

CLIFFS NATURAL RESOURCES INC.

FORM 8-K

(Current report filing)

Filed 02/10/99 for the Period Ending 01/21/99

Address	200 PUBLIC SQUARE STE. 3300 CLEVELAND, OH 44114-2315
Telephone	216-694-5700
CIK	0000764065
Symbol	CLF
SIC Code	1000 - Metal Mining
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

CLEVELAND CLIFFS INC

FORM 8-K (Unscheduled Material Events)

Filed 2/10/1999 For Period Ending 1/21/1999

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SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

FORM 8-K CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): January 21, 1999

CLEVELAND-CLIFFS INC

(Exact name of registrant as specified in its charter)

OHIO ----- (State or other jurisdiction of incorporation)	1-8944 ----- (Commission File Number)	34-1464672 ----- (IRS Employer Identification No.)
1100 Superior Avenue, Cleveland, Ohio ----- (Address of principal executive offices)		44114 ----- (Zip Code)

Registrant's telephone number, including area code: (216-694-5700)

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

ITEM 5. OTHER EVENTS. On January 21, 1999 Cleveland-Cliffs Inc published a News Release with respect to 1998 earnings and 1998 fourth quarter earnings.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Financial Statements of Business Acquired: None

- (b) Pro Forma Financial Information: None

- (c) Exhibits:

EXHIBIT
NUMBER EXHIBIT -----

99 (a) Cleveland-Cliffs Inc News Release Filed Herewith
published on January 21, 1999, with
respect to 1998 earnings and 1998
fourth quarter earnings

SIGNATURE

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

CLEVELAND-CLIFFS INC

By: */s/ C. B. Bezik*

Name: C. B. Bezik
Title: Senior Vice President - Finance

Dated: February 10, 1999

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	EXHIBIT -----	-----
99 (a)	Cleveland-Cliffs Inc News Release published on January 21, 1999, with respect to 1998 earnings and 1998 fourth quarter earnings	Filed Herewith

Exhibit 99(a)

**CLEVELAND-CLIFFS REPORTS HIGHER 1998 EARNINGS ON
RECORD SALES AND PRODUCTION VOLUME**

Cleveland, OH -- January 21, 1999 -- Cleveland-Cliffs Inc (NYSE-CLF) today reported 1998 earnings of \$57.4 million, or \$5.06 per diluted share. Earnings in 1997 were \$54.9 million, or \$4.80 per diluted share. Fourth quarter 1998 earnings were \$19.9 million, or \$1.76 per diluted share, which compared with \$17.9 million, or \$1.56 per diluted share, in the fourth quarter of 1997.

Cliffs' President and Chief Executive Officer, John S. Brinzo, said, "1998 was a year of solid accomplishments, including:

- record North American iron ore sales volume,
- record production volume at Cliffs-managed mines in North America, and
- improved operating margin on iron ore sales.

In addition, we made substantial progress on our strategic objective to develop a significant ferrous metallics business, as we complete our joint venture plant in Trinidad and Tobago."

The \$2.5 million increase in full year earnings was principally due to higher North American sales volume and price realization, a lower effective tax rate, higher royalties and management fees and lower interest expense. Partly offsetting were non-recurring 1997 Australian earnings and higher ferrous metallics and international development expenses. Earnings attributable to the Savage River Mine in Australia, which produced its last iron ore pellets in December, 1996, were \$6.3 million in 1997, including an after-tax credit of \$3.2 million from the reversal of an excess accrual for closedown obligations. Net income in 1997, excluding Australian earnings, was \$48.6 million, or \$4.25 per diluted share.

The \$2.0 million increase in fourth quarter earnings was primarily due to lower income taxes mainly resulting from the adjustment of prior years' tax accruals, partially offset by lower North American sales volume.

Cliffs' North American iron ore pellet sales were a record 12.1 million tons, 16 percent higher than the 10.4 million tons sold in 1997, and 11 percent higher than the previous record of 11.0 million tons sold in 1996. Fourth quarter 1998 sales were 3.1 million tons versus 3.8 million tons in 1997.

Lower interest expense in 1998 resulted from increased capitalization of interest on Cliffs' share of construction costs of the Cliffs and Associates Limited reduced iron project. Other expenses were higher in 1998 primarily due to increased ferrous metallics and international development activities.

