

CLIFFS NATURAL RESOURCES INC.

Form 10-Q

November 01, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

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, Ohio (Address of Principal Executive Offices)	44114-2315 (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.

YES

NO

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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 files).

YES

NO

Indicate by check mark whether 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES

NO

The number of shares outstanding of the registrant's Common Shares, par value \$0.125 per share, was 143,011,700 as of October 27, 2011.

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EX-31(a) Section 302 Certification of Chief Executive Officer

EX-31(b) Section 302 Certification of Chief Financial Officer

EX-32(a) Section 906 Certification of Chief Executive Officer

EX-32(b) Section 906 Certification of Chief Financial Officer

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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 Inc. and subsidiaries, collectively. References to A\$ or AUD refer to Australian currency, C\$ to Canadian currency and \$ to United States currency.

Abbreviation or acronym	Term
Algoma	Essar Steel Algoma Inc.
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
ArcelorMittal	ArcelorMittal USA Inc.
ASC	Accounting Standards Codification
AusQuest	AusQuest Limited
Bloom Lake	Bloom Lake Iron Ore Mine Limited Partnership
C.F.R.	Cost and Freight
CLCC	Cliffs Logan County Coal LLC
Cockatoo	Cockatoo Island Joint Venture
Consolidated Thompson	Consolidated Thompson Iron Mines Limited (aka - Cliffs Quebec Iron Mines Limited)
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Empire	Empire Iron Mining Partnership
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FMSH Act	Federal Mine Safety and Health Act 1977
F.O.B.	Free on board
Freewest	Freewest Resources Canada Inc. (aka - Cliffs Chromite Ontario Inc.)
GAAP	Accounting principles generally accepted in the United States
Hibbing	Hibbing Taconite Company
IASB	International Accounting Standards Board
ICE Plan	Amended and Restated Cliffs 2007 Incentive Equity Plan, As Amended
IFRS	International Financial Reporting Standards
INR	INR Energy, LLC
Ispat	Ispat Inland Steel Company
LIBOR	London Interbank Offered Rate
LTVSMC	LTV Steel Mining Company
MMBtu	Million British Thermal Units
MPCA	Minnesota Pollution Control Agency
MRRT	Minerals Resource Rent Tax
MSHA	Mine Safety and Health Administration
Northshore	Northshore Mining Company
Oak Grove	Oak Grove Resources, LLC
OCI	Other comprehensive income
OPEB	Other postretirement benefits
Pinnacle	Pinnacle Mining Company, LLC
PM ₁₀	Particulate Matter
PPACA	Patient Protection and Affordable Care Act
Reconciliation Act	Health Care and Education Reconciliation Act
renewaFUEL	renewaFUEL, LLC
Ring of Fire properties	Black Thor, Black Label and Big Daddy chromite deposits
SEC	United States Securities and Exchange Commission
Sonoma	Sonoma Coal Project
Spider	Spider Resources Inc. (aka - Cliffs Chromite Far North Inc.)
Tilden	Tilden Mining Company L.C.
TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
Wabush	Wabush Mines Joint Venture
WISCO	Wuhan Iron and Steel (Group) Corporation

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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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	\$ 2,124.4	\$ 1,287.2	\$ 4,962.4	\$ 3,074.8
Freight and venture partners cost reimbursements	18.4	58.8	169.4	183.1
	2,142.8	1,346.0	5,131.8	3,257.9
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,279.5)	(868.8)	(2,936.9)	(2,215.3)
SALES MARGIN	863.3	477.2	2,194.9	1,042.6
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(78.3)	(57.3)	(193.4)	(143.0)
Consolidated Thompson acquisition costs	(2.1)	-	(25.0)	-
Exploration costs	(26.6)	(10.3)	(55.4)	(19.4)
Miscellaneous - net	64.0	(19.2)	59.6	(8.5)
	(43.0)	(86.8)	(214.2)	(170.9)
OPERATING INCOME	820.3	390.4	1,980.7	871.7
OTHER INCOME (EXPENSE)				
Gain on acquisition of controlling interests	-	2.1	-	40.7
Changes in fair value of foreign currency contracts, net	(6.2)	32.5	100.5	24.8
Interest income	2.7	3.3	7.6	8.4
Interest expense	(49.6)	(17.4)	(169.2)	(41.0)
Other non-operating income	(1.7)	(0.3)	(0.7)	6.9
	(54.8)	20.2	(61.8)	39.8
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY INCOME FROM VENTURES	765.5	410.6	1,918.9	911.5
INCOME TAX EXPENSE	(17.8)	(116.1)	(312.3)	(282.5)
EQUITY INCOME FROM VENTURES	11.1	3.6	2.8	8.4
INCOME FROM CONTINUING OPERATIONS	758.8	298.1	1,609.4	637.4
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(17.5)	(0.7)	(18.7)	(2.0)
NET INCOME	741.3	297.4	1,590.7	635.4
LESS: INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	151.8	-	170.1	-
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 589.5	\$ 297.4	\$ 1,420.6	\$ 635.4
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	\$ 4.21	\$ 2.20	\$ 10.31	\$ 4.71
Discontinued operations	(0.12)	-	(0.13)	(0.01)
	\$ 4.09	\$ 2.20	\$ 10.18	\$ 4.70

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	\$ 4.19	\$ 2.19	\$ 10.25	\$ 4.68
Discontinued operations	(0.12)	(0.01)	(0.13)	(0.01)
	\$ 4.07	\$ 2.18	\$ 10.12	\$ 4.67
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	144,203	135,345	139,563	135,280
Diluted	144,989	136,213	140,321	136,098
CASH DIVIDENDS DECLARED PER SHARE	\$ 0.28	\$ 0.14	\$ 0.56	\$ 0.3675

See notes to unaudited condensed consolidated financial statements.

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	(In Millions)	
	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 545.1	\$ 1,566.7
Accounts receivable	364.8	352.3
Accounts receivable from associated companies	69.0	6.8
Inventories	528.2	269.2
Supplies and other inventories	175.9	148.1
Derivative assets	73.6	82.6
Deferred and refundable taxes	4.2	43.2
Other current assets	144.0	114.8
TOTAL CURRENT ASSETS	1,904.8	2,583.7
PROPERTY, PLANT AND EQUIPMENT, NET	9,835.3	3,979.2
OTHER ASSETS		
Investments in ventures	515.8	514.8
Goodwill	1,237.7	196.5
Intangible assets, net	149.3	175.8
Deferred income taxes	79.9	140.3