

CLIFFS NATURAL RESOURCES INC.

FORM 8-K (Current report filing)

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Address	200 PUBLIC SQUARE STE. 3300 CLEVELAND, OH 44114-2315
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UNITED STATES 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): July 28, 2004

Commission File
Number: 1-8944

CLEVELAND-CLIFFS INC

(Exact Name of Registrant as Specified in Its Charter)

OHIO

34-1464672

(State or other Jurisdiction
of Incorporation or Organization)

(IRS Employer
Identification No.)

1100 Superior Avenue, Cleveland, Ohio

44114-2589

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (216-694-5700)

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

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SIGNATURE

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EX-99.A NEWS RELEASE

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ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits:

<u>Exhibit Number</u>	<u>Exhibit</u>	
99(a)	Cleveland-Cliffs Inc published a News Release on July 28, 2004, "Cleveland-Cliffs Reports Record Results for Second Quarter 2004"	Filed Herewith

ITEM 12. Results of Operations and Financial Condition

On July 28, 2004, Cleveland-Cliffs Inc issued a news release announcing the unaudited financial results for the second quarter ended June 30, 2004, a copy of which is attached as Exhibit 99(a) to this Current Report on Form 8-K. This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

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/ D. J. Gallagher
Name: Donald J. Gallagher
Title: Senior Vice President,
Chief Financial Officer and Treasurer

Dated: July 29, 2004

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Exhibit Number	Exhibit	
99(a)	Cleveland-Cliffs Inc published a News Release on July 28, 2004, "Cleveland-Cliffs Reports Record Results for Second Quarter 2004"	Filed Herewith

EXHIBIT 99(A)

**CLEVELAND-CLIFFS REPORTS RECORD RESULTS
FOR SECOND QUARTER 2004**

Cleveland, OH - July 28, 2004 - Cleveland-Cliffs Inc (NYSE:CLF) today reported second quarter 2004 net income of \$32.8 million, and income attributable to common shares of \$2.90 per share (all per share amounts are "diluted"). Cliffs' 2004 quarterly earnings represent a record for any quarter (excluding special items such as large bankruptcy recoveries or significant asset sales). The net loss for the second quarter 2003 was \$21.2 million, or \$2.07 per share. Net income was \$32.8 million in the first half of 2004, or \$2.81 per share attributable to common shares, compared to a net loss of \$19.0 million, or \$1.86 per share, in the first half of 2003.

The earnings increases of \$54.0 million in the quarter and \$51.8 million in the first six months were principally due to higher pre-tax sales margins. Sales margins increased \$54.4 million in the second quarter and \$59.2 million in the first half primarily due to higher sales price realizations and record sales volumes. The increase in sales prices primarily reflected the favorable effect on Cliffs' term sales contract escalators of higher steel prices and an approximate 20 percent increase in international pellet prices. Pellet sales in the second quarter and first half of 5.9 million tons and 10.2 million tons, respectively, both represent new sales records. Unit production costs in 2004 were slightly lower in the second quarter and about equal to first half 2003 costs. First half and second quarter 2003 operating costs included an \$11.0 million fixed cost impact of a five week production curtailment at the Empire and Tilden mines relating to loss of electric power due to flooding in the Upper Peninsula in Michigan. Increased energy pricing adversely affected unit production costs by approximately \$2.8 million in the second quarter and \$4.8 million in the first half of 2004. Production costs for 2004 were also impacted by continued low ore throughput at Empire, slower than anticipated ramp-up to design production levels at United Taconite and Wabush and a \$2.1 million exchange rate effect in the first half due to the impact of a weaker U.S. dollar on the Company's share of Wabush production costs.

Pre-tax earnings were also improved by:

- Lower interest expense of \$1.1 million in the second quarter and \$2.0 million in the first half, reflecting the repayment of the senior unsecured notes in January 2004.
- Lower other expense of \$1.9 million in both the second quarter and first half reflecting decreased coal retiree expense and lower expense relating to debt refinancing activities.
- Lower customer bankruptcy expense of \$2.6 million in the second quarter and \$1.0 million in the first half. The Company recorded bankruptcy expense relating to the Weirton Steel Corporation bankruptcy of \$1.6 million in the first quarter of 2004 as a result of the final settlement versus \$2.6 million in the second quarter of 2003 at the time of the initial filing.
- Higher royalty and management fee income of \$.6 million in the second quarter and \$1.2 million in the first half due to higher production at the Michigan mines and management fees from United Taconite.