Earnings in 1998 and 1997 include tax credits of \$3.5 million and \$5.6 million, respectively, that reflect a reassessment of current and prior years' tax obligations resulting from audits of prior years' tax returns. The lower effective tax rate in 1998, relative to 1997, also reflects the absence of the higher Australian statutory tax rate and the increased benefit of depletion allowances.

Cliffs-managed mines produced a record 40.3 million tons of iron ore pellets in 1998, with Cliffs' share a record 11.4 million tons. In 1997, the mines produced 39.6 million tons, with Cliffs' share 10.9 million tons. The increases in 1998 were mainly due to higher production at the Tilden and Wabush mines. Following is a summary of 1998 and 1997 production tonnages by mine:

(In Millions)					
		1998		1997	
	TOTAL	CLIFFS' SHARE	TOTAL	CLIFFS' SHARE	
Empire	8.1	1.8	8.4	1.9	
Hibbing	7.8	1.2	7.7	1.1	
LTV Steel Mining	7.1	--	7.7	--	
Northshore	4.4	4.4	4.2	4.2	
Tilden	6.9	2.7	6.0	2.4	
Wabush	6.0	1.3	5.6	1.3	
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	40.3	11.4	39.6	10.9	
	====	====	====	====	

Cliffs' 1998 average cost per ton was modestly lower than 1997.

OUTLOOK

The fundamentals for the North American steel business, which deteriorated sharply in the second half of 1998 due to a surge in unfairly traded steel imports, remain weak. Industry analysts are projecting 1999 steel production to be lower than 1998, which could affect iron ore production.

Cliffs and its steel company partners have elected to start the year 1999 operating the mines at near capacity levels. However, production rates are subject to change during the year.

Given the state of the North American steel business, the Company expects 1999 iron ore pellet sales volume will be lower than 1998 record sales. The Company's sales capacity, however, is largely committed to multi-year sales contracts. International iron ore price negotiations are currently taking place, and due to the weakness of the Asian and European steel markets, a price decrease is expected. A decline in the international price would impact the prices in certain of the Company's multi-year sales contracts.

Construction of the Cliffs and Associates Limited (CAL) hot-briquetted iron (HBI) plant in Trinidad and Tobago is near completion, and commissioning activities are currently in progress. CAL is a joint venture owned by Cliffs, 46.5 percent, LTV Corporation, 46.5 percent, and Lurgi AG, 7 percent. CAL intends to commence production of HBI in March. Full year production volume at the Trinidad facility will depend on market demand.

Commenting on the business outlook, John S. Brinzo said, "Although the demand for iron ore pellets and ferrous metallics products is outside our control, we can control the impact on our operations by making sure that we are producing the highest quality products at the lowest possible cost. We are prepared for the challenges - and opportunities - ahead of us and are more fully committed than ever to a strategy that is focused on three fundamental objectives:

1. increase the competitiveness of our existing North American operations,
2. develop a significant ferrous metallics business, and
3. expand our iron ore and ferrous metallics businesses internationally.

Our strong financial position enables us to deal with difficult business conditions while we employ the Company's financial resources to build shareholder value."

* * *

Cleveland-Cliffs is the largest supplier of iron ore products to the North American steel industry and is developing a significant ferrous metallics business. Subsidiaries of the Company manage six iron ore mines in North America and hold equity interests in five of the mines. Cliffs has a major iron ore reserve position in the United States, is a substantial iron ore merchant, and plans to start-up a joint venture plant in Trinidad to produce high-quality iron briquettes in the first quarter of 1999.

This news release contains forward-looking statements regarding production and sales volume and prices for iron ore and ferrous metallics which reflect forecasts of activity in the steel and iron ore industries. Actual production and sales volume and prices could differ significantly from current expectations due to inherent risks such as lower steel and iron ore demand, higher steel imports, or other factors. This news release also contains statements regarding the start-up and operation of the Cliffs and Associates Limited facilities, which could change due to construction delays, process difficulties, or market factors. Although the Company believes that the forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties which could cause actual results to differ materially.

CONTACTS:

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

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

To obtain faxed copies of Cleveland-Cliffs Inc news releases dial 1-800-778-3888. News releases and other information on the Company are available on the Internet at [HTTP://WWW.BUSINESSWIRE.COM/CNN/CLF.HTM](http://WWW.BUSINESSWIRE.COM/CNN/CLF.HTM).

