 2000 versus \$4.8 million in 1999. Excluding special items, net income was \$10.1 million, a \$9.7 million increase from the \$.4 million recorded in 1999, primarily due

to significant production curtailments in 1999 and higher pellet sales volume in 2000. The margin on pellet sales in 2000 was a major disappointment, even as we operated at full production and eliminated the high fixed cost penalties incurred in 1999 when we curtailed production by 3.0 million tons. While we made progress in pursuing productivity and cost reduction objectives, our successes were overwhelmed by higher energy costs, notably natural gas and diesel fuels, and cost inflation in other areas such as medical costs. Operating difficulties, particularly at the Empire and Wabush Mines, also contributed to the poor cost performance.

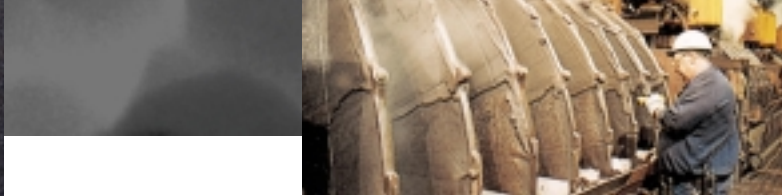
Disappointments in 2000 were not restricted to our core iron ore business. After struggling with the start-up of its plant in Trinidad for more than a year, CAL decided in mid-May to suspend start-up



“Unfairly dumped steel imports, including steel slabs, totaled 38.0 million tons in 2000, the second highest amount in history”

activities in order to evaluate plant reliability and make modifications to portions of the plant. After several key modifications were completed, the plant was restarted and operated for a month to test the modifications and gain additional operating experience. The results of this test were very positive. Plant operations improved significantly, and we produced several thousand tons of high quality commercial HBI, despite the known flaws in a portion of the flowsheet.

At the end of July, the plant was shut down again to evaluate on-going economics and decide whether or not to complete the remaining modifications. In the third quarter, LTV withdrew its financial support of CAL, and Cliffs and Lurgi decided to complete the plant modifications and acquire LTV's 46.5 percent share of CAL for a nominal upfront payment. For the balance of the year, the plant remained idle while modifications were undertaken. The decision to proceed was based on the successful July test, a favorable



financial arrangement on the buyout of the LTV interest, and a comprehensive evaluation of the project economics.

CLIFFS TODAY

Given the business outlook, the recent bankruptcies of Wheeling-Pittsburgh and LTV and the weak financial position of other partners and customers, Cliffs has significant challenges ahead.

Prior to the Wheeling filing, which did not have a significant adverse impact on Cliffs' results in 2000, the Company exercised its right to acquire Wheeling's 12.5 percent indirect interest in the Empire Mine. No cash was paid to Wheeling for the interest, only assumption of additional mine liabilities. The acquisition of Wheeling's interest increased Cliffs' ownership in Empire to 35 percent and raised Cliffs' share of the mine's 8-million-ton-production capacity from 1.8 million tons to 2.8 million tons. While we expect to sell the additional tonnage to LTV

beginning in 2001, the LTV bankruptcy filing has made this expectation more problematic. The increase in our ownership of Empire has raised Cliffs' total sales capacity from 11.8 million tons to 12.8 million tons.

The LTV bankruptcy filing resulted in a relatively modest charge to fourth quarter results. However, there are substantial contractual obligations and management relationships between Cliffs and LTV, and non-performance by LTV could have a significant impact on Cliffs and/or the Empire Mine. The closure of LTV's wholly-owned mine in Minnesota on January 5th is expected to make LTV a major iron ore customer of Cliffs in 2001 and beyond, under a multi-year sales contract executed in 2000. LTV is also a 25 percent partner in the Empire Mine.

Since its filing, LTV has continued to meet its obligations as a partner of Empire, and we expect LTV will purchase its iron ore pellet requirements from Cliffs. However, LTV has neither affirmed nor rejected its ownership in Empire or its ore purchase contract with Cliffs. In addition, there is much uncertainty relating to the level at which LTV's steelmaking facilities will operate. Bill Calfee, Cliffs' executive vice president-commercial, is chairman of the LTV Unsecured Creditors Committee, and we are committed to achieving a satisfactory outcome.

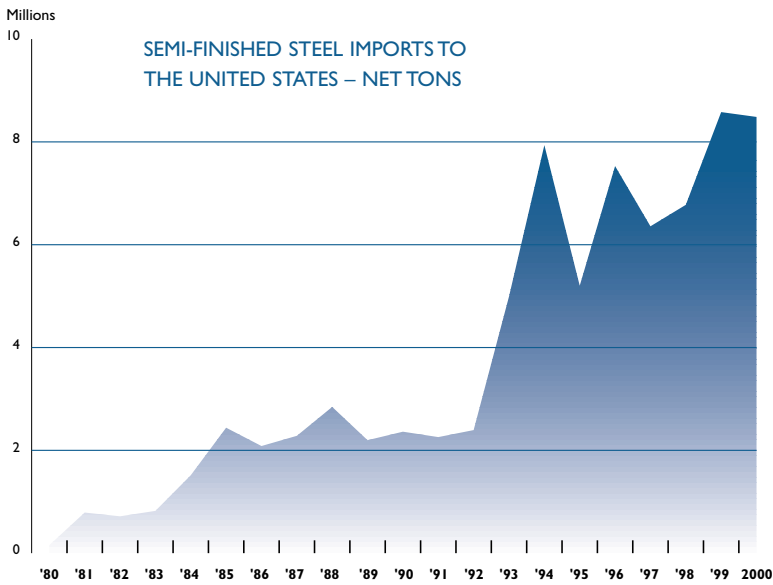
The steel and iron ore business in North America is going through a painful process of restructuring whereby only the strongest facilities are likely to survive. This will ultimately produce a stronger, more



competitive industry, but the path in the near term is fraught with difficulty and uncertainty. We are managing our iron ore business with the expectation that integrated steel and iron ore production capacity will continue to shrink, and foreign competition will remain intense.

We believe Cliffs can be a stronger factor in a consolidating North American pellet market. Most of our pellet capacity is competitive, on both a cost and quality basis, but all of our mines can improve their position. While we have always focused on cost and quality, we need to make dramatic changes in the way we operate to serve a "new" steel industry. Our objective is to be the most admired minerals company, and we are not going to let any barriers to improvement get in our way.

Cost reduction is a key element of our corporate-wide initiative called ForCE 21 (For Competitive Excellence in the 21st Century). ForCE 21 is de-



"The steel import problem that is particularly troubling to Cliffs is the dumping of semi-finished steel slabs, which totaled 8.6 million tons in 2000."



signed to produce organizational and operational excellence through employee involvement and cultural change. It promotes accelerated change with a focus on improvements in cost, quality and safety. Employee teams, including hourly employees at all facilities, are challenging existing practices in a search for better, more cost effective ways of improving operating performance. On the inside front cover of this report are Cliffs' core values that provide a framework for ForCE 21. Although this initiative is just beginning, we have achieved impressive results in a number of areas and are optimistic about its potential.

We recognize that we must do more and are challenging all areas of our organization to ensure that we are being as cost efficient as possible:

- Productivity improvements will result in lower employment levels at most locations, and the outsourcing of various support services is being implemented. The cost savings of these actions when complete will be significant.
- We are working with suppliers of purchased materials and equipment to reduce prices. Over the last two years, we have entered into alliance agreements with a number of suppliers. These suppliers have made major price reductions in exchange for

larger volumes and longer-term contracts. We have achieved significant cost savings utilizing the "reverse auction" process available with our e-commerce software platform and expect to realize additional savings with this technology.

- Labor contracts negotiated in 1999 resulted in a strategic alliance with the United Steelworkers' Union, which is providing a unique opportunity to cooperatively pursue objectives that are focused on cost reduction, improved labor productivity and safety.

- All operations are taking actions to minimize energy costs. Energy costs represent almost 25 percent of mine operating costs depending on the mine, so actions taken in this area are vitally important. The increase in energy costs from 1999 to 2000 penalized Cliffs' operating earnings in 2000 by about \$14 million. The adverse impact of high energy costs is expected to continue in 2001.

While our business plans are not dependent on reducing imports of steel and iron ore, Cliffs and its





steel company partners and customers need a level playing field to deal with foreign trade. Unfairly dumped foreign steel imports are systematically eliminating North American steel capacity, and unfairly imported steel slabs are cutting into the iron ore market. U.S. steel imports, including steel slabs, totaled 38.0 million tons in 2000, the second highest amount in history.

There is significant excess steelmaking capacity in the world, and the United States is a magnet for the surplus due to our weak enforcement of existing trade laws and a strong dollar. Foreign steel companies are selling steel in the United States at prices that are below what it costs to produce, and that is a violation of U.S. trade laws. We are hopeful that the Bush Administration and the 107th Congress will work together, on an urgent basis, to address our country's steel emergency. This is also a vital issue in Canada, and the Canadian government has a steel anti-dumping investigation in progress following complaints by steel producers in Canada.

The import problem that is particularly troubling to Cliffs is the dumping of semi-finished steel slabs. Companies that import slabs in lieu of producing their hot metal requirements reduce or eliminate their iron ore requirements. When foreign producers dump slabs into this country, domestic steelmakers can buy slabs at a cost that is lower than the cost to produce raw steel in their primary steel operations. The unchecked availability of semi-finished steel imports could result in the premature closure of certain blast furnaces. Congressmen James Oberstar of Minnesota and Bart Stupak of Michigan were instrumental in

getting the U.S. Commerce Department to commence an investigation of whether imports of iron ore and steel slabs are jeopardizing the national security.

OUTLOOK

Business conditions in the iron and steel industry are as bad as they have been in many decades and are expected to remain difficult through at least the first half of 2001. Given the harsh environment confronting our steel company partners and customers, there is significant uncertainty regarding Cliffs' pellet sales volume in 2001 and production levels at managed mines. We expect the financial results of our core iron ore business will be severely impacted by production curtailments.

If the generally anticipated increase in the international pellet prices occurs, we would expect to realize a modest increase in price realizations in 2001 because the pricing formulas in our multi-year sales contracts allow us to realize about half of any change in the international price. Prices in our multi-year contracts increase or decrease over the contract term using a number of factors including the international pellet price, energy costs, labor costs and steel prices.

Losses from CAL are expected to be somewhat lower in 2001, but first half losses will be greater than first-half 2000. Modifications to the Trinidad plant were completed on schedule and on budget, and the plant will begin briquette production in March. CIRCAL™ briquettes were trial tested in two U.S. electric furnaces in November and December

2000 with positive results. We are receiving numerous inquiries regarding trial shipments and tests at other electric furnace operations and at some blast furnace operations as soon as additional briquettes are available. The pricing for all metallics in the United States is still very weak, but we expect some improvement as the year develops. In today's high-energy-cost environment that has forced the closure of all reduced iron plants located in the United States, CAL is exceptionally well positioned with low-cost, stable gas prices in Trinidad. We continue to expect an increase in global electric-arc-furnace steel production, and consequently an improving market for our CIRCAL™ briquettes.

On January 9th, your Board of Directors reduced the quarterly dividend from 37.5 cents per share to 10 cents per share. Based on the 10.1 million shares currently outstanding, this action will reduce the annual cash outlay for dividends by more than \$11 million. While the Board regretted the action, we believe it was appropriate during this period of extreme uncertainty in the North American steel industry.

We are also making a significant reduction in our capital spending in 2001. Excluding expenditures at CAL, we spent over \$23 million on capital in 2000, which was slightly less than depreciation of \$26 million. We would expect comparable spending to be only \$14 million in 2001, again excluding CAL. We will also be reducing our pellet inventory by at least 1.3 million tons during the year, which will generate cash flow of \$35 million.

We fully expect our cash flow in 2001 will allow us to repay by year-end the \$65 million borrowed in January under our revolving credit facility. We believe our strong balance sheet, and the actions we have taken with respect to the dividend, capital spending and cost reductions will provide the liquidity we need to meet the challenges and take advantage of the opportunities that are ahead of us in 2001.

We cannot control the demand for iron ore and other ferrous metallics products, but we can minimize the impact by producing the highest quality products at the lowest possible cost. We also can be proactive in pursuing business opportunities that are created by the adversities in our business. We intend to be relentless in pursuing the goals and objectives that will allow Cliffs to steer the uncertain road that is ahead and restore Cliffs value. We appreciate your support.



A handwritten signature in black ink that reads "John S. Brinzo". The signature is written in a cursive, flowing style.