Partially offsetting were:

- Lower other income of \$.4 million in the second quarter and \$4.2 million in the first half primarily relating to non-strategic asset sales in 2003.
- Administrative, selling and general expenses were \$.5 million lower in the second quarter and \$3.6 million higher in the first half principally due to the impact of changes in Cliffs' common stock price on stock-based compensation.

At June 30, 2004, Cliffs had 4.1 million tons of pellets in inventory, unchanged from December 31, 2003, and 4.3 million tons at June 30, 2003. Cliffs' 2004 production of 5.6 million tons in the second quarter and 10.1 million tons in the first half both

represented 1.7 million ton increases from the comparable periods in 2003. Following is a summary of production tonnage:

	(TONS IN MILLIONS)			
	SECOND QUARTER		FIRST SIX MONTHS	
	2004	2003	2004	2003
Empire	1.1	.9	2.5	2.4
Tilden	2.1	1.4	3.5	3.0
Michigan Mines	3.2	2.3	6.0	5.4
Hibbing	2.0	1.9	4.0	3.9
Northshore	1.3	1.2	2.5	2.4
United Taconite	1.0		2.0	
Wabush	1.4	1.4	2.7	2.4
Total	8.9	6.8	17.2	14.1
Cliffs' Share of Total	5.6	3.9	10.1	8.4

Cliffs reached tentative agreement with the USWA on contracts covering employees at four of our five U.S. operations. The tentative agreements, which are subject to union member ratification, will replace existing agreements scheduled to expire on August 1, 2004. On July 5, 2004, the United Steelworkers of America initiated a strike that idled Wabush operations. Wabush, which was expected to produce approximately 5.6 million tons in 2004 (Cliffs' share 1.5 million tons), is losing production at the rate of 120,000 tons (Cliffs' share 32,000 tons) each week that the Wabush strike continues. Excluding further production losses due to the Wabush work stoppage, total 2004 production is expected to approximate 36 million tons (Cliffs' share 22 million tons).

Liquidity

At June 30, 2004, Cliffs had \$197.9 million of cash and cash equivalents and no outstanding debt. Net proceeds of approximately \$166 million from Cliffs' January 2004 offering of \$172.5 million of redeemable cumulative convertible preferred stock were utilized to retire the remaining \$25.0 million of senior unsecured notes and to fund \$26.6 million primarily into underfunded salaried pension plans. Cliffs expects to utilize remaining proceeds for working capital and other general corporate purposes, including capital expenditures, increased investments in existing mines, and additional contributions to its pension plans.

Additionally, as previously announced on July 13, 2004, Cliffs' Board of Directors has authorized a stock repurchase program of an aggregate of up to 1 million shares of Common Stock. The purchases can be either Common Stock and/or Preferred Stock at the redemption rate of 1 share of Preferred Stock equivalent to 16.129 shares of Common Stock. Common Stock purchased in accordance with this program will be accumulated as treasury shares and used for general corporate purposes.

Outlook

The North American steel business remains robust. Steel producers continue to operate at capacity, with steel pricing at record levels. Cliffs' iron ore pellet sales for 2004 continue to be projected at 22 million tons, which is equal to all of the Company's capacity. Projected sales for the year could be impacted if the work stoppage at Wabush is prolonged.

John Brinzo, Cliffs' chairman and chief executive officer, said "The year 2004 will be an excellent year for Cliffs, with record sales volume and significantly improved sales margins. We are pleased that tentative settlements have been reached on labor agreements covering employees at our U.S. mines. These were difficult negotiations, but together we have reached labor agreements that are fair to our employees, while allowing the Company to maintain a competitive position within our industry. We remain committed to creating shareholder value as evidenced by the Board's recent action to implement a stock repurchase program."

Cleveland-Cliffs Inc, headquartered in Cleveland, Ohio, is the largest producer of iron ore pellets in North America and sells the majority of its pellets to integrated steel companies in the United States and Canada. The Company operates six iron ore mines located in Michigan, Minnesota and Eastern Canada.

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The results of operations reported in this release are subject to change pending completion of the Company's annual external audit.

References in this news release to "Cliffs" and "Company" include subsidiaries and affiliates as appropriate in the context.

This news release contains predictive statements that are intended to be made as "forward-looking" within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties.

