CLIFFS NATURAL RESOURCES INC. Form 10-Q July 26, 2012 <u>Table of Contents</u>

# **UNITED STATES**

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# **FORM 10-Q**

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-8944

# **CLIFFS NATURAL RESOURCES INC.**

(Exact Name of Registrant as Specified in Its Charter)

Ohio (State or Other Jurisdiction of

Incorporation or Organization)

34-1464672 (I.R.S. Employer

Identification No.)

200 Public Square, Cleveland, Ohio44114-2315(Address of Principal Executive Offices)(Zip Code)Registrant s Telephone Number, Including Area Code: (216) 694-5700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

## Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-Q

 YES x
 NO "

 Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such its chapter) during the preceding 12 months (or for such shorter period that the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

 Large accelerated filer x
 Accelerated filer "Non-accelerated filer "Smaller reporting company in Rule 12b-2 of the Exchange Act.

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

The number of shares outstanding of the registrant s Common Shares, par value \$0.125 per share, was 142,492,567 as of July 23, 2012.

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#### Definitions

The following abbreviations or acronyms are used in the text. References in this report to the Company, we, us, our and Cliffs are to Cliffs Natural Resources In and subsidiaries, collectively. References to A\$ or AUD refer to Australian currency, C\$ to Canadian currency and \$ to United States currency.

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Oak Grove     Oak Grove Resources, LLC       OCI     Other comprehensive income		
OCI Other comprehensive income		
1		
UPEB Other postretirement benefits		1
	UPED	Ouler positement denems

Abbreviation or acronym	Term
Pinnacle	Pinnacle Mining Company, LLC
renewaFUEL	renewaFUEL, LLC (now known as Cliffs Michigan Biomass, LLC)
SEC	United States Securities and Exchange Commission
Silver Bay Power	Silver Bay Power Company
SO <sub>2</sub>	Sulfur dioxide
Sonoma	Sonoma Coal Project
Tilden	Tilden Mining Company
TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
Wabush	Wabush Mines Joint Venture
WISCO	Wugang Canada Resources Investment Limited, a subsidiary of Wuhan Iron and Steel (Group) Corporation
2012 Equity Plan	Cliffs 2012 Incentive Equity Plan

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#### PART I - FINANCIAL INFORMATION

#### **ITEM 1 - FINANCIAL STATEMENTS**

## CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

#### STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED OPERATIONS

	(In Millions, Except Per Share Amounts) Three Months Ended Six Months Ended					
		June 30,	June 30,			
	2012	2011	2012	2011		
REVENUES FROM PRODUCT SALES AND SERVICES	* . =					
Product	\$ 1,546.6		\$ 2,747.5	\$ 2,838.0		
Freight and venture partners' cost reimbursements	79.4	100.8	143.2	151.0		
	1,626.0	1,805.8	2,890.7	2,989.0		
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,176.7)	(1,074.2)	(2,137.9)	(1,657.9)		
			0			
SALES MARGIN	449.3	731.6	752.8	1,331.1		
OTHER OPERATING INCOME (EXPENSE) Selling, general and administrative expenses	(83.5)	(69.4)	(146.5)	(115.1)		
Consolidated Thompson acquisition costs	(83.3)	(18.0)	(140.3)	(113.1)		
Exploration costs	(29.1)		(47.9)	(22.9)		
Miscellaneous - net	28.6	(8.2)	38.0	(4.4)		
	(84.0)	(113.8)	(156.4)	(171.2)		
	(0110)	(11010)	(10000)	(1/112)		
OPERATING INCOME	365.3	617.8	596.4	1,159.9		
OTHER INCOME (EXPENSE)	505.5	017.0	570.4	1,157.7		
Changes in fair value of foreign currency contracts, net	-	50.4	0.3	106.7		
Interest expense	(47.1)	(81.3)	(94.4)	(119.7)		
Other non-operating income (expense)	(0.5)	2.9	3.0	5.9		
	(47.6)	(28.0)	(91.1)	(7.1)		
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES						
AND EQUITY LOSS FROM VENTURES	317.7	589.8	505.3	1,152.8		
INCOME TAX (EXPENSE) BENEFIT	(42.9)		167.9	(292.6)		
EQUITY LOSS FROM VENTURES	(0.5)	(11.3)	(7.4)	(8.3)		
INCOME FROM CONTINUING OPERATIONS	274.3		665.8	851.9		
LOSS FROM DISCONTINUED OPERATIONS, net of tax	-	(0.7)	(0.1)	(1.1)		
NET INCOME	274.3	427.4	665.7	850.8		
LESS: INCOME ATTRIBUTABLE TO	160	10.0	21.0	10.0		
NONCONTROLLING INTEREST	16.3	18.3	31.9	18.3		
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 258.0	\$ 409.1	\$ 633.8	\$ 832.5		
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS						
SHAREHOLDERS - BASIC		<b>* • • •</b>	ф <b>44</b> 5	<b>• • • •</b>		
Continuing operations	\$ 1.81	\$ 2.95 (0.01)	\$ 4.45	\$ 6.07 (0.01)		
Discontinued operations	-	(0.01)	-	(0.01)		
	¢ 101	¢ 0.04	¢ 4.47	¢ (0)		
	\$ 1.81	\$ 2.94	\$ 4.45	\$ 6.06		

### EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS

SHAREHOLDERS - DILUTED								
Continuing operations	\$	1.81	\$	2.93	\$	4.44	\$	6.04
Discontinued operations		-		(0.01)		-		(0.01)
	¢	1.81	\$	2.92	¢	4.44	\$	6.03
	φ	1.01	φ	2.92	φ	4.44	φ	0.05
AVERAGE NUMBER OF SHARES (IN THOUSANDS)								
Basic	1	42,380	1	39,000	1	42,303	1	137,243
Diluted	1	42,814	1	39,783	1	42,762	1	137,987
CASH DIVIDENDS DECLARED PER SHARE	\$	0.63	\$	0.14	\$	0.91	\$	0.28

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

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#### CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

#### STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

		(In Millions)					
		Three Months Ended June 30,		hs Ended e 30,			
	2012	2011	2012	2011			
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 258.0	\$ 409.1	\$ 633.8	\$ 832.5			
OTHER COMPREHENSIVE INCOME, NET OF TAX							
Pension and OPEB liability	7.1	0.8	13.3	9.5			
Unrealized net loss on marketable securities	(2.8)	(19.0)	(0.5)	(19.2)			
Unrealized net gain (loss) on foreign currency translation	(17.4)	42.9	(6.5)	57.5			
Unrealized net gain (loss) on derivative financial instruments	(4.4)	1.7	(0.6)	3.2			
-							
OTHER COMP							