John S. Brinzo
Chairman and
Chief Executive Officer



A handwritten signature in black ink that reads "Thomas J. O'Neil". The signature is written in a cursive, flowing style.

Thomas J. O'Neil
President and
Chief Operating Officer

February 28, 2001

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In 2000, Cleveland-Cliffs Inc ("Company") had net income of \$18.1 million, or \$1.73 per share (references to per share earnings are "diluted earnings per share") versus net income for the year 1999 of \$4.8 million, or \$.43 per share. Following is a summary of results for the years 2000, 1999 and 1998:

	(IN MILLIONS EXCEPT PER SHARE AMOUNTS)		
	2000	1999	1998
Net income before special items	\$10.1	\$.4	\$53.9
Special items	\$ 8.0	\$ 4.4	\$ 3.5
Net income			
– Amount	\$18.1	\$ 4.8	\$57.4
– Per share (basic)	\$1.74	\$.43	\$5.10
– Per share (diluted)	\$1.73	\$.43	\$5.06
Average number of shares (in thousands)			
– Basic	10,393	11,076	11,248
– Diluted	10,439	11,124	11,336

2000 VERSUS 1999

Net income for the year 2000 of \$18.1 million, or \$1.73 per share, included three special items:

- a \$9.9 million after-tax recovery on an insurance claim related to lost 1999 sales;
- a \$5.2 million tax credit reflecting a reassessment of income tax obligations based on current audits of prior years' federal tax returns; and
- a \$7.1 million after-tax charge to recognize the decrease in value of the Company's investment in LTV common stock.

Year 1999 net income included favorable after-tax income adjustments of \$4.4 million that related primarily to prior years' state tax refunds. Excluding special items in both years, net income in 2000 of \$10.1 million was \$9.7 million higher than 1999 net income of \$.4 million. The \$9.7 million improvement in 2000 net income before special items reflected higher income before income taxes, \$14.4 million, partially offset by higher income taxes, \$4.7 million. The increase in pre-tax income before special items was primarily due to:

- An improvement of \$19.2 million in pellet sales margin from the 1999 negative margin of \$20.0 million.

Following is a summary comparison of sales margin for 2000 and 1999:

	(IN MILLIONS)			
	2000	1999	Increase (Decrease)	
			Amount	Percent
Sales (Tons)	10.4	8.9	1.5	17%
Revenue from product sales and services	\$379.4	\$316.1	\$ 63.3	20%
Cost of goods sold and operating expenses	380.2	336.1	44.1	13%
Sales margin (loss)	\$ (.8)	\$ (20.0)	\$ 19.2	96%

Revenue from product sales and services increased \$63.3 million primarily due to the 1.5 million ton sales volume increase along with a modest improvement in average sales price realization. The increase in cost of goods sold and operating expenses reflected the increase in volume, production curtailments in 1999 and significant increases in energy rates, which added almost \$14 million to cost in 2000.

- Royalty and management fees, including amounts paid by the Company as a participant in the mining ventures, of \$50.7 million in 2000 versus \$48.5 million in 1999, an increase of \$2.2 million, primarily due to increased production at Tilden Mine.
- Higher other income, \$3.3 million, including insurance company demutualization proceeds, favorable settlement of a legal dispute, and gains from sales of non-strategic lands.
Partially offsetting were:
 - Higher Cliffs and Associates Limited ("CAL") pre-operating losses, \$4.5 million, reflecting continuing plant start-up difficulties, holding costs during plant modifications, and the Company's increased ownership in the venture as of November 20, 2000. (See Ferrous Metallica.)
 - Increased administrative, selling and general expense, \$2.6 million, due to higher active and retiree medical costs and pensions, and increased management incentive compensation expense.
 - Higher other expenses, \$2.0 million, largely reflecting the reserving of amounts related to administrative services and management fees from LTV's wholly-owned LTV Steel Mining Company ("LTVSMC") as a result of

the LTV filing for protection under Chapter 11 of the U.S. Bankruptcy Code on December 29, 2000.

- Higher interest expense, \$1.2 million, resulting from the cessation of interest capitalization in April, 1999 on the construction of CAL's hot briquetted iron ("HBI") facility in Trinidad and Tobago.

The \$4.7 million increase in income taxes before special items was principally due to higher pre-tax income.

1999 VERSUS 1998

Net income for 1999 was \$4.8 million, or \$.43 per share, compared to 1998 net income of \$57.4 million, or \$5.06 per share. Year 1999 net income included favorable after-tax income adjustments of \$4.4 million that related primarily to prior years' state tax refunds (recorded as a reduction to cost of goods sold). Year 1998 net income included a \$3.5 million favorable income tax adjustment related to audits of prior years' federal tax returns. Excluding special items in both years, net income was \$.4 million in 1999, a decrease of \$53.5 million from 1998.

The \$53.5 million decrease in net income before special items reflected lower income before income taxes of \$73.9 million, partially offset by a \$20.4 million decrease in income taxes. The decrease in pre-tax income before special items was primarily due to:

- Negative pellet sales margin of \$20.0 million in 1999 compared to a margin of \$46.1 million in 1998, a decrease of \$66.1 million summarized as follows:

	(IN MILLIONS)			
	1999	1998	Increase (Decrease)	
			Amount	Percent
Sales (Tons)	8.9	12.1	(3.2)	(26)%
Revenue from product sales and services	\$316.1	\$465.7	\$(149.6)	(32)%
Cost of goods sold and operating expenses	336.1	419.6	(83.5)	(20)%
Sales margin (loss)	\$ (20.0)	\$ 46.1	\$ (66.1)	(143)%

Revenue from product sales and services decreased by \$149.6 million, primarily due to decreased sales volume due to blast furnace outages, and lower average sales price realization, reflecting lower pellet pricing and the mix of contracts. The decrease in cost of goods sold and operating expenses was not proportional to the decrease in sales volume due to fixed costs incurred during production curtailments to balance production with the lower sales volume.

- Higher pre-operating losses from CAL, \$6.8 million, reflecting start-up and commissioning costs on CAL's HBI project in Trinidad and Tobago.
- Higher interest expense, \$3.3 million, resulting from the cessation of interest capitalization when construction of the HBI facility was completed in April, 1999.
- Lower interest income, \$2.1 million, due to lower average cash balances throughout the year.
- Lower royalty and management fees in 1999, including amounts paid by the Company as a participant in the mining ventures, \$1.2 million, mainly due to lower production.
- Partially offsetting was lower administrative, selling and general expense, \$2.6 million, including lower management incentive compensation, cost reduction initiatives and a 10 percent reduction of corporate staff in the first quarter of 1999.
- Other expenses also decreased \$3.9 million, including lower business development expenses and an increase in the allowance for doubtful accounts recorded in 1998 related to the Acme bankruptcy.

The \$20.4 million decrease in income taxes before special items was primarily due to the decrease in pre-tax income and the favorable impact of percentage depletion.

CASH FLOW AND LIQUIDITY

At December 31, 2000, the Company had cash and cash equivalents of \$29.9 million. In addition, the full amount of a \$100 million unsecured revolving credit facility was available.

Following is a summary of 2000 cash flow activity:

(IN MILLIONS)	
Cash flow from operations:	
Before changes in operating assets and liabilities	\$ 76.9
Changes in operating assets and liabilities	(48.9)
Net cash from operations	28.0
Capital expenditures	(23.4)
Investment and advances in Cliffs and Associates Limited	(13.8)
Purchase of CAL interest from LTV	(1.7)
Dividends	(15.7)
Repurchases of common shares	(15.6)
Contributions to CAL of minority shareholder	4.2
Other	.3
Decrease in cash and cash equivalents	\$(37.7)

The \$48.9 million increase in operating assets and liabilities primarily reflected higher iron ore inventories, \$54.2 million.

Following is a summary of key liquidity measures:

	AT DECEMBER 31 (IN MILLIONS)		
	2000	1999	1998
Cash and cash equivalents	\$ 29.9	\$ 67.6	\$130.3
Working capital	\$145.8	\$143.4	\$176.1
Ratio of current assets to current liabilities	2.4:1	3.0:1	3.1:1

In 2001, the Company expects to receive refunds of approximately \$14 million of current and prior years' federal tax payments associated with the Company's adjustment of its CAL tax basis of properties. Separately, an additional tax and interest payment of approximately \$5 million related to the anticipated settlement of audit issues for tax years 1995 and 1996 is expected in 2001. A \$5.2 million non-cash favorable adjustment of the Company's tax obligations related to the audit was recorded in 2000 results.

From time to time, in the normal course of business, the Company enters into contracts to purchase iron ore to meet customer quality specifications or fulfill anticipated or

forecasted shortfalls. The Company has committed to purchase approximately \$19 million of pellets in 2001.

The Company anticipates that its share of capital expenditures related to the iron ore business, which were \$23.4 million in 2000, will be significantly reduced in 2001. The estimate for 2001 capital expenditures is highly uncertain, and will depend on production levels at the Company-managed mines and the financial position of the mine owners. The Company expects to fund its share of capital expenditures from current operations.

CAPITALIZATION

Long-term debt of the Company consists of \$70 million of senior unsecured notes, with a fixed interest rate of 7.0 percent, which are scheduled to be repaid on December 15, 2005. In addition to the senior unsecured notes, the Company, including its share of mining ventures, had capital lease obligations at December 31, 2000 of \$4.0 million, which are largely non-recourse to the Company. The Company has a \$100 million revolving credit agreement, which expires on May 31, 2003. On January 8, 2001, the Company borrowed \$65 million on the facility for general operating and working capital requirements. The loan interest rate, based on the LIBOR rate plus a premium, is fixed at 6.1 percent through July 8, 2001. Loan repayment timing is subject to future uncertainty, but the Company expects to repay the loan by the end of 2001.

In 2000 and 1999, the Company purchased .7 million and .6 million shares of its Common Shares at a cost of \$15.6 million and \$17.2 million, respectively. Through December 31, 2000, the Company has purchased 2.4 million shares at a total cost of \$79.5 million under its authorization to repurchase up to 3.0 million Common Shares. The shares will initially be retained as Treasury Stock. On January 9, 2001, the Company announced a reduction in its quarterly dividends on Common Shares to \$.10 per share from the previous dividend rate of \$.375 per share.

IRON ORE

After a modest improvement in the first half of 2000, North American steel industry fundamentals deteriorated significantly in the second half of the year. Weak steel order books and price decreases attributable to slowing economies in the United States and Canada, high volumes of steel imports, and soaring energy costs have caused crisis conditions in the North American iron and steel industry. The Company is supporting steel industry efforts to combat unfair imports. LTV and Wheeling-Pittsburgh Steel Corporation ("Wheeling-Pittsburgh") filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the fourth quarter of 2000, and several of the Company's other partners and customers have curtailed raw steel production and experienced financial difficulties in the fourth quarter. Given the current conditions in the industry, significant uncertainty exists concerning the Company's sales and production at its mines in 2001.

The Company ended the year 2000 with 3.3 million tons of iron ore pellet inventory, an increase of 1.9 million tons from 1999. Increased pellet sales of 1.5 million tons in 2000 were more than offset by an increase in the Company's share of 2000 production.

The six mines managed by the Company produced 41.0 million tons of iron ore in 2000, compared to production of 36.2 million tons in 1999. The Company's share of production was 11.8 million tons in 2000 versus 8.8 million tons in 1999. The increase was mainly due to production curtailments in 1999 which were undertaken to reduce inventory levels because of lower sales volume. The Company expects production at its five active mines in 2001 to be significantly below the combined 34.1 million ton capacity.

The Company's iron ore pellet sales were 10.4 million tons in 2000 versus 8.9 million tons in 1999. The increase in iron ore pellet sales in 2000 was mainly due to the return of blast furnace operations at two customers that were out for most of 1999. The Company's sales volume is largely committed under multi-year sales contracts, which are subject to changes in customer requirements. International iron ore pellet price changes impact certain of the Company's multi-year sales contracts, which use international prices as price adjustment factors. Other factors impacting the Company's average price realization under various sales contracts include mine operating costs, energy costs, and steel prices.

A wholly-owned subsidiary of LTV is a 25 percent partner in the Company-managed Empire Mine in Michigan. Since the bankruptcy filing, LTV has remained current with its Empire obligations.