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED INCOME

(IN MILLIONS EXCEPT PER SHARE AMOUNTS)	Fourth Quarter		Year	
	1998	1997	1998	1997
REVENUES				
Product sales and services	\$ 115.6	\$ 135.1	\$ 444.1	\$ 391.4
Royalties and management fees	12.9	13.1	49.7	47.5
	128.5	148.2	493.8	438.9
Total Operating Revenues				
Investment income (securities)	1.7	1.9	5.4	6.3
Recovery of excess closedown provision	-	.7	-	5.0
Other income	2.3	2.8	4.7	5.9
	132.5	153.6	503.9	456.1
TOTAL REVENUES				
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	100.1	119.3	398.0	354.9
Administrative, selling and general expenses	5.7	4.5	18.7	17.1
Interest expense	-	.4	.4	2.6
Other expenses	5.6	3.8	15.0	8.9
	111.4	128.0	432.1	383.5
TOTAL COSTS AND EXPENSES				
INCOME BEFORE INCOME TAXES	21.1	25.6	71.8	72.6
INCOME TAXES	1.2	7.7	14.4	17.7
	19.9	17.9	57.4	54.9
NET INCOME	\$ 19.9	\$ 17.9	\$ 57.4	\$ 54.9
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE				
Basic	\$ 1.77	\$ 1.57	\$ 5.10	\$ 4.83
Diluted	\$ 1.76	\$ 1.56	\$ 5.06	\$ 4.80
AVERAGE NUMBER OF SHARES				
Basic	11.1	11.4	11.2	11.4
Diluted	11.3	11.5	11.3	11.5

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED CASH FLOWS

	Fourth Quarter		Year	
(IN MILLIONS, BRACKETS INDICATE DECREASE IN CASH)	1998	1997	1998	1997
OPERATING ACTIVITIES				
Net income	\$ 19.9	\$ 17.9	\$ 57.4	\$ 54.9
Depreciation and amortization:				
Consolidated	1.4	1.5	7.8	6.7
Share of associated companies	3.1	3.1	12.5	12.2
Decrease in Savage River closedown reserve	-	(1.4)	-	(17.5)
Provision for deferred income taxes	(2.5)	7.2	3.1	16.4
Tax credit	(3.5)	-	(3.5)	(5.6)
Other	(.5)	4.2	(2.2)	7.2
Total Before Changes in Operating Assets and Liabilities	17.9	32.5	75.1	74.3
Changes in operating assets and liabilities	14.6	19.1	17.0	(32.0)
NET CASH FROM OPERATING ACTIVITIES	32.5	51.6	92.1	42.3
INVESTING ACTIVITIES				
Purchase of property, plant and equipment:				
Consolidated	(5.7)	(3.1)	(24.5)	(14.1)
Share of associated companies	(8.0)	(12.1)	(26.9)	(47.8)
Purchase of Wabush interest	-	-	-	(15.0)
Other	.2	.1	1.5	4.9
NET CASH (USED BY) INVESTING ACTIVITIES	(13.5)	(15.1)	(49.9)	(72.0)
FINANCING ACTIVITIES				
Dividends	(4.2)	(3.7)	(16.3)	(14.8)
Repurchases of Common Shares	-	(3.2)	(11.5)	(4.9)
NET CASH (USED BY) FINANCING ACTIVITIES	(4.2)	(6.9)	(27.8)	(19.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(.1)	-	(.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 14.8	\$ 29.5	\$ 14.4	\$ (49.5)
	=====	=====	=====	=====

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(In Millions)

ASSETS	Dec. 31 1998	Sept. 30 1998	Dec. 31 1997
CURRENT ASSETS			
Cash and cash equivalents	\$ 130.3	\$ 115.5	\$ 115.9
Accounts receivable - net	58.8	68.9	73.4
Inventories	59.6	54.7	61.4
Other	17.8	15.0	15.1
TOTAL CURRENT ASSETS	266.5	254.1	265.8
PROPERTIES - NET	150.0	146.0	134.0
INVESTMENTS IN ASSOCIATED COMPANIES	235.4	225.8	218.3
OTHER ASSETS	72.1	76.7	76.2
TOTAL ASSETS	\$ 724.0	\$ 702.6	\$ 694.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES	\$ 89.2	\$ 87.0	\$ 91.8
LONG-TERM OBLIGATIONS	70.0	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	71.0	69.8	70.1
OTHER LIABILITIES	56.2	55.1	55.0
SHAREHOLDERS' EQUITY	437.6	420.7	407.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 724.0	\$ 702.6	\$ 694.3

UNAUDITED FINANCIAL STATEMENTS

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