Actual results may differ materially from such statements for a variety of factors; such as: the expectations for pellet sales and mine operations and the projected liquidity requirements in 2004 may differ significantly from actual results because of changes in demand for iron ore pellets by North American integrated steel producers due to changes in steel utilization rates, operational factors, electric furnace production or imports of semi-finished steel or pig iron; changes in the financial condition of the Company's partners and/or customers; rejection of major contracts and/or venture agreements by customers and/or participants under provisions of the U. S. Bankruptcy Code or similar statutes in other countries; events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets; problems with productivity, labor disputes, weather conditions, fluctuations in ore grade, tons mined, changes in cost factors including energy costs, and employee benefit costs; and the effect of these various risks on the Company's liquidity and financial position.

Reference is made to the detailed explanation of the many factors and risks that may cause such predictive statements to turn out differently, as set forth in the Company's most recent Annual Report on Form 10-K, and previous news releases filed with the Securities and Exchange Commission, which are available publicly on Cliffs' website. The information contained in this document speaks as of the date of this news release and may be superceded by subsequent events.

Cliffs will host a conference call on second quarter 2004 results tomorrow, July 29, at 10:00 a.m. EDT. The call will be broadcast live on Cliffs' website at www.cleveland-cliffs.com. A replay of the call will be available on the website for 30 days. Cliffs plans to file its second quarter 2004 10-Q Report with the Securities and Exchange Commission later this week. For a more complete discussion of operations and financial position, please refer to the 10-Q Report.

Contacts:

Media: (216) 694-4870

Financial Community: (800) 214-0739 or (216) 694-5459

News releases and other information on the Company are available on the Internet at www.cleveland-cliffs.com

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED OPERATIONS

(In Millions Except Per Share Amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
REVENUES				
Product sales and services				
Iron ore	\$ 257.5	\$ 172.0	\$ 421.4	\$ 294.9
Freight and minority interest	41.0	34.9	110.8	63.1
Total product sales and services	298.5	206.9	532.2	358.0
Royalties and management fees	2.9	2.3	5.8	4.6
Interest income	2.6	2.5	5.2	5.2
Other income	1.6	2.0	3.2	7.4
TOTAL REVENUES	305.6	213.7	546.4	375.2
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	262.0	224.8	490.8	375.8
Administrative, selling and general expenses	4.0	4.5	13.0	9.4
Provision for customer bankruptcy exposures		2.6	1.6	2.6
Interest expense	.2	1.3	.5	2.5
Other expenses	.7	2.6	1.8	3.7
TOTAL COSTS AND EXPENSES	266.9	235.8	507.7	394.0
INCOME (LOSS) BEFORE INCOME TAXES	38.7	(22.1)	38.7	(18.8)
INCOME TAXES (CREDIT)	5.9	(.9)	5.9	.2
NET INCOME (LOSS)	32.8	(21.2)	32.8	(19.0)
PREFERRED STOCK DIVIDENDS	(1.4)		(2.5)	
INCOME (LOSS) APPLICABLE TO COMMON SHARES	\$ 31.4	\$ (21.2)	\$ 30.3	\$ (19.0)
NET INCOME (LOSS) PER COMMON SHARE				
Basic				
Net income (loss)	\$ 3.10	\$ (2.07)	\$ 3.09	\$ (1.86)
Preferred Stock dividends	(.13)		(.23)	
Income (loss) applicable to common shares	\$ 2.97	\$ (2.07)	\$ 2.86	\$ (1.86)
Diluted				
Net income (loss)	\$ 3.03	\$ (2.07)	\$ 3.04	\$ (1.86)
Preferred Stock dividends	(.13)		(.23)	
Income (loss) applicable to common shares	\$ 2.90	\$ (2.07)	\$ 2.81	\$ (1.86)
AVERAGE NUMBER OF SHARES				
Basic	10.6	10.2	10.6	10.2
Diluted	10.8	10.2	10.8	10.2