At the time of the bankruptcy filing, LTV owed the Company approximately \$2.3 million related to the Company's management of LTVSMC in Minnesota, which amount the Company has reserved. In May 2000, LTV announced its intention to close LTVSMC in mid-2001 and later the intended closing date was advanced to February 22, 2001. Subsequent to its bankruptcy filing, LTV ceased operations at LTVSMC on January 5, 2001, more than a month ahead of schedule, due to conditions in the steel market and cost reduction efforts associated with the bankruptcy filing.

The Company signed a long-term agreement in May, 2000 to supply LTV with the majority of the iron ore it will need to purchase as a result of the closing of LTVSMC. Sales over the 10-year contract term could total more than 50 million tons if LTV continues to produce at or near current levels and performs under the contract terms. To date in the bankruptcy proceeding, LTV has neither affirmed nor rejected this agreement. Sales under the contract were less than .2 million tons in 2000; expected sales in 2001 will be impacted by the liquidation of LTVSMC's remaining pellet inventory and business conditions. The Company had no trade accounts receivable exposure to LTV at the time of bankruptcy filing.

In May, 2000, LTV granted the Company an exclusive option to purchase the LTVSMC assets in exchange for assumption of environmental and reclamation obligations and other consideration at LTVSMC. The Company has until March 31, 2001 to exercise the option. The Company does not believe iron ore pellets can be produced there economically, but is investigating whether alternative uses or the disposition of the assets would be advantageous.

Prior to Wheeling-Pittsburgh's filing for protection under Chapter 11 of the U.S. Bankruptcy Code on November 16, 2000, the Company exercised its rights under existing agreements to acquire Wheeling-Pittsburgh's 12.4375 percent indirect interest in Empire Mine. The acquisition of

Wheeling-Pittsburgh's interest in the Empire Mine increased the Company's ownership share to 35 percent and share of production capacity from 1.8 million tons to 2.8 million tons. Subsequent to its Chapter 11 filing, Wheeling-Pittsburgh has requested an accounting for the acquisition transaction. At the time of the filing, the Company did not have a term sales contract with Wheeling-Pittsburgh and the Company's trade receivable exposure was negligible.

In 1998, Acme Metals Incorporated and its wholly-owned subsidiary Acme Steel Company (collectively "Acme"), a partner in Wabush and an iron ore customer, petitioned for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company had a \$1.2 million pre-petition trade receivable from Acme, which has been fully provided. Since its filing, Acme has continued its relationship with Wabush and the Company. Sales to Acme in 2000 represented 3 percent of total sales volume.

The major business risk faced by the Company in iron ore is lower customer or venture partner consumption of iron ore from the Company's managed mines which may result from competition from other iron ore suppliers; use of iron ore substitutes, including imported semi-finished steel; steel industry consolidation, rationalization or financial failure; or decreased North American steel production, resulting from increased imports or lower steel consumption. Loss of sales and/or royalty and management fee income on any such unmitigated loss of business would have a significantly greater impact on earnings than revenue, due to the high level of fixed costs in the iron mining business.

In 1999, the Company lost more than one million tons of iron ore pellet sales to Rouge Industries as a result of the extended shutdown of two blast furnaces following an explosion at the power plant that supplies Rouge. In 2000, the Company recorded a pre-tax insurance recovery and received proceeds on the claim of \$15.3 million (\$9.9 million after-tax). The Company continues to pursue modest additional recoveries, but given the complexity of the insurance issues, any additional amounts will not be recorded until all outstanding matters are resolved.

The Company held 842,000 shares of LTV common stock, which were originally valued at \$11.5 million, or \$13.65 per share. As of June 30, 2000, the investment was reclassified to "trading" and accordingly changes in market value were recognized in earnings as they occurred. The Company has recognized a reduction to 2000 earnings of \$10.9 million pre-tax (\$7.1 million after-tax) related to the investment. In August 2000, the Company commenced a program to reduce its investment in the LTV common stock and through December 31, had sold 300,000 shares, with the remaining shares sold in January, 2001.

Five-year labor agreements between the United Steelworkers of America ("USWA") and the Empire, Hibbing, and Tilden mines were ratified in August 1999. The agreements, which were patterned after agreements negotiated by major steel companies, provide employees with improvements in pensions, wages, and other benefits. The agreements also commit the mines and the union jointly to seek operating cost improvements. The Wabush Mine in Canada also settled on a five-year contract in July, 1999.

FERROUS METALLICS

The Company's strategy includes extending its business scope to produce and supply ferrous metallic products to an expanded customer base, including electric arc furnace steelmakers.

CAL, a venture in Trinidad and Tobago, completed construction in April, 1999 of a facility designed to produce premium quality HBI to be marketed to the steel industry. The HBI facility has produced sufficient reduced iron to demonstrate that the Circored® process technology will yield a product that meets the quality specifications that were established, including high metalization rates. However, sustained levels

of briquette production could not be achieved, and in May, 2000, start-up activities were temporarily suspended in order to evaluate plant reliability and make modifications to portions of the plant. The plant was restarted on July 1, 2000 to test the functionality and reliability of the initial modifications and to gain additional operating experience. Results of this five-week test were positive. Although a small quantity of commercial grade briquettes was produced, replacing the discharge system was necessary to improve material flow and obtain consistent feed of HBI to the briquetting machines. The modifications are targeted for completion in the first quarter of 2001.

On November 20, 2000, a subsidiary of the Company and Lurgi Metallurgie GmbH (“Lurgi”) completed the acquisition of LTV’s 46.5 percent interest in CAL for \$2 million (Company share – \$1.7 million) and additional future payments, that could total \$30 million through 2020 dependent on CAL’s production, sales volume and price realizations. LTV announced its decision to withdraw its financial support for CAL on July 28, 2000. Upon acquisition, the Company’s ownership in CAL increased to 86.9 percent (previously 46.5 percent). The Company has consolidated CAL for financial reporting purposes since the acquisition.

Subsequent to LTV’s withdrawal of financial support for CAL, it was estimated that \$45 million of additional investment (of which \$16.6 million has been invested through December 31, 2000) would be required for CAL to attain sustained production and generate positive cash flow, consisting of capital expenditures of \$15 million, working capital of \$15 million and cash start-up costs of \$15 million. Lurgi has agreed to fund a disproportionate share of the capital expenditures through in kind contribution of the new discharge system, which increases its ownership. As a result, the Company’s ownership in CAL at December 31, 2000 decreased to 84.4 percent. If the full \$45 million is required, the Company’s additional investment will be \$33 million (of which

\$11.6 million has been funded at December 31, 2000), and the Company will own approximately 82.4 percent of CAL.

The primary business risk faced by the Company in ferrous metallics is the as yet undemonstrated capability of the Trinidad facility to produce a sustained quantity of commercial grade HBI at a cost level necessary to achieve profitable operations given the market for HBI.

ACTUARIAL ASSUMPTIONS

As a result of a decrease in long-term interest rates, the Company re-evaluated the rates used to calculate its pension and other postretirement benefit (“OPEB”) obligations. The discount rate used to calculate the Company’s pension and OPEB obligations was decreased to 7.75 percent at December 31, 2000 from 8.0 percent at December 31, 1999. The change in the discount rate assumption is projected to increase pension and OPEB expense for 2001 by approximately \$.3 million.

Additionally, as a result of recent experience, the Company increased the medical trend rate assumption it utilizes in determining its OPEB obligation. An annual rate of increase in the per capita cost of covered healthcare benefits of 8.0 percent was assumed for 2001 (6.5 percent in 2000) decreasing to an annual rate of 5.0 percent in 2008 and annually thereafter. The increase in the trend rate assumption will increase the Company’s OPEB expense by \$1.2 million in 2001.

The Company makes contributions to the pension plans within income tax deductibility restrictions in accordance with statutory requirements. In 2000, the Company contributed \$1.7 million, including its share of ventures funding, an increase of \$.6 million from 1999.

ENVIRONMENTAL COSTS

The Company has a formal code of environmental conduct which promotes environmental protection and restoration. The Company's obligations for known environmental conditions at active and closed mining operations, and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued in accordance with generally accepted accounting principles. Estimates may change as additional information becomes available. Actual costs incurred may vary from the estimates due to the inherent uncertainties involved. Potential insurance recoveries have not been reflected in the determination of the financial reserves.

At December 31, 2000, the Company had a reserve for environmental obligations, including its share of the environmental obligations of ventures, of \$20.0 million (\$20.6 million at December 31, 1999), of which \$4.5 million is current. Payments in 2000 were \$1.9 million (1999 – \$1.0 million).

MARKET RISK

The Company is subject to a variety of market risks, including those caused by changes in the foreign currency fluctuations and changes in interest rates. The Company has established policies and procedures to manage such risks; however, certain risks are beyond the control of the Company.

The Company's investment policy relating to its short-term investments (classified as cash equivalents) is to preserve principal and liquidity while maximizing the return through investment of available funds. The carrying value of these investments approximates fair value on the reporting dates.

A portion of the Company's operating costs are subject to change in the value of the Canadian dollar. Derivative financial instruments, in the form of forward currency exchange

contracts, have been utilized by the Company to manage exchange rate fluctuations of the Canadian dollar on the Company's operating costs. The Company had no forward currency exchange contracts as of December 31, 2000. The Company does not engage in acquiring or issuing derivative financial instruments for trading purposes. At December 31, 1999, the notional amounts of the outstanding forward currency exchange contracts was \$22.5 million, with a fair value of \$.4 million, based on the December 31, 1999 forward rate.

As a result of significantly increasing natural gas prices in 2000, the Company's managed mines entered into forward contracts as a hedge against continued expected price increases. Such contracts, which are in quantities expected to be delivered and used in the production process, are a means to limit exposure to price fluctuations. At December 31, 2000, the notional amounts of the outstanding forward contracts were \$16.1 million (Company share – \$5.4 million), with an unrecognized fair value gain of \$11.4 million (Company share – \$3.8 million) based on December 29, 2000 forward rates. The contracts mature at various times through April, 2001. No such contracts were utilized in 1999. If the forward rates were to change 10 percent from the year-end rate, the value and potential cash flow effect on the contracts would be approximately \$2.8 million (Company share – \$.9 million).

The Company has \$70 million of long-term debt outstanding at a fixed interest rate of 7 percent due in December, 2005. A hypothetical increase or decrease of 10 percent from 2000 year-end interest rates would change the fair value of the debt by \$1.4 million.

FORWARD-LOOKING STATEMENTS

The preceding discussion and analysis of the Company's operations, financial performance and results, as well as material included elsewhere in this report, includes statements not limited to historical facts. Such statements are "forward-looking statements" (as defined in the Private Securities Litigation Reform Act of 1995) that are subject to risks and uncertainties that could cause future results to differ materially from expected results. Such statements are based on management's beliefs and assumptions made on information currently available to it. Factors that could cause the Company's actual results to be materially different from the Company's expectations include, but are not limited to the following:

- Displacement of iron production by North American integrated steel producers due to electric furnace production or imports of semi-finished steel or pig iron;
- Loss of major iron ore sales contracts, or failure of customers to perform under existing contracts;
- Changes in the financial condition of the Company's partners and/or customers;
- Substantial changes in imports of steel, iron ore, or ferrous metallic products;
- Development of alternate steel-making technologies;
- Displacement of steel by competing materials;
- Unanticipated changes in the market value of steel, iron ore or ferrous metallics;
- Domestic or international economic and political conditions;
- Major equipment failure, availability, and magnitude and duration of repairs;
- Unanticipated geological conditions or ore processing changes;
- Process difficulties, including the failure of new technology to perform as anticipated;
- 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);
- Changes in tax laws (e.g., percentage depletion allowance);
- Changes in laws, regulations or enforcement practices governing remediation requirements at existing environmental sites, remediation technology advancements, the impact of inflation, the identification and financial condition of other responsible parties, and the number of sites and the extent of remediation activity;
- Changes in laws, regulations or enforcement practices governing compliance with safety, health and environmental 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.

