
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 EXCH**

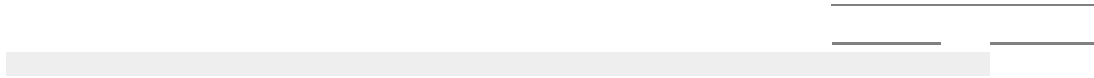


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As a result of adopting the new method of accounting for the investment in the subsidiary, the following amounts are shown:

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months of the year fh pr



NOTE E — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

At March 31, 2004, the Company, including its share of unconsolidated ventures, had environmental and mine closure liabilities of \$97.0 million, of which \$8.9 million was classified as current. Payments in the first quarter 2004 were \$2.0 million (2003 — \$1.2 million). Following is a summary of the obligations:

	(In Millions)	
	March 31 2004	December 31 2003
Environmental	\$ 14.2	\$ 15.0
Mine Closure		
A/clos		
LTC/clos		
		1,200

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In September 2002, the Company received a draft of a proposed Administrative Order on Consent from the United States Environmental Protection Agency (“EPA”), for cleanup and reimbursement of costs associated with the Milwaukee Solvay coke plant site in Milwaukee, Wisconsin. The plant was operated by a predecessor of the Company from 1973 to 1983, which predecessor was acquired by the Company in 1986. In January 2003, the Company completed the sale of the plant site and property to a third party. Following this sale, an Administrative Order on Consent (“Consent Order”) was entered into with the EPA by the Company, the new owner and another third party who had operated on the site. In connection with the Consent Order, the new owner agreed to take responsibility for the removal action and agreed to indemnify the Company for all costs and expenses in connection with the removal action. In the third quarter 2003, the new owner, after completing a portion of the removal, experienced financial difficulties. In an effort to continue progress on the removal action, the Company expended approximately \$.9 million in the third and fourth quarters of 2003 and \$.7 million in the first quarter 2004. The Company will likely be required to expend additional amounts, estimated at approximately \$1.1 million, for the completion of the removal action, which expenditures were previously provided for in the Company’s environmental reserve.

Mine Closure

The mine closure obligation of \$82.8 million includes the accrued obligation at March 31, 2004 for a closed operation formerly known as the LTV Steel Mining Company, and for the Company’s active operating mines. The closed operation obligation results from an October 2001 transaction where subsidiaries of the Company received a net payment of \$50 million and certain other assets and assumed environmental and certain facility closure obligations of \$50 million, which obligations have declined to \$36.4 million at March 31, 2004, as a result of expenditures totaling \$13.6 million since 2001.

The accrued closure obligation for the Company’s active mining operations of \$46.4 million reflects the adoption of SFAS No. 143, “Accounting for Asset Retirement Obligations,” as of January 1, 2002, to provide for contractual and legal obligations associated with the eventual closure of the mining operations and the effects of mine

ownership increases in 2002 and 2003. The Company determined the obligations, based on detailed estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated to the estimated closure dates and then discounted using a credit adjusted risk-free interest rate (primarily 10.25 percent). The closure date for each location was determined based on the exhaustion date of the remaining economic iron ore reserves. The accretion of the liability and amortization of the property and equipment are recognized over the estimated mine lives for each location.

The following summarizes the Company's asset retirement obligation liability:

	(In Millions)	
	March 31 2004	December 31 2003
Asset Retirement Obligation at Beginning of Year	\$ 45.2	\$ 36.1
Accretion Expense	1.1	3.6
Additional Ownership		2.4
Minority Interest	.1	1.0
Revision in Estimated Cash Flows		2.1
Asset Retirement Obligation at End of Period	<u>\$ 46.4</u>	<u>\$ 45.2</u>

NOTE F — SEGMENT REPORTING

The Company operated in one reportable segment in 2004 and 2003 offering iron products and services to the steel industry.

NOTE G — INCOME TAXES

The Company continues to maintain a deferred tax asset valuation allowance due to the uncertainty regarding full realization of its deferred tax asset. At March 31, 2004 the allowance decreased to \$120.7 million from \$122.7 million at December 31, 2003. In the future, if the Company determines, based on the existence of sufficient evidence, that no

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The Company sold 3.0 million tons to Rouge in 2003 and .5 million tons in the first quarter of 2004. Additionally, in the first quarter 2004 Rouge repaid the \$10 million secured loan balance outstanding plus accrued interest.