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED CASH FLOWS

(In Millions, Brackets Indicate Decrease in Cash)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
<hr/>				
OPERATING ACTIVITIES				
Net income (loss)	\$ 32.8	\$ (21.2)	\$ 32.8	\$ (19.0)
Depreciation and amortization:				
Consolidated	7.8	7.4	14.7	14.2
Share of associated companies	.4	.9	.8	1.8
Accretion of asset retirement obligation	1.2		2.3	
Provision for customer bankruptcy exposures		2.6	1.6	2.6
Pensions and other post-retirement benefits	7.2	8.7	(11.0)	17.9
Gain on sale of assets	(.9)	(.6)	(1.9)	(5.5)
Other	(3.3)	4.9	(3.2)	(4.0)
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Total before changes in operating assets and liabilities	45.2	2.7	36.1	8.0
Changes in operating assets and liabilities	(24.5)	(4.7)	(51.5)	(19.8)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash from (used by) operating activities	20.7	(2.0)	(15.4)	(11.8)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment:				
Consolidated	(7.5)	(7.2)	(19.9)	(11.1)
Share of associated companies	(.7)	(.1)	(.9)	(.1)
Proceeds from Rouge note			10.0	
Proceeds from Weirton investment	3.8		3.8	
Proceeds from sale of assets	1.0	1.5	2.0	6.9
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Net cash used by investing activities	(3.4)	(5.8)	(5.0)	(4.3)
FINANCING ACTIVITIES				
Proceeds from Convertible Preferred Stock			172.5	
Proceeds from stock options exercised	.6		7.6	
Contributions by minority shareholders	1.5	.5	2.9	.9
Repayment of long-term debt		(5.0)	(25.0)	(5.0)
Issuance costs of Convertible Preferred Stock	(.1)		(6.4)	
Preferred Stock dividends	(1.1)		(1.1)	
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Net cash from (used by) financing activities	.9	(4.5)	150.5	(4.1)
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 18.2	\$ (12.3)	\$ 130.1	\$ (20.2)
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CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	(In Millions)		
	June 30 2004	Dec. 31 2003	June 30 2003
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ASSETS			

CURRENT ASSETS			
Cash and cash equivalents	\$ 197.9	\$ 67.8	\$ 41.6
Trade accounts receivable - net	43.5	9.5	21.1
Receivables from associated companies	13.2	5.9	2.4
Product inventories	130.8	129.7	134.0
Work in process inventories	23.4	14.4	8.4
Supplies and other inventories	53.6	58.7	49.0
Other	34.5	27.3	29.5
	-----	-----	-----
TOTAL CURRENT ASSETS	496.9	313.3	286.0
PROPERTIES - NET	275.7	270.5	274.4
MARKETABLE SECURITIES	150.9	196.7	17.4
LONG-TERM RECEIVABLES	54.2	63.8	62.6
OTHER ASSETS	41.3	50.9	63.5
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TOTAL ASSETS	\$ 1,019.0	\$ 895.2	\$ 703.9
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			

CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 185.4	\$ 184.8	\$ 158.5
Payables to associated companies	12.1	16.1	13.2
Current portion of long-term debt		25.0	15.0
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TOTAL CURRENT LIABILITIES	197.5	225.9	186.7
LONG-TERM DEBT			35.0
PENSIONS, INCLUDING MINIMUM PENSION LIABILITY	119.6	135.2	163.5
OTHER POST-RETIREMENT BENEFITS	123.7	124.2	112.9
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	87.1	86.6	84.2
DEFERRED INCOME TAXES	25.0	34.5	
OTHER LIABILITIES	47.5	40.5	39.1
	-----	-----	-----
TOTAL LIABILITIES	600.4	646.9	621.4
MINORITY INTEREST	23.7	20.2	20.8
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK	172.5		
SHAREHOLDERS' EQUITY	222.4	228.1	61.7
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,019.0	\$ 895.2	\$ 703.9
	=====	=====	=====

NOTES TO UNAUDITED FINANCIAL STATEMENTS

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

CLEVELAND-CLIFFS INC

SUPPLEMENTAL FINANCIAL INFORMATION

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
IRON ORE SALES (TONS) - IN THOUSANDS	5,884	4,935	10,170	8,391
SALES MARGIN (LOSS) - IN MILLIONS				
Revenues from iron ore sales and services*	\$ 257.5	\$ 172.0	\$ 421.4	\$ 294.9
Cost of goods sold and operating expenses*				
Excluding production curtailments	221.0	178.9	380.0	301.7
Production curtailments		11.0		11.0
Total	221.0	189.9	380.0	312.7
Sales margin (loss)	\$ 36.5	\$ (17.9)	\$ 41.4	\$ (17.8)
SALES MARGIN (LOSS) - PER TON				
Revenues from iron ore sales and services*	\$ 43.76	\$ 34.85	\$ 41.44	\$ 35.14
Cost of goods sold and operating expenses*				
Excluding production curtailments	37.56	36.25	37.37	35.96
Production curtailments		2.23		1.31
Total	37.56	38.48	37.37	37.27
Sales margin (loss)	\$ 6.20	\$ (3.63)	\$ 4.07	\$ (2.13)

* Excludes revenues and expenses related to freight and minority interest which are offsetting and have no impact on operating results.