STATEMENT OF CONSOLIDATED INCOME

Cleveland-Cliffs Inc and Consolidated Subsidiaries

INCOME

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

Year Ended December 31

	2000	1999	1998
REVENUES			
Product sales and services	\$379.4	\$316.1	\$465.7
Royalties and management fees	50.7	48.5	49.7
Total Operating Revenues	430.1	364.6	515.4
Insurance recovery	15.3		
Interest income	2.9	3.0	5.4
Other income	6.7	3.4	4.7
Total Revenues	455.0	371.0	525.5
COSTS AND EXPENSES			
Cost of goods sold and operating expenses	380.2	329.3	419.6
Administrative, selling and general expenses	18.7	16.1	18.7
Write-down of common stock investment	10.9		
Pre-operating loss of Cliffs and Associates Limited	13.3	8.8	2.3
Interest expense	4.9	3.7	.4
Other expenses	10.4	8.4	12.7
Total Costs and Expenses	438.4	366.3	453.7
INCOME BEFORE INCOME TAXES	16.6	4.7	71.8
INCOME TAXES (CREDIT)	(1.5)	(.1)	14.4
NET INCOME	\$ 18.1	\$ 4.8	\$ 57.4
NET INCOME PER COMMON SHARE			
Basic	\$ 1.74	\$ 5.43	\$ 5.10
Diluted	\$ 1.73	\$ 5.43	\$ 5.06
AVERAGE NUMBER OF SHARES			
Basic	10.4	11.1	11.2
Diluted	10.4	11.1	11.3

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS

Cleveland-Cliffs Inc and Consolidated Subsidiaries

(IN MILLIONS, BRACKETS INDICATE CASH DECREASE)

	Year Ended December 31		
	2000	1999	1998
OPERATING ACTIVITIES			
Net income	\$ 18.1	\$ 4.8	\$ 57.4
Adjustments to reconcile net income to net cash from operations:			
Depreciation and amortization:			
Consolidated	12.9	10.5	7.8
Share of associated companies	12.7	12.0	12.5
Pre-operating loss of Cliffs and Associates Limited	13.3	8.8	2.3
Deferred income taxes	9.6	(.2)	3.1
Tax credit	(5.2)		(3.5)
Write-down of common stock investment	10.9		
Other	4.6	(.3)	(4.5)
Total before changes in operating assets and liabilities	76.9	35.6	75.1
Changes in operating assets and liabilities:			
Inventories and prepaid expenses	(60.3)	6.4	2.3
Receivables	18.8	(23.5)	13.1
Payables and accrued expenses	(7.4)	(14.5)	1.6
Total changes in operating assets and liabilities	(48.9)	(31.6)	17.0
Net cash from operating activities	28.0	4.0	92.1
INVESTING ACTIVITIES			
Purchase of property, plant and equipment:			
Consolidated	(17.8)	(15.4)	(24.5)
Share of associated companies	(5.6)	(5.4)	(7.2)
Investment and advances in Cliffs and Associates Limited	(13.8)	(12.5)	(19.7)
Purchase of additional interest in Cliffs and Associates Limited	(1.7)		
Other	.3	.5	1.5
Net cash used by investing activities	(38.6)	(32.8)	(49.9)
FINANCING ACTIVITIES			
Dividends	(15.7)	(16.7)	(16.3)
Repurchases of Common Shares	(15.6)	(17.2)	(11.5)
Contributions to Cliffs and Associates Limited of minority shareholder	4.2		
Net cash used by financing activities	(27.1)	(33.9)	(27.8)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37.7)	(62.7)	14.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	67.6	130.3	115.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 29.9	\$ 67.6	\$130.3
Taxes paid on income	\$ 1.0	\$ 6.9	\$ 12.5
Interest paid on debt obligations	\$ 4.9	\$ 4.9	\$ 4.9

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

Cleveland-Cliffs Inc and Consolidated Subsidiaries

FINANCIAL POSITION

	(IN MILLIONS)	
	December 31	
	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 29.9	\$ 67.6
Trade accounts receivable	46.3	66.0
Receivables from associated companies	18.5	16.6
Product inventories – iron ore	90.8	36.6
Supplies and other inventories	22.4	16.0
Deferred and refundable income taxes	27.3	7.7
Other	12.8	6.6
TOTAL CURRENT ASSETS	248.0	217.1
PROPERTIES		
Plant and equipment	337.7	204.9
Minerals	19.2	19.1
	356.9	224.0
Allowances for depreciation and depletion	(84.2)	(70.1)
TOTAL PROPERTIES	272.7	153.9
INVESTMENTS IN ASSOCIATED COMPANIES	138.4	233.4
OTHER ASSETS		
Prepaid pensions	38.1	40.8
Miscellaneous	30.6	34.5
TOTAL OTHER ASSETS	68.7	75.3
TOTAL ASSETS	\$727.8	\$679.7

(IN MILLIONS)

December 31

	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 12.4	\$ 9.5
Payables to associated companies	22.7	19.6
Accrued expenses	44.1	30.3
Taxes payable	16.1	9.8
Other	6.9	4.5
TOTAL CURRENT LIABILITIES	102.2	73.7
LONG-TERM DEBT	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	71.7	68.1
OTHER LIABILITIES	58.0	60.6
MINORITY INTEREST IN CLIFFS AND ASSOCIATES LIMITED	23.9	
SHAREHOLDERS' EQUITY		
Preferred Stock – no par value		
Class A – 500,000 shares authorized and unissued		
Class B – 4,000,000 shares authorized and unissued		
Common Shares – par value \$1 a share		
Authorized – 28,000,000 shares;		
Issued – 16,827,941 shares	16.8	16.8
Capital in excess of par value of shares	67.3	67.1
Retained income	503.7	501.3
Cost of 6,708,539 Common Shares in		
Treasury (1999 – 6,180,742 shares)	(183.8)	(171.5)
Accumulated other comprehensive loss, net of tax		(5.2)
Unearned compensation	(2.0)	(1.2)
TOTAL SHAREHOLDERS' EQUITY	402.0	407.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$727.8	\$679.7

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(IN MILLIONS)						
	Common Shares	Capital In Excess of Par Value Of Shares	Retained Income	Common Shares In Treasury	Other Comprehensive Income	Other	Total
January 1, 1998	\$16.8	\$69.8	\$472.1	\$(146.2)	\$(2.0)	\$(3.1)	\$407.4
Comprehensive income							
Net income			57.4				57.4
Other comprehensive income							
Unrealized losses on securities					(2.3)		(2.3)
Total comprehensive income							55.1
Cash dividends – \$1.45 a share			(16.3)				(16.3)
Stock options and other incentive plans		1.0		1.7			2.7
Repurchases of Common Shares				(11.5)			(11.5)
Other		.1		.1			.2
December 31, 1998	16.8	70.9	513.2	(155.9)	(4.3)	(3.1)	437.6
Comprehensive income							
Net income			4.8				4.8
Other comprehensive income							
Unrealized losses on securities					(.9)		(.9)
Total comprehensive income							3.9
Cash dividends – \$1.50 a share			(16.7)				(16.7)
Stock options and other incentive plans		(3.9)		1.7		2.0	(.2)
Repurchases of Common Shares				(17.2)			(17.2)
Other		.1		(.1)		(.1)	(.1)
December 31, 1999	16.8	67.1	501.3	(171.5)	(5.2)	(1.2)	407.3
Comprehensive income							
Net income			18.1				18.1
Other comprehensive income							
Unrealized losses on securities					(1.2)		(1.2)
Reclassification adjustment-loss included in net income					6.4		6.4
Total comprehensive income							23.3
Cash dividends – \$1.50 a share			(15.7)				(15.7)
Stock options and other incentive plans		.1		3.1		(.8)	2.4
Repurchases of Common Shares				(15.6)			(15.6)
Other		.1		.2			.3
December 31, 2000	\$16.8	\$67.3	\$503.7	\$(183.8)	\$	\$(2.0)	\$402.0

See notes to consolidated financial statements.

ACCOUNTING POLICIES

Basis of Consolidation: The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (“Company”), including Cliffs and Associates Limited (“CAL”) since November 20, 2000, when the Company obtained majority control of CAL (see note 2). Intercompany accounts are eliminated in consolidation. “Investments in Associated Companies” are comprised of partnerships and unconsolidated companies (“ventures”) which the Company does not control. Such investments are accounted by the equity method. The Company’s share of earnings of mining ventures from which the Company purchases iron ore is credited to “Cost of Goods Sold and Operating Expenses” upon sale of the product. CAL results prior to and after November 20, 2000 are reflected as “Pre-Operating Loss of Cliffs and Associates Limited.”

Business: The Company’s dominant business is the production and sale of iron ore pellets to integrated steel companies. The Company manages and owns interests in mines; sells iron ore; controls, develops, and leases reserves to mine owners; and owns ancillary companies providing services to the mines. Iron ore production activities are conducted in North America. Iron ore is marketed in North America and Europe. The three largest steel company customer and partner contributions to the Company’s revenues were 17 percent, 14 percent and 13 percent in 2000; 19 percent, 19 percent and 10 percent in 1999; and 22 percent, 15 percent and 9 percent in 1998.

The Company is developing a ferrous metallica business, with its initial entry being the investment in CAL, located in Trinidad and Tobago, to produce and market hot briquetted iron (“HBI”). See Note 2 – Ferrous Metallica.

Revenue Recognition: Revenue is recognized on sales of products when title has transferred, and on services when services have been performed. Revenue from product sales includes reimbursement for freight charges (\$15.5 million – 2000; \$10.4 million – 1999; \$21.6 million – 1998) paid on behalf of customers. Royalty revenue from the Company’s share of ventures’ production is recognized when the product is sold. Royalty revenue from the ventures’ other participants is recognized on production.

Business Risk: The major business risk faced by the Company in iron ore is lower customer or venture partner

consumption of iron ore from the Company’s managed mines which may result from competition from other iron ore suppliers; use of iron ore substitutes, including imported semi-finished steel; steel industry consolidation, rationalization or financial failure; or decreased North American steel production, resulting from increased imports or lower steel consumption. Loss of sales and/or royalty and management fee income on any such unmitigated loss of business would have a greater impact on earnings than revenue, due to the high level of fixed costs in the iron mining business.

The primary business risk faced by the Company in ferrous metallica is the as yet undemonstrated capability of the Trinidad facility to produce a sustained quantity of market-quality HBI to achieve profitable operations.

Use of Estimates: 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 estimates.

Cash Equivalents: The Company considers investments in highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Derivative Financial Instruments: Derivative financial instruments, in the form of forward currency exchange contracts, have been utilized to manage foreign exchange risks, with gains and losses recognized in the same period as the hedged transaction. The Company has not engaged in acquiring or issuing derivative financial instruments for trading purposes. The Company had no forward currency exchange contracts as of December 31, 2000. In the normal course of business, the Company may enter into forward contracts for the purchase of commodities which are used in the operation, primarily natural gas. Such contracts are in quantities expected to be delivered and used in the production process and are not intended for re-sale or speculative purposes.

Inventories: Product inventories are stated at the lower of cost or market. Cost of iron ore inventories is determined using the last-in, first-out (“LIFO”) method. The excess of current cost over LIFO cost of iron ore inventories was \$7.3 million and \$5.9 million at December 31, 2000 and 1999,

respectively. Supplies and other inventories reflect the average cost method.

Repairs and Maintenance: The cost of power plant major overhauls is amortized over the estimated useful life, which is generally the period until the next scheduled overhaul. All other planned and unplanned repairs and maintenance costs are expensed during the year incurred.

Properties: Properties are stated at cost. Depreciation of plant and equipment is computed principally by straight-line methods based on estimated useful lives, not to exceed the life of the operating unit. Depreciation is provided over the following estimated useful lives:

Buildings45 Years
Mining Equipment10 to 20 Years
Processing Equipment15 to 45 Years
Information Technology2 to 7 Years

In iron ore, depreciation is not reduced when operating units are temporarily idled. At CAL, depreciation rates range from 25 percent to 125 percent of straight line amounts based on production.

Asset Impairment: The Company monitors conditions that may affect the carrying value of its long-lived and intangible assets when events and circumstances indicate that the carrying value of the assets may be impaired. If projected undiscounted cash flows are less than the carrying value of the asset, the assets are adjusted to their fair value.

Environmental Remediation Costs: The Company has a formal code of environmental protection and restoration. The Company's obligations for known environmental problems at active and closed mining operations, and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued. Costs of future expenditures are not discounted to their present value. Potential insurance recoveries have not been reflected in the determination of the liabilities.

Stock Compensation: In accordance with the provisions of Financial Accounting Standard Board's ("FASB") Statement 123, "Accounting for Stock-Based Compensation," the Company has elected to continue applying the provisions of Accounting Principles Board Opinion No. 25 ("APB 25") and related inter-

pretations in accounting for its stock-based compensation plans. Accordingly, the Company does not recognize compensation expense for stock options when the stock option price at the grant date is equal to or greater than the fair market value of the stock at that date. The market value of restricted stock awards and performance shares is charged to expense over the vesting period.

Exploration, Research and Development Costs: Exploration, research and development costs are charged to operations as incurred.