On January 29, 2004, Stelco applied and obtained bankruptcy-court protection from creditors in Ontario Superior Court under the Companies' Creditors Arrangement Act. Pellet sales to Stelco totaled .1 million tons in 2003 (none in first quarter 2004). Stelco Inc. is a 44.6 percent participant in Wabush, and U.S. subsidiaries of Stelco (which have not yet filed for bankruptcy protection) own 14.7 percent of Hibbing and 15 percent of Tilden. At the time of the filing, the Company had no trade receivable exposure too (pnl e;

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interests) for the full year 2004 are expected to be approximately 3 percent below 2003 on a cost per ton of sales basis.

- Lower interest expense, \$.9 million, reflecting



(Tons in Millions)

	First Quarter		Full Year	
	2004	2003	2004	2003
Empire	1.4	1.5	5.5	5.2
Tilden	1.4	1.6	7.8	7.0
Total Michigan Mines	2.8	3.1	13.3	12.2
Hibbing	2.0	2.0	8.2	8.0
Northshore	1.2	1.2	5.0	4.8
United Taconite	1.0	—	4.0	.1*
Wabush	1.3	1.0	5.9	5.2
Total	8.3	7.3	36.4	30.3
Company Share of Total	4.5	4.5	22.2	1

(In Millions)

Proceeds from issuance of preferred stock-net	\$ 166.2
Proceeds from repayment of long-term note receivable	10.0
Proceeds from stock options exercised	7.0
Repayment of long-term debt	(25.0)
Increased receivables	(14.3)
Capital expenditures	(12.6)
Increased product inventories	(10.3)
Net cash used by operating activities before changes in operating assets and liabilities	(9.1)
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Following is a summary of common shares outstanding:

	2004	2003	2002
March 31	10,684,037	10,323,421	10,180,849
June 30		10,322,581	10,184,846
September 30		10,318,352	10,185,083
December 31		10,498,015	10,184,211

BANKRUPTCY OF CUSTOMERS

On September 16, 2003, WCI Steel Inc. ("WCI") petitioned for protection under chapter 11 of the U.S. Bankruptcy Code. At the time of the filing, the Company had a trade receivable exposure of \$4.9 million, which was reserved in the third quarter 2003. WCI purchased 1.5 million tons, or 8 percent, of total tons sold in 2003 and has purchased .2 million tons, or 4 percent, of total tons sold in the first quarter 2004. WCI continues to operate and purchase pellets from the Company. The Company's sales contract with WCI expires at the end of 2004.

On May 19, 2003, Weirton Steel Corporation ("Weirton") filed for protection under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Northern District of West Virginia. Weirton, a significant customer of the Company, purchased approximately .3 million tons, or 8 percent, of tons sold in the first quarter 2004, and 2.8 million tons, or 15 percent, of tons sold for the full year of 2003. The sales contract, which runs through 2009, could be extended by contract for the life of the power-related lease (discussed below), through 2012. On April 22, 2004, the Bankruptcy Court issued an order approving the sale of Weirton's assets to a subsidiary of International Steel Group, Inc. ("ISG"), which order has been appealed by representatives of Weirton.

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bankruptcy filing, FW Holdings filed an adversary complaint against the joint venture members for declaratory relief and the return of assets acquired in the purchase-leaseback transaction. In that complaint, FW Holdings asserted that the lease transaction should be recharacterized as a secured loan. As a result, FW Holdings did not make its quarterly lease payment due on March 31, 2004, of which the Company's share was \$.5 million. In conjunction with ISG's pending purchase of the Weirton assets, a settlement agreement was reached between Weirton, ISG and the joint venture. As a result of the pending agreement, the Company wrote-down its investment to \$6.1 million as of March 31, 2004 from \$10.3 million. An additional \$1.6 million charge was included in the "Provision for customer bankruptcy exposures" in the first quarter 2004; the Company had previously recorded a \$2.6 million reserve for Weirton bankruptcy exposures in May 2003. The pending sale of Weirton's assets to ISG also requires a payment to the joint venture on closing, (Company's share \$4.n mee y 3

(In Millions)

	Pension		OPEB	
	Funding	Expense	Funding	Expense
2002	\$ 1.1	\$ 7.2	\$ 16.8	\$ 21.5
2003	6.4	32.0	17.0	29.1
2004 (Estimated)	45.0	20.8	21.3	27.4



STRATEGIC INVESTMENTS

The Company intends to continue to pursue investment and operations management opportunities to broaden its scope as a supplier of iron ore pellets to the integrated steel industry through the acquisition of additional mining interests to strengthen its market position. The Company is particularly focused on expanding its international investments to leverage its expertise in processing low grade ores to capitalize on global demand for steel and iron ore in areas such as China. The Company's innovative United Taconite joint venture with Laiwu is one example of its ability to expand geographically, and the Company intends to continue to pursue similar opportunities in other regions (see discussion on Venezuela below). In the event of any future acquisitions or joint venture opportunities, the Company may consider using available liquidity or other sources of funding to make investments.

Mesabi Nugget Project

In 2002, the Company agreed to participate in Phase II of the Mesabi Nugget Project. Other participants include Kobe Steel, Ltd., Steel Dynamics, Inc., Ferrometrix, Inc. and the State of Minnesota. Construction of a \$24 million pilot plant at the Company's Northshore Mine, to test and develop Kobe Steel's technology for converting iron ore into nearly pure iron in nugget form, was completed in May 2003. The high iron content product could be utilized to replace steel scrap as a raw material for electric steel furnaces and blast furnaces or basic oxygen furnaces of integrated steel producers. A third operating phase of the pilot plant, which is scheduled to be completed in June 2004, is intended to confirm the commercial viability of this technology. The Company's contribution to the project through the pilot plant testing and development phase was \$5.2 million, primarily contributions of in-kind facilities and services. The Project participants are investigating environmental requirements and timelines for various potential commercial plantsites in Minnesota and Indiana. A decision to proceed on construction of a commercial plant has not yet been made.

Venezuela Technical Assistance

As previously announced in March 2004, a subsidiary of the Company has entered into an agreement to provide technical assistance to C.V.G. Ferrominera

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communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation.

PART II — OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

On January 21, 2004, the Company sold 172,500 shares of redeemable cumulative convertible perpetual preferred stock (the “Preferred Stock”) to Morgan Stanley & Co. Incorporated in a pr ff. ²

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Item 7 (Financial Statements, Pro Forma Financial Information and Exhibits); January 13, 2004 and January 30, 2004, each covering information reported under Item 7 (Financial Statements, Pro Forma Financial Information and Exhibits) and Item 9 (Regulation FD Disclosure); February 10, 2004, February 16, 2004, February 27, 2004, and March 4, 2004, each covering information reported under Item 9 (Regulation FD Disclosure); and February 4, 2004, covering information reported under Item 12 (Results of Operations and Financial Condition) and Item 7 (Financial Statements, Pro Forma Financial Information and Exhibits).

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 thereunto duly authorized.

CLEVELAND-CLIFFS INC

Date April 29, 2004

By /s/ Donald J. Gallagher

Donald J. Gallagher
Senior Vice President, Chief
Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit Number	Exhibit	
31(a)	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by John S. Brinzo, Chairman, President and Chief Executive Officer for Cleveland-Cliffs Inc, as of April 29, 2004	Filed Herewith
31(b)	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Donald J. Gallagher, Senior Vice President, Chief Financial Officer and Treasurer for Cleveland-Cliffs Inc, as of April 29, 2004	Filed Herewith
32(a)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by John S. Brinzo, Chairman, President and Chief Executive Officer of Cleveland-Cliffs Inc, as of April 29, 2004	Filed Herewith
32(b)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Donald J. Gallagher, Senior Vice President, Chief Financial Officer and Treasurer of Cleveland-Cliffs Inc, as of April 29, 2004	Filed Herewith

CERTIFICATION

I, John S. Brinzo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cleveland-Cliffs Inc;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2004

By /s/ John S. Brinzo
John S. Brinzo
Chairman, President and Chief
Executive Officer

CERTIFICATION

I, Donald J. Gallagher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cleveland-Cliffs Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining an adequate system of controls for financial reporting.



5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2004

By /s/ Donald J. Gallagher
Donald J. Gallagher
Senior Vice President, Chief
Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cleveland-Cliffs Inc (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission (the "SEC") (the "Form 10-Q"), I, Donald J. Gallagher, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the information contained in the Form 10-Q is true and correct in all material respects.