Income Per Common Share: Basic income per common share is calculated on the average number of common shares outstanding during each period. Diluted income per common share is based on the average number of common shares outstanding during each period, adjusted for the effect of outstanding stock options, restricted stock and performance shares.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year classifications.

NOTE 1 – ACCOUNTING AND DISCLOSURE CHANGES

In December, 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. Adoption of SAB No. 101 in the fourth quarter 2000 did not have any effect on the Company's consolidated financial statements.

In July, 2000, the Emerging Issues Task Force of the American Institute of Certified Public Accountants ("EITF") reached a consensus on Issue 00-10, "Accounting for Shipping and Handling Fees and Costs" which requires all shipping and handling billings to a customer in a sales transaction to be classified as revenue in the income statement. The Company applied the EITF consensus as of December 31, 2000 and restated prior periods, as required. Application of the consensus had no effect on net income; however revenues from product sales and services and cost of goods and operating expenses were increased by \$15.5 million, \$10.4 million and \$21.6 million in 2000, 1999 and 1998, respectively.

In March, 2000, the FASB issued Interpretation 44, "Accounting for Certain Transactions Involving Stock Compensation." The Interpretation provides guidance on certain implementation issues related to APB 25 on accounting for stock issued to employees and others. The Interpretation, which was effective July 1, 2000, did not have a material effect on the Company's consolidated financial statements.

In June, 1998, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives Instruments and Hedging Activities," as amended in June, 2000 by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of SFAS No. 133." These statements provide the accounting treatment for all derivatives activity and require the recognition of all derivatives as either assets or liabilities on the balance sheet and their measurement at fair value. Adoption of SFAS No. 133 and SFAS No. 138 in the first quarter 2001 is not expected to have a material effect on the Company's consolidated financial statements.

NOTE 2 – INVESTMENTS IN ASSOCIATED COMPANIES

IRON ORE

The Company's investments in mining ventures at December 31 consist of its 40 percent interest in Tilden Mining Company L.C. ("Tilden"), 35 percent (22.5625 percent in 1999 and 1998) interest in Empire Iron Mining Partnership ("Empire"), 22.78 percent interest in Wabush Mines ("Wabush"), and 15 percent interest in Hibbing Taconite Company ("Hibbing"). The remaining interests in the ventures are owned by U.S. and Canadian integrated steel companies.

Following is a summary of combined financial information of the operating ventures:

	(IN MILLIONS)		
	2000	1999	1998
Income			
Gross revenue	\$1,062.1	\$922.3	\$1,072.4
Income	\$ 70.1	\$ 65.8	\$ 134.3
Financial Position at December 31			
Current assets	\$ 174.5	\$196.5	\$ 187.0
Properties – net	636.1	660.1	691.4
Other long-term assets	33.5	30.7	30.0
Current liabilities	(131.2)	(145.7)	(159.8)
Long-term liabilities	(115.0)	(106.5)	(79.6)
Net assets	\$ 597.9	\$635.1	\$ 669.0
Company's equity in underlying net assets	\$ 193.3	\$184.8	\$ 194.3
Company's investment	\$ 138.4	\$149.3	\$ 156.0

The Company manages all of the ventures and leases or subleases mineral rights to Empire and Tilden. In addition, the Company is required to purchase its applicable current share, as defined, of the ventures' production. The Company purchased \$273.6 million in 2000 (1999 – \$174.7 million; 1998 – \$253.9 million) of iron ore pellets from the ventures.

Following is a summary of royalties and management fees earned by the Company and the Company's share as a participant in the ventures:

	(IN MILLIONS)		
	2000	1999	1998
Other venture partners' share	\$36.5	\$40.9	\$36.4
Company's share as a participant	14.2	7.6	13.3
Total royalties and management fees	\$50.7	\$48.5	\$49.7

Payments by the Company, as a participant in the ventures, are reflected in royalties and management fees revenue and cost of goods sold upon sale of the product.

Costs and expenses incurred by the Company, on behalf of the ventures, are charged to the ventures in accordance with management and operating agreements. The Company's equity in income of the ventures is credited to cost of goods sold and includes amortization to income of the difference of the Company's equity in underlying net assets and its investment on the straight-line method based on the useful lives of

the underlying assets. The difference between the Company's equity in underlying net assets and recorded investment results from the assumption of interests from former participants in the ventures, acquisitions, and reorganizations. The Company's equity in the income of ventures was \$19.3 million in 2000 (1999 – \$4.0 million; 1998 – \$29.3 million).

BANKRUPTCIES OF MINE PARTNERS AND CUSTOMERS

On December 29, 2000, The LTV Corporation ("LTV") filed for protection under Chapter 11 of the U.S. Bankruptcy Code. A wholly-owned subsidiary of LTV is a 25 percent partner in the Company-managed Empire Mine in Michigan. Since the bankruptcy filing, LTV has remained current with its Empire obligations.

At the time of the filing, LTV owed the Company approximately \$2.3 million related to the Company's management of LTV Steel Mining Company ("LTVSMC") in Minnesota, which amount the Company has reserved. In May, 2000, LTV announced its intention to close LTVSMC in mid-2001, and later the intended closing date was advanced to February 22, 2001. Subsequent to the bankruptcy filing, LTV ceased operations at LTVSMC on January 5, 2001, more than a month ahead of schedule, due to conditions in the steel market and cost reduction associated with the bankruptcy filing.

The Company signed a long-term agreement in May, 2000 to supply LTV with the majority of the iron ore it will need to purchase as a result of closing of LTVSMC. Sales over the 10-year contract term could total more than 50 million tons if LTV continues to produce at or near current levels and performs under the contract terms. To date in the bankruptcy proceeding, LTV has neither affirmed nor rejected this agreement. Sales under the contract were less than .2 million tons in 2000; expected sales in 2001 will be impacted by the liquidation of LTVSMC's remaining pellet inventory and business conditions. The Company had no trade receivable exposure to LTV at the time of bankruptcy filing.

In May 2000, LTV granted the Company an exclusive option to purchase the LTVSMC assets in exchange for assumption of environmental and reclamation obligations and other consideration at LTVSMC. The Company has until March 31, 2001 to exercise the option. The Company does not

believe iron ore pellets can be produced there economically, but is investigating whether alternative uses or the disposition of the assets would be advantageous.

Prior to Wheeling-Pittsburgh Steel Corporation's ("Wheeling-Pittsburgh") filing for protection under Chapter 11 of the U.S. Bankruptcy Code on November 16, 2000, the Company exercised its rights under agreements with Wheeling-Pittsburgh to acquire Wheeling-Pittsburgh's 12.4375 percent indirect interest in Empire. The acquisition of Wheeling-Pittsburgh's interest in Empire increased the Company's ownership share to 35 percent and its share of production capacity from 1.8 million tons to 2.8 million tons. Subsequent to the filing, Wheeling-Pittsburgh has requested an accounting for the acquisition transaction. At the time of the filing, the Company did not have a term sales contract with Wheeling-Pittsburgh and the Company's trade receivable exposure was negligible.

Acme Metals Incorporated and its wholly-owned subsidiary Acme Steel Company (collectively "Acme"), a partner in Wabush and an iron ore customer, has continued its relationship with Wabush and the Company since its 1998 Chapter 11 bankruptcy filing. The Company had a \$1.2 million pre-petition trade receivable from Acme, which has been fully provided. At December 31, 2000, the Company had an additional allowance for doubtful accounts of \$1.0 million. Sales to Acme in 2000 represented 3 percent of the Company's total sales volume.

FERROUS METALLICS

CAL, a venture in Trinidad and Tobago, completed construction in April, 1999 of a facility designed to produce premium quality HBI to be marketed to the steel industry. The HBI facility has produced sufficient reduced iron to demonstrate that the Circored® process technology will yield a product that meets the quality specifications that were expected, including high metalization rates. However, sustained levels of briquette production could not be achieved and, in May, 2000, start-up activities were temporarily suspended in order to evaluate plant reliability and make modifications to portions of the plant. The plant was restarted on July 1, 2000 to test the functionality and reliability of the initial modifications and to gain additional operating experience. Results of the five-week

test were positive. Although a small quantity of commercial grade briquettes was produced, replacing the discharge system was necessary to improve material flow and obtain consistent feed of HBI to the briquetting machines. The modifications are targeted for completion in the first quarter of 2001.

On November 20, 2000, a subsidiary of the Company and Lurgi Metallurgie GmbH (“Lurgi”) completed the acquisition of LTV’s 46.5 percent interest in CAL for \$2 million (Company share – \$1.7 million) and additional future payments that could total \$30 million through 2020 dependent on CAL’s production, sales volume and price realizations. LTV had announced its decision to withdraw its financial support for CAL on July 28, 2000. At December 31, 1999, the Company’s “Investment in Associated Companies” account for its then 46.5 percent ownership totaled \$84.1 million, which included the Company’s capitalized interest. At the date of acquisition, the Company’s ownership in CAL increased to 86.9 percent. The acquisition has been accounted for by the purchase method of accounting and, accordingly, the balance sheet of CAL has been consolidated on the basis of a preliminary allocation of the purchase price with the Company’s investment in CAL at November 20, 2000, \$84.8 million, plus the additional purchase price of \$1.7 million allocated principally to property, plant and equipment. At December 31, 2000, the Company’s consolidated financial statements included the following amounts related to CAL:

	(MILLIONS)
Property, plant and equipment (including capitalized interest)	\$119.1
Working capital deficit	(3.0)
Minority Interest	(23.9)
Total	\$ 92.2

Subsequent to LTV’s withdrawal of financial support for CAL, it was estimated that \$45 million of additional investment (of which \$16.6 million has been invested through December 31, 2000) would be required for CAL to attain sustained production and generate positive cash flow, consisting of capital expenditures of \$15 million, working capital of \$15 million and cash start-up costs of \$15 million. Lurgi has agreed to fund a disproportionate share of the capital expenditures through in kind contribution of the new discharge system, which increases its ownership. As a result, the Company’s ownership in CAL at December 31, 2000 decreased to 84.4 percent. If the full \$45 million is required, the Company’s additional investment will be \$33 million (of which \$11.6 million has been funded at December 31, 2000), and the Company will own approximately 82.4 percent of CAL.

NOTE 3 – SEGMENT REPORTING

The Company has two reportable segments offering different iron products and services to the steel industry. Iron Ore is the Company’s dominant segment. The Ferrous Metallica segment consists of the HBI project in Trinidad and Tobago and other developmental activities. “Other” includes non-reportable segments, the insurance claim recovery, the long-term investment write-down of publicly traded common stock, unallocated corporate administrative expense and other income and expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cleveland-Cliffs Inc and Consolidated Subsidiaries

NOTES

(IN MILLIONS)

	Iron Ore	Ferrous Metallics	Segments Total	Other	Consolidated Total
2000					
Sales and services to external customers	\$379.4	\$	\$379.4	\$	\$379.4
Royalties and management fees ⁽¹⁾	50.7		50.7		50.7
Total operating revenues	430.1		430.1		430.1
Income (loss) before taxes	46.2	(16.4)	29.8	(13.2)	16.6
Depreciation and amortization ⁽²⁾	25.6		25.6		25.6
Pre-operating loss of CAL ⁽³⁾		(13.3)	(13.3)		(13.3)
Investments in associated companies	138.4		138.4		138.4
Other identifiable assets	428.8	128.3	557.1	32.3	589.4
Total assets	567.2	128.3	695.5	32.3	727.8
Property expenditures ⁽²⁾	18.3	5.1	23.4		23.4
1999					
Sales and services to external customers	\$316.1	\$	\$316.1	\$	\$316.1
Royalties and management fees ⁽¹⁾	48.5		48.5		48.5
Total operating revenues	364.6		364.6		364.6
Income (loss) before taxes	31.7	(11.7)	20.0	(15.3)	4.7
Depreciation and amortization ⁽²⁾	22.5		22.5		22.5
Pre-operating loss of CAL ⁽³⁾		(8.8)	(8.8)		(8.8)
Investments in associated companies	149.3	84.1	233.4		233.4
Other identifiable assets	423.3	1.5	424.8	21.5	446.3
Total assets	572.6	85.6	658.2	21.5	679.7
Property expenditures ⁽²⁾	20.8	11.2	32.0		32.0
1998					
Sales and services to external customers	\$465.7	\$	\$465.7	\$	\$465.7
Royalties and management fees ⁽¹⁾	49.7		49.7		49.7
Total operating revenues	515.4		515.4		515.4
Income (loss) before taxes	91.6	(5.5)	86.1	(14.3)	71.8
Depreciation and amortization ⁽²⁾	20.3		20.3		20.3
Pre-operating loss of CAL ⁽³⁾		(2.3)	(2.3)		(2.3)
Investments in associated companies	156.0	79.4	235.4		235.4
Other identifiable assets	468.3	.8	469.1	19.3	488.4
Total assets	624.3	80.2	704.5	19.3	723.8
Property expenditures ⁽²⁾	31.7	16.7	48.4		48.4

⁽¹⁾ Includes revenue from the Company's share of ventures' production that is recognized when the product is sold.

⁽²⁾ Includes Company's share of associated companies.

⁽³⁾ Includes equity losses from CAL through November 20, 2000 and consolidated losses, net of minority interest, thereafter. Included in income (loss) before taxes.

Included in the consolidated financial statements are the following amounts relating to geographic locations:

	(IN MILLIONS)		
	2000	1999	1998
Revenue⁽¹⁾			
United States	\$380.8	\$321.0	\$465.9
Canada	38.7	36.4	42.1
Other Countries	10.6	7.2	7.4
	\$430.1	\$364.6	\$515.4
Long-Lived Assets⁽²⁾			
United States	\$296.5	\$295.9	\$298.1
Canada	15.0	16.0	16.8
Trinidad and Tobago	119.1	76.8	65.6
	\$430.6	\$388.7	\$380.5

⁽¹⁾ Revenue is attributed to countries based on the location of the customer.

⁽²⁾ Net properties include Company's share of associated companies.

NOTE 4 – ENVIRONMENTAL OBLIGATIONS

At December 31, 2000, the Company had an environmental reserve, including its share of ventures, of \$20.0 million (\$20.6 million at December 31, 1999), of which \$4.5 million was classified as current. Payments in 2000 were \$1.9 million (1999 – \$1.0 million and 1998 – \$.9 million). The reserve includes the Company's obligations related to Federal and State Superfund and Clean Water Act sites where the Company is named as a potentially responsible party, including Cliffs-Dow and Kipling sites in Michigan, the Summitville site in Colorado, and the Rio Tinto mine site in Nevada, all of which sites are independent of the Company's iron mining operations. Reserves are based on Company estimates and engineering studies prepared by outside consultants engaged by the potentially responsible parties. The Company continues to evaluate the recommendations of the studies and other means for site clean-up. Significant site clean-up activities have taken place at Rio Tinto and Cliffs-Dow. Also included in the reserve are wholly-owned active and closed mining operations, and other sites, including former operations, for which reserves are based on the Company's estimated cost of investigation and remediation.

NOTE 5 – LONG-TERM DEBT

Long-term debt of the Company consists of \$70 million of senior unsecured notes due in December, 2005, with a fixed interest rate of 7 percent. The Company has a \$100 million revolving credit agreement which expires on May 31, 2003.

No borrowings were outstanding under this agreement at December 31, 2000. On January 8, 2001, the Company borrowed \$65 million under the revolving credit agreement for general operating and working capital requirements. The loan interest rate, based on the LIBOR rate plus a premium, is fixed at 6.1 percent through July 8, 2001. Loan repayment timing is subject to future uncertainty, but the Company expects to repay the loan by the end of 2001. The revolving credit agreement expires on May 31, 2003. The note and revolving credit agreements require the Company to meet certain covenants related to net worth, leverage, and other provisions. The Company exceeds the requirements by more than \$50 million at December 31, 2000 for the most restrictive covenant (net worth). The Company was in compliance with the debt covenants at December 31, 2000. The Company also has unsecured letters of credit outstanding of \$15.4 million, including its share of ventures.

NOTE 6 – LEASE OBLIGATIONS

The Company and its ventures lease certain mining, production, data processing and other equipment under operating leases. The Company's operating lease expense, including its share of ventures, was \$12.9 million in 2000, \$10.0 million in 1999 and \$9.1 million in 1998.

Assets acquired under capital leases by the Company, including its share of ventures, were \$10.5 million and \$10.3 million, respectively, at December 31, 2000 and 1999. Corresponding accumulated amortization of capital leases included in respective allowances for depreciation was \$5.9 million and \$5.2 million at December 31, 2000 and 1999, respectively.

Future minimum payments under capital leases and noncancellable operating leases, including the Company's share of ventures, at December 31, 2000 were:

	(IN MILLIONS)	
Year Ending December 31	Capital Leases	Operating Leases
2001	\$1.7	\$13.3
2002	1.4	10.9
2003	.8	10.1
2004	.5	7.5
2005	.2	5.4
2006 and thereafter	.1	8.9
Total minimum lease payments	4.7	<u>\$56.1</u>
Amounts representing interest	.7	
Present value of net minimum lease payments	<u>\$4.0</u>	

The \$60.8 million of total minimum lease payments comprises the Company's direct obligation of \$4.8 million and the Company's share of ventures' obligations of \$56.0 million, which are largely non-recourse to the Company.

NOTE 7 – PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company and its ventures sponsor defined benefit pension plans covering substantially all employees. The plans are largely noncontributory, and benefits are generally based on employees' years of service and average earnings for a

defined period prior to retirement. In addition, the Company and its ventures currently provide retirement health care and life insurance benefits ("Other Benefits") to most full-time employees who meet certain length of service and age requirements (a portion of which are pursuant to collective bargaining agreements). Other Benefits are provided through programs administered by insurance companies whose charges are based on benefits paid. The following table presents a reconciliation of funded status of the Company's plans, including its proportionate share of plans of its ventures, at December 31, 2000 and 1999:

(IN MILLIONS)

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Change in plan assets				
Fair value of plan assets at beginning of year	\$335.9	\$316.2	\$ 21.5	\$ 19.9
Actual return on plan assets	17.3	34.9	1.2	1.8
Contributions	1.7	1.1	1.4	1.5
Effect of change in Empire ownership	18.0		2.7	
Benefits paid	(20.2)	(16.3)	(2.3)	(1.7)
Fair value of plan assets at end of year	352.7	335.9	24.5	21.5
Change in benefit obligation				
Benefit obligation at beginning of year	249.3	238.1	84.6	97.7
Service cost	5.9	4.6	1.7	1.8
Interest cost	22.6	17.2	9.1	6.3
Amendments		24.5	.2	
Actuarial losses (gains)	25.0	(18.8)	47.1	(15.2)
Effect of change in Empire ownership	20.9		7.1	
Benefits paid	(20.2)	(16.3)	(7.8)	(6.0)
Benefit obligation at end of year	303.5	249.3	142.0	84.6
Funded status of the plan (underfunded)	49.2	86.6	(117.5)	(63.1)
Unrecognized prior service cost	28.4	29.5	1.5	1.5
Unrecognized net actuarial (gain) loss	(36.1)	(65.7)	37.8	(13.4)
Unrecognized net asset at date of adoption	(15.2)	(17.1)		
Prepaid (accrued) benefit cost – net	\$ 26.3	\$ 33.3	\$(78.2)	\$(75.0)
Assumptions as of December 31				
Discount rate	7.75%	8.00%	7.75%	8.00%
Expected long-term return on plan assets	9.00%	9.00%	8.26%	7.62%
Rate of compensation increase – average	4.26%	4.26%		

(IN MILLIONS)

	Pension Benefits			Other Benefits		
	2000	1999	1998	2000	1999	1998
Components of net periodic benefit cost						
Service cost	\$ 5.9	\$ 4.6	\$ 4.5	\$1.7	\$1.8	\$1.6
Interest cost	22.6	17.2	15.6	9.1	6.3	6.3
Expected return on plan assets	(29.0)	(24.9)	(22.5)	(2.1)	(1.5)	(1.3)
Amortization and other	6.4	6.2	4.6	1.2	.1	.1
Net periodic benefit cost (credit)	\$ 5.9	\$ 3.1	\$ 2.2	\$9.9	\$6.7	\$6.7

Annual contributions to the pension plans are made within income tax deductibility restrictions in accordance with statutory regulations. In the event of termination, the sponsors could be required to fund shutdown and early retirement obligations which are not included in the pension benefit obligations.

Assets for Other Benefits include deposits relating to insurance contracts and Voluntary Employee Benefit Association (“VEBA”) Trusts for certain mining ventures that are available to fund retired employees’ life insurance obligations and medical benefits. The Company’s estimated annual contribution to the VEBAs will approximate \$1.6 million based on its share of tons produced.

As a result of recent experience, the Company increased its medical trend rate assumption effective December 31, 2000. An annual rate of increase in the per capita cost of covered health care benefits of 8.0 percent was assumed for 2001, (6.5 percent in 2000) decreasing .25 to .5 percent per year to an annual rate of 5.0 percent for 2008 and annually thereafter. A one percentage point change in this assumption would have the following effects:

	(IN MILLIONS)	
	Increase	Decrease
Effect on total service and interest cost components in 2000	\$ 1.3	\$ (1.1)
Effect on Other Benefits obligation as of December 31, 2000	15.5	(13.0)

NOTE 8 – INCOME TAXES

Significant components of the Company’s deferred tax assets and liabilities as of December 31, 2000 and 1999 are as follows:

	(IN MILLIONS)	
	2000	1999
Deferred tax assets:		
Postretirement benefits other than pensions	\$21.7	\$21.4
Capital loss carryforward	18.5	
Other liabilities	12.9	13.2
Alternative minimum tax credit carryforwards	4.2	8.9
Product inventories	6.3	2.5
Pre-operating loss of CAL		4.5
Other	13.2	12.2
Total deferred tax assets	76.8	62.7
Deferred tax liabilities:		
CAL properties	30.4	
Investment in ventures	17.0	20.7
Properties	21.8	20.2
Other	11.4	8.4
Total deferred tax liabilities	80.6	49.3
Net deferred tax assets (liability)	\$ (3.8)	\$13.4

“Deferred and refundable income taxes” include a refund of approximately \$14 million of current and prior years’ federal tax payments associated with the Company’s adjustment in its CAL tax basis of properties. Capital loss carryforwards totaling \$53 million are available to offset capital gains through 2005.

The components of the Company’s provision for income taxes are as follows:

	(IN MILLIONS)		
	2000	1999	1998
Current	\$ (5.9)	\$.1	\$14.8
Deferred	4.4	(.2)	(.4)
	\$ (1.5)	\$ (.1)	\$14.4

In the fourth quarter of 2000, a favorable tax adjustment of \$5.2 million was recorded reflecting the Company’s continuing assessment of its tax obligations, relating to the expected outcome of federal audit issues for tax years 1995 and 1996. Additional tax and interest payment of approximately \$5 million related to the audit are expected to occur in 2001.

In 1999, the Company made additional tax and interest payments of \$1.5 million related to final settlement of audit issues for years 1993 and 1994. In 1998, a favorable tax adjustment of \$3.5 million was recorded which primarily reflected the expected outcome of 1993 and 1994 audit issues.

Reconciliation of the Company's income tax to the tax at the United States statutory rate follows:

	(IN MILLIONS)		
	2000	1999	1998
Tax at statutory rate of 35 percent	\$ 5.8	\$1.7	\$25.1
Increase (decrease) due to:			
Percentage depletion			
in excess of cost depletion	(2.6)	(1.8)	(5.9)
Effect of foreign taxes	(.2)	.2	
Prior years' tax adjustments	(4.9)	(.3)	(4.7)
Other items – net	.4	.1	(.1)
Income tax expense (credit)	\$(1.5)	\$ (.1)	\$14.4

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Company's financial instruments at December 31, 2000 and 1999 were as follows:

	(IN MILLIONS)			
	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$29.9	\$29.9	\$67.6	\$67.6
Investments in LTV common stock			3.5	3.5
Long-term debt	70.0	70.0	70.0	63.4

Investments in LTV common stock reflect the market value at December 31, 2000 and 1999 on 542,000 shares and 842,000 shares, respectively. See note 13 – Non-Recurring Special Items.

The fair value of the Company's long-term debt was determined based on a discounted cash flow analysis and estimated current borrowing rates.

The Company had Canadian forward currency exchange contracts in the notional amount of \$22.5 million at December 31, 1999. The fair value of the contracts, which had varying maturity dates of less than twelve months, was estimated to be \$.4 million, based on December 31, 1999 forward rates. At December 31, 2000, the Company did not have any forward currency exchange contracts.

At December 31, 2000, the Company's managed mines had in place forward contracts for the purchase of natural gas in the notional amount of \$16.1 million (Company share – \$5.4 million). The unrecognized fair value gain on the contracts,

which mature at various times through April, 2001, was estimated to be \$11.4 million (Company share – \$3.8 million) based on December 29, 2000 forward rates. No such contracts were utilized in 1999.

NOTE 10 – STOCK PLANS

The 1992 Incentive Equity Plan as amended in 1999, authorizes the Company to issue up to 1,700,000 Common Shares upon the exercise of Options Rights, as Restricted Shares, in payment of Performance Shares or Performance Units that have been earned, as Deferred Shares, or in payment of dividend equivalents paid on awards made under the Plan. Such shares may be shares of original issuance, treasury shares, or a combination of both. Stock options may be granted at a price not less than the fair market value of the stock on the date the option is granted, generally are not subject to re-pricing, and must be exercisable not later than ten years and one day after the date of grant. Stock appreciation rights may be granted either at or after the time of a stock option grant. Common Shares may be awarded or sold to certain employees with disposition restrictions over specified periods. The 1996 Nonemployee Directors' Compensation Plan authorizes the Company to issue up to 50,000 Common Shares to nonemployee Directors. The Plan was amended effective in 1999 to provide for the grant of 2,000 Restricted Shares to nonemployee Directors first elected on or after January 1, 1999, and also provides that nonemployee Directors must take at least 40 percent of their annual retainer in Common Shares. The Restricted Shares vest five years from the date of award. The Company recorded expense of \$.9 million in 2000, a credit of \$.3 million in 1999, and expense of \$2.5 million in 1998 relating to other stock-based compensation, primarily the Performance Share program.

FASB Statement 123 requires pro forma disclosure of net income and earnings per share as if the fair value method for valuing stock options had been applied. The Company's pro forma information follows:

	2000	1999	1998
Net income (millions)	\$17.3	\$3.1	\$57.2
Earnings per share:			
Basic	\$1.67	\$.28	\$5.09
Diluted	\$1.66	\$.28	\$5.05

The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998:

	2000	1999	1998
Risk-free interest rate	6.67%	4.79%	5.47%
Dividend yield	4.04%	3.42%	3.15%
Volatility factor – market price of Company’s common stock	.241	.223	.224
Expected life of options – years	4.31	6.15	4.31
Weighted-average fair value of options granted during the year	\$5.93	\$5.52	\$8.65

Compensation costs included in the pro forma information reflect fair values associated with options granted after January 1, 1995. Pro forma information may not be indicative of future pro forma information applicable to future outstanding awards.

Stock option, restricted stock award, deferred stock allocation, and performance share activities under the Company’s Incentive Equity Plans, and the Nonemployee Directors’ Compensation Plan are summarized as follows:

	2000		1999		1998	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Stock options:						
Options outstanding at beginning of year	774,242	\$51.59	346,742	\$41.04	252,625	\$39.00
Granted during the year	171,950	29.56	454,150	58.88	128,450	44.56
Exercised	(28,375)	20.12	(6,750)	21.98	(18,616)	34.96
Expired	(5,400)	20.12				
Cancelled	(39,720)	44.14	(19,900)	43.98	(15,717)	44.26
Options outstanding at end of year	872,697	48.81	774,242	51.59	346,742	41.04
Options exercisable at end of year	285,333	43.69	221,126	39.90	138,609	36.22
Restricted awards:						
Awarded and restricted at beginning of year	53,223		52,296		49,449	
Awarded during the year			4,000		5,000	
Vested	(19,287)		(3,073)		(2,153)	
Issued as performance shares	26,051					
Awarded and restricted at end of year	59,987		53,223		52,296	
Deferred stock awards:						
Awarded at beginning of year						
Issued as performance shares	22,315					
Awarded during the year	7,112					
Awarded at end of year	29,427					
Performance shares:						
Allocated at beginning of year	174,950		176,050		161,000	
Allocated during the year	101,816		69,472		73,554	
Issued	(48,366)		(59,672)		(58,504)	
Forfeited/cancelled			(10,900)			
Allocated at end of year	228,400		174,950		176,050	
Required retainer and voluntary shares:						
Awarded at beginning of year	9,980		6,649		4,548	
Awarded during the year	9,394		10,255		6,649	
Issued	(9,980)		(6,924)		(4,548)	
Awarded at end of year	9,394		9,980		6,649	
Reserved for future grants or awards at end of year	313,075		563,627		520,704	

Exercise prices for options outstanding as of December 31, 2000 ranged from \$29.56 to \$75.80, with 80 percent of options outstanding having exercise prices greater than \$43.00. The weighted-average remaining contractual life of options outstanding is 8.6 years at December 31, 2000.

NOTE 11 – SHAREHOLDERS’ EQUITY

Under the Company’s share purchase rights (“Rights”) plan, a Right is attached to each of the Company’s Common Shares outstanding or subsequently issued, which entitles the holder to buy from the Company one-hundredth of one (.01) Common Share at an exercise price per whole share of \$160. The Rights expire on September 19, 2007 and are not exercisable until the occurrence of certain triggering events, which include the acquisition of, or tender or exchange offer for, 20 percent or more of the Company’s Common Shares. There are approximately 168,000 Common Shares reserved for these Rights. The Company is entitled to redeem the Rights at one cent per Right upon the occurrence of certain events.

In 2000, the Company expanded its stock repurchase program by 1.0 million shares, which raised the total authorization to 3.0 million shares. Through December 31, 2000, the Company has purchased 2.4 million shares (.7 million shares in 2000), at a total cost of \$79.5 million (\$15.6 million in 2000).

NOTE 12 – EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings per share.

	(IN MILLIONS, EXCEPT PER SHARE)		
	2000	1999	1998
Net income	\$18.1	\$ 4.8	\$57.4
Basic weighted-average shares	10.4	11.1	11.2
Effect of dilutive shares:			
Stock options/ performance shares			.1
Diluted weighted-average shares	10.4	11.1	11.3
Basic earnings per share	\$1.74	\$.43	\$5.10
Diluted earnings per share	\$1.73	\$.43	\$5.06

NOTE 13 – NON-RECURRING SPECIAL ITEMS

In 1999, the Company lost more than one million tons of iron ore pellet sales to Rouge Industries as a result of the extended shutdown of two blast furnaces following an explosion at the power plant that supplies Rouge. In 2000, the Company recorded a pre-tax insurance recovery and received proceeds on the claim of \$15.3 million (\$9.9 million after-tax). The Company continues to pursue modest additional recoveries, but given the complexity of the insurance issues, any additional amounts will not be recorded until all outstanding matters are resolved.

The Company held 842,000 shares of LTV common stock, which were originally valued at \$11.5 million, or \$13.65 per share. As of June 30, 2000, the investment was reclassified to “trading” and accordingly changes in market value are recognized in earnings as they occurred. The Company recognized a reduction to 2000 earnings of \$10.9 million pre-tax (\$7.1 million after-tax) related to the investment. In August, 2000, the Company commenced a program to reduce its investment in the LTV common stock and through December 31, had sold 300,000 shares, with the balance sold in January, 2001.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

From time to time, in the normal course of business, the Company enters into contracts to purchase iron ore to meet customer quality specifications or fulfill anticipated or forecasted shortfalls. The Company has committed to purchase approximately \$19 million of pellets in 2001.

The Company and its ventures are periodically involved in litigation incidental to their operations. Management believes that any pending litigation will not result in a material liability in relation to the Company’s consolidated financial statements.

SHAREHOLDERS AND BOARD OF DIRECTORS
CLEVELAND-CLIFFS INC

We have audited the accompanying statement of consolidated financial position of Cleveland-Cliffs Inc and consolidated subsidiaries as of December 31, 2000 and 1999, and the related statements of consolidated income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cleveland-Cliffs Inc and consolidated subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP
Cleveland, Ohio
January 24, 2001

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

IN MILLIONS EXCEPT PER SHARE AMOUNTS

	2000				
	Quarters				
	First	Second	Third	Fourth	Year
Total revenues	\$36.3	\$152.4	\$152.5	\$113.8	\$455.0
Gross profit	3.2	19.6	16.8	10.3	49.9
Net income (loss)					
Amount	(3.5)	11.0	6.3	4.3	18.1
Per common share					
Basic	(.32)	1.03	.60	.43	1.74
Diluted	(.32)	1.03	.60	.42	1.73
Average number of shares					
Basic	10.7	10.5	10.4	10.1	10.4
Diluted	10.7	10.6	10.4	10.1	10.4

Annual results include the pre-tax effects of a \$15.3 million (\$15.0 million in the second quarter) recovery of an insurance claim, a \$5.2 million fourth quarter tax credit reflecting a reassessment of income tax obligations from audits

of prior years' federal tax returns, and a \$10.9 million pre-tax (\$9.1 million in the second quarter) charge to recognize the decrease in value of the Company's investment in LTV common stock.

	1999				
	Quarters				
	First	Second	Third	Fourth	Year
Total revenues	\$25.1	\$101.7	\$94.2	\$150.0	\$371.0
Gross profit (loss)	9.9	18.7	(10.0)	16.7	35.3
Net income (loss)					
Amount	2.7	7.8	(10.7)	5.0	4.8
Per common share					
Basic	.24	.70	(.96)	.45	.43
Diluted	.24	.70	(.96)	.45	.43
Average number of shares					
Basic	11.2	11.2	11.1	10.8	11.1
Diluted	11.2	11.2	11.1	10.9	11.1

First and third quarter results included pre-tax favorable adjustments of \$4 million and \$2 million, respectively, primarily relating to recoveries of prior years' state taxes.

Third and fourth quarter results also included approximately \$25 million and \$7 million, respectively, of pre-tax fixed costs related to production curtailments.

COMMON SHARE PRICE PERFORMANCE AND DIVIDENDS

	Price Performance				Dividends	
	2000		1999		2000	1999
	High	Low	High	Low		
First Quarter	\$31.38	\$22.00	\$43.56	\$32.94	\$.375	\$.375
Second Quarter	26.25	21.94	41.44	31.81	.375	.375
Third Quarter	27.25	22.56	34.50	30.06	.375	.375
Fourth Quarter	23.19	19.69	31.94	26.81	.375	.375
Year	31.38	19.69	43.56	26.81	\$1.50	\$1.50

PRODUCTION (Gross Tons In Millions)

	Annual Capacity	2000 Actual	Exhaustion Year [a]
Marquette Range (Michigan)			
Empire	8.0	7.6	2019
Tilden	7.8	7.2	2041
Mesabi Range (Minnesota)			
Hibbing Taconite	8.0	8.2	2029
LTV Steel Mining Company [b]	—	7.8	—
Northshore	4.3	4.3	2081
Newfoundland/Quebec, Canada			
Wabush	6.0	5.9	2042
Total	34.1	41.0	

OWNERSHIP PERCENTAGE

	Empire	Tilden	Hibbing Taconite	Northshore	Wabush
Owners [c]					
Acme Metals Incorporated					15.1
Algoma Steel Inc.		45.0			
Bethlehem Steel Corporation			70.3		
Cleveland-Cliffs Inc	35.0	40.0	15.0	100.0	22.8
Dofasco Inc.					24.2
Ispat International N.V.	40.0				
The LTV Corporation	25.0				
Stelco Inc.		15.0	14.7		37.9

[a] Assumes production at annual capacity and the economic development of available ore reserves.

Actual production levels may differ from annual capacity. Capacity and mine life may be changed by economic conditions or other factors.

[b] Mine permanently closed January 5, 2001.

[c] As of February 28, 2001. Ownership may be held through subsidiaries.

SUMMARY OF FINANCIAL AND OTHER STATISTICAL DATA

Cleveland-Cliffs Inc and Consolidated Subsidiaries

	2000	1999	1998
Financial Data (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
For The Year			
Operating Earnings ^(a)			
Operating Revenues – Product Sales and Services	\$379.4	\$316.1	\$465.7
– Royalties and Management Fees	50.7	48.5	49.7
– Total	430.1	364.6	515.4
Cost of Goods Sold and Operating Expenses and AS&G Expenses	398.9	345.4	438.3
Operating Earnings	31.2	19.2	77.1
Net Income (Loss) ^(a)	18.1	4.8	57.4
Net Income (Loss) Per Common Share ^(a)			
Basic	1.74	.43	5.10
Diluted	1.73	.43	5.06
Cash Flow from Operations Before Changes in Operating Assets and Liabilities	76.9	35.6	75.1
Distributions to Common Shareholders:			
Regular Cash Dividends – Per Share	1.50	1.50	1.45
– Total	15.7	16.7	16.3
Special Dividends – Per Share			
– Total			
Repurchases of Common Shares	15.6	17.2	11.5
At Year-End			
Cash and Marketable Securities	29.9	67.6	130.3
Total Assets	727.8	679.7	723.8
Long-Term Obligations Effectively Serviced ^(d)	74.0	74.7	75.4
Shareholders' Equity	402.0	407.3	437.6
Book Value Per Common Share	39.73	38.27	39.25
Market Value Per Common Share	21.56	31.13	40.31
Iron Ore Production and Sales Statistics (Millions of Gross Tons)			
Production From Mines Managed By Cliffs:			
North America	41.0	36.2	40.3
Australia			
Total	41.0	36.2	40.3
Cliffs' Share	11.8	8.8	11.4
Cliffs' Sales From:			
North American Mines	10.4	8.9	12.1
Australian Mine			
Total	10.4	8.9	12.1
Other Information			
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ^(d)	\$ 44.2	\$ 27.9	\$ 87.1
Earnings Before Interest and Taxes (EBIT) ^(d)	18.6	5.4	66.8
Common Shares Outstanding (Millions) – Average For Year	10.4	11.1	11.3
– At Year-End	10.1	10.6	11.2
Common Shares Price Range – High	\$31.38	\$43.56	\$57.69
– Low	19.69	26.81	36.06
Employees at Year-End ^(e)	5,645	5,947	6,029

^(a) Results include an after-tax, \$9.9 million, recovery of an insurance claim, \$5.2 million federal income tax credit, and a \$7.1 million charge relating to a common stock investment (combined \$.77 per share) in 2000; 1999 \$4.4 million (\$.39 per share) recovery relating primarily to prior years' state tax refunds; 1998 federal income tax credit \$3.5 million (\$.31 per share); 1997 after-tax credits of \$8.8 million (\$.77 per share); net contributions from non-recurring items extraordinary charge of \$2.4 million (\$.20 per share) in 1995, recoveries on bankruptcy claims of \$23.2 million (\$1.92 per share) and \$47.1 million (\$4.00 per share) in 1993 and 1990, respectively, and a \$38.7 million (\$3.23 per share) after-tax charge for accounting changes in 1992. Operating results reflect the acquisition of a majority interest of CAL in the fourth quarter of 2000, and the acquisition of Northshore in the fourth quarter of 1994.

1997	1996	1995	1994	1993	1992	1991	1990
\$406.1	\$470.1	\$424.8	\$348.5	\$280.4	\$288.9	\$290.8	\$299.5
47.5	51.5	49.5	44.7	39.7	43.8	45.8	37.7
453.6	521.6	474.3	393.2	320.1	332.7	336.6	337.2
386.7	428.0	385.1	329.5	280.8	297.5	294.2	307.0
66.9	93.6	89.2	63.7	39.3	35.2	42.4	30.2
54.9	61.0	57.8	42.8	54.6	(7.9)	53.8	73.8
4.83	5.26	4.84	3.54	4.55	(.66)	4.55	6.31
4.80	5.23	4.82	3.53	4.53	(.66)	4.51	6.26
74.3	89.6	84.7	54.5	34.8	49.7	106.0	32.1
1.30	1.30	1.30	1.23	1.20	1.18	1.03	.80
14.8	15.1	15.5	14.8	14.4	14.1	12.1	9.3
				2.70 ^(b)		4.00	
				32.4 ^(b)		47.0	
4.9	19.5	10.8					
115.9	169.4	148.8	141.4	161.0	128.6	95.9	96.0
694.3	673.7	644.6	608.6	549.1	537.2	478.7	510.9
74.9	72.9	76.3	84.2	88.6	92.1	65.0	82.4
407.4	370.6	342.6	311.4	280.4	269.5	290.8	290.8
36.02	32.59	28.96	25.74	23.25	22.47	24.40	24.88
45.81	45.38	41.00	37.00	37.38	35.63	36.13	27.13
39.6	39.9	39.6	35.2	32.3	32.9	32.1	31.7
	1.6	1.5	1.5	1.5	1.5	1.3	2.2
39.6	41.5	41.1	36.7	33.8	34.4	33.4	33.9
10.9	12.0	11.3	8.3	6.8	7.3	7.0	6.6
10.4	11.0	10.4	8.2	6.4	6.0	6.0	6.5
.3	1.7	1.5	1.5	1.4	1.3	1.3	.3
10.7	12.7	11.9	9.7	7.8	7.3	7.3	6.8
\$ 87.8	\$108.2	\$ 85.6	\$ 70.6	\$ 86.7	\$ 50.9	\$ 81.3	\$119.2
68.9	90.6	68.8	56.2	73.2	36.8	65.3	103.8
11.4	11.6	11.9	12.1	12.0	12.0	11.8	11.7
11.3	11.4	11.8	12.1	12.1	12.0	11.9	11.7
\$47.13	\$46.88	\$46.75	\$45.50	\$37.50	\$40.38	\$36.50	\$35.00
40.00	36.25	36.13	34.00	28.75	29.50	25.00	19.63
5,951	6,251	6,411	6,504	6,173	6,594	6,709	6,900

^(b) Includes securities at market value on distribution date.

^(c) Includes the Company's share of ventures and equipment acquired on capital leases.

^(d) EBITDA and EBIT are not presented as substitute measures of operating results or cash flow from operations, but because they are widely accepted indicators of a company's ability to acquire and service debt.

^(e) Includes employees of managed mining ventures, of which 1,141 (at December 31, 2000) were employees of LTV Steel Mining Company that ceased operations on January 5, 2001.

At December 31, 2000, the Company had 2,579 shareholders of record.

INVESTOR AND CORPORATE INFORMATION

Corporate Office

Cleveland-Cliffs Inc
1100 Superior Avenue
Cleveland, OH 44114-2589
Telephone: 216.694.5700
Fax: 216.694.4880

Stock Exchange Information

The principal market for Cleveland-Cliffs Inc common shares (ticker symbol CLF) is the New York Stock Exchange. The shares are also listed on the Chicago Stock Exchange.

Transfer Agent and Registrar

First Chicago Trust Company of New York is the transfer agent, registrar and dividend disbursing agent for Cliffs. Questions and communications regarding transfer of stock, replacement of lost certificates, dividends and address changes should be directed to:
First Chicago Trust Company, a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
Telephone: 800.446.2617
Internet:
<http://www.equiserve.com>

Dividend Reinvestment Plan

Cliffs has a Dividend Reinvestment Plan which offers registered shareholders the opportunity to reinvest their dividends and/or make supplemental cash investments in additional common shares. Cliffs pays all service charges and brokerage commissions in connection with the purchase of stock. If you would like to participate or receive a brochure describing in more detail the features of the Plan, you can call First Chicago, administrator of the Plan, at 800.446.2617.

Direct Deposit of Dividends

Electronic deposit of dividends is available to shareholders who wish to have their dividends directly deposited into a checking, savings or other account. To participate call First Chicago at 800.870.2340.

Investor Relations

Questions and comments regarding Cliffs or any information appearing in this report or any other Company publication are welcome and may be directed to Fred Rice, Director-Investor Relations at the corporate office, or telephone 800.214.0739 or 216.696.5459. E-Mail address: fbrice@cleveland-cliffs.com

News releases and other information on the Company are available on the Internet at:
<http://www.cleveland-cliffs.com>

Annual Meeting

Cliffs' Annual Meeting of Shareholders will be May 8, 2001 at 11:30 a.m. at The Forum Conference Center, located in One Cleveland Center, 1375 East 9th Street, Cleveland, Ohio. Formal notice of the meeting and the proxy statement will be mailed to each shareholder.

10-K Report

A copy of Cliffs' annual report on Form 10-K filed with the Securities and Exchange Commission is available to interested shareholders upon request.

OFFICERS

Years with Company	Age	
31		John S. Brinzo , 59 Chairman and Chief Executive Officer
9		Thomas J. O'Neil , 60 President and Chief Operating Officer
28		William R. Calfee , 54 Executive Vice President-Commercial
21		Cynthia B. Bezik , 48 Senior Vice President-Finance
3		Edward C. Dowling, Jr. , 45 Senior Vice President-Operations
28		James A. Trethewey , 56 Senior Vice President-Operations Services
25		Robert Emmet , 55 Vice President-Financial Planning and Treasurer
19		Donald J. Gallagher , 48 Vice President-Sales
1		Randy L. Kummer , 44 Vice President-Human Resources
7		Richard L. Shultz , 58 Vice President-Reduced Iron Sales and Business Development
32		John E. Lenhard , 61 Secretary and Associate General Counsel
25		Robert J. Leroux , 50 Controller

OPERATING UNIT MANAGEMENT

5	John W. Sanders , 58 President, Wabush Mines
32	Robert C. Berglund , 54 General Manager, Northshore Mine
11	Steven A. Elmquist , 50 General Manager, Cliffs and Associates Limited
2	Paul A. Korpi , 46 General Manager, Empire Mine
23	Michael P. Mlinar , 47 General Manager, Tilden Mine
12	John N. Tuomi , 51 General Manager, Hibbing Taconite Mine

(Age and service at March 5, 2001)

DIRECTORS

Director Since	
1997	John S. Brinzo (4,6,7) Chairman and Chief Executive Officer of the Company
1996	Ronald C. Cambre (1,3,4,6) Chairman of the Board Newmont Mining Corporation <i>International mining company</i>
1999	Ranko Cucuz (1,5,6) Chairman and Chief Executive Officer Hayes Lemmerz International, Inc. <i>International supplier of wheels to the auto industry</i>
1986	James D. Ireland III (2,4,5,6,7) Managing Director/Capital One Partners, Inc. <i>Private merchant banking firm</i>
1994	G. Frank Joklik (2,6) Chairman and Chief Executive Officer MK Gold Company <i>International mining company, and Retired President and Chief Executive Officer Kennecott Corporation</i> <i>International mining company</i>
1991	Leslie L. Kanuk (2,4,5,6) Professor Emeritus Zicklin School of Business Baruch College, City University of New York
1999	Anthony A. Massaro (1,6,7) Chairman and Chief Executive Officer Lincoln Electric Holdings, Inc. <i>Global manufacturer of welding and cutting products and consumables</i>
1996	Francis R. McAllister (3,4,5,6,7) Chairman and Chief Executive Officer Stillwater Mining Company <i>Palladium and platinum producer</i>
1995	John C. Morley (2,3,4,6,7) President/Evergreen Ventures, Ltd. <i>Private investment firm, and Retired President and Chief Executive Officer Reliance Electric Company</i> <i>Major industrial manufacturer</i>
1991	Stephen B. Oresman (3,5,6,7) President/Saltash Ltd. <i>Management consultants</i>
1991	Alan Schwartz (1,2,6) Professor, Yale Law School and Yale School of Management

COMMITTEES:

- (1) Audit
- (2) Board Affairs
- (3) Compensation and Organization
- (4) Executive
- (5) Finance
- (6) Long Range Planning
- (7) Strategic Advisory

ORGANIZATION CHANGES

At the Annual Meeting of Shareholders in May 2000, **Robert S. Coleman** did not stand for re-election to the Board of Directors due to the demands of his business. Mr. Coleman's wise counsel over the nine years he served on the Board is missed.

A. Stanley West, who was Senior Vice President-Sales and Commercial Planning, retired after 33 years with Cliffs and a 41-year career in the iron and steel industry. Mr. West's in-depth knowledge of the steel industry in the United States and Canada was instrumental in Cliffs being the leading producer and merchant of iron ore in North America.

George N. Chandler, II, Vice President-Reduced Iron, and **Richard F. Novak**, Vice President-Labor Relations, retired after 38 and 31 years of service, respectively. They made many contributions to Cliffs.

Richard L. Shultz, formerly Director of Iron Making Technology, was named Vice President-Reduced Iron Sales and Business Development.

Randy L. Kummer joined Cliffs as Vice President-Human Resources. Mr. Kummer was formerly Vice President-Human Resources, Government and Public Affairs of Kennecott Energy Company.



Recycled Paper



The background of the entire page is a close-up, high-contrast photograph of molten lava. The lava is glowing with intense orange and yellow light, with dark, almost black, jagged shapes representing the solidified edges of the flow. A solid black horizontal bar is positioned across the middle of the image, containing white text.

CLEVELAND-CLIFFS INC

1100 SUPERIOR AVENUE CLEVELAND, OH 44114-2589 www.cleveland-cliffs.com