

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF CONDENSED CONSOLIDATED FINANCIAL POSITION

	(In Millions)	
	March 31 2006 (Unaudited)	December 31 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 136.7	\$ 192.8
Marketable securities		9.9
Trade accounts receivable — net	43.7	53.7
Receivables from associated companies	10.0	5.4
Product inventories	215.0	119.1
Work in process inventories	65.7	56.7
Supplies and other inventories	59.7	70.5
Deferred and refundable taxes	13.1	12.1
Recoverable electric power payments	63.5	73.0
Other	41.3	42.8
TOTAL CURRENT ASSETS	648.7	636.0
PROPERTIES		
Allowances for depreciation and depletion	1,004.4	979.3
TOTAL PROPERTIES	(183.7)	(176.5)
OTHER ASSETS		
Long-term receivables	47.5	48.7
Prepaid pensions	80.3	80.4
Deferred income taxes	60.9	66.5
Deposits and miscellaneous	55.8	53.8
Other investments	24.3	34.0
Intangible pension asset	13.9	13.9
Marketable securities	19.2	10.6
TOTAL OTHER ASSETS	301.9	307.9
TOTAL ASSETS	\$ 1,771.3	\$ 1,746.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 140.4	\$ 122.9
Accrued employment costs	37.1	47.4
Pensions	45.2	45.3
Other post-retirement benefits	29.6	36.6
Accrued expenses	25.7	28.9
Income taxes	36.5	29.1
State and local taxes	18.1	22.2
Environmental and mine closure obligations	10.0	13.4
Payables to associated companies	7.8	7.7
Other	10.0	9.2
TOTAL CURRENT LIABILITIES	360.4	362.7
PENSIONS, INCLUDING MINIMUM PENSION LIABILITY	124.4	119.6
OTHER POST-RETIREMENT BENEFITS	83.7	85.2
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	87.7	87.3
DEFERRED INCOME TAXES	110.5	116.7
OTHER LIABILITIES	74.4	79.4
TOTAL LIABILITIES	841.1	850.9
MINORITY INTEREST		
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK — ISSUED 172,500 SHARES	81.1	71.7
SHAREHOLDERS' EQUITY	172.5	172.5
Common Shares — par value \$.50 a share		
Authorized — 56,000,000 shares;		
Issued — 33,655,882 shares	16.8	16.8
Capital in excess of par value of shares		
	93.2	93.9
Retained earnings	856.3	824.2
Accumulated other comprehensive loss, net of tax	(129.7)	(125.6)
Cost of 11,598,349 Common Shares in treasury (2005 - 11,740,385 shares)	(162.4)	(164.3)
Unearned compensation	2.4	6.6
TOTAL SHAREHOLDERS' EQUITY	676.6	651.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,771.3	\$ 1,746.7

See notes to condensed consolidated financial statements.





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	(In Millions)	
	Three Months Ended March 31,	
	2006	2005
Revenues from product sales and services:		
North America*	\$ 246.2	\$ 271.2
Australia	60.2	
Total revenues from product sales and services	<u>\$ 306.4</u>	<u>\$ 271.2</u>
Segment operating income:		
North America	\$ 47.4	\$ 45.4
Australia	7.6	
Segment operating income	55.0	45.4
Unallocated corporate expenses	(8.8)	(11.3)
Other income (expense)	3.8	(6.8)
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	(In Millions)	
	Three Months	
	Ended March 31,	
	2006	2005
Net income	\$ 37.9	\$ 26.2
Other comprehensive income (loss):		
Unrealized gain on securities — net of tax	5.5	
Foreign currency translation loss	(9.3)	(2.2)
Derivative instrument hedges, mark to market loss arising in period	(.3)	
Total other comprehensive loss	(4.1)	(2.2)
Total comprehensive income	<u>\$ 33.8</u>	<u>\$ 24.0</u>

	(In Millions)	
	Three Months	
	Ended March 31,	
	2006	2005
Service cost	\$ 3.0	\$ 3.0
Interest cost	10.6	10.1
Expected return on plan assets	(12.1)	(11.2)
Amortization:		
Unrecognized prior service costs	.8	.7
Net actuarial losses	4.1	3.2
Amortization of net obligation	(.6)	(1.0)
Net periodic benefit cost	<u>\$ 5.8</u>	<u>\$ 4.8</u>

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	(In Millions)	
	March 31, 2006	December 31, 2005
Asset retirement obligation at beginning of year	\$ 64.8	\$ 52.2
Accretion expense	1.2	5.7
Portman acquisition		5.1
Minority interest	.3	.2
Revision in estimated cash flows	.3	1.6
Asset retirement obligation at end of period	<u>\$ 66.6</u>	<u>\$ 64.8</u>

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	(In Millions, except per share)	
	First Quarter	
	2006	2005
Income from continuing operations:		
Amount	\$ 37.7	\$ 20.9
Per diluted share	1.36	.76
Income from discontinued operations:		
Amount	.2	.1
Per diluted share	.01	
Cumulative effect of accounting change:		
Amount		5.2
Per diluted share		.19
Net income:		
Amount	<u>\$ 37.9</u>	<u>\$ 26.2</u>
Per diluted share	<u>\$ 1.37</u>	<u>\$.95</u>

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- Lower administrative, selling and general expense of \$1.5 million reflected lower share-based compensation, partially offset by the inclusion of \$1.0 million of Portman's expense.
 - Miscellaneous – net expense was \$1.0 million higher, including \$1.2 million of Portman's expense.

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- Increased interest income of \$.4 million in the quarter, includes \$.8 million of interest income at Portman.
 - Increased interest expense of \$.8 million in the quarter includes \$.5 million of interest expense at Portman.
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- Lower other-net expense of \$9.9 million primarily reflected \$9.8 million of currency hedging costs associated with the Portman acquisition in the first quarter of 2005.
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(In Millions)

	Pension		OPEB	
	Funding	Expense	Funding	Expense
2003	\$ 6.4	\$ 32.0	\$ 17.0	\$ 29.1
2004	63.0	23.1	30.9	28.5
2005	40.6	20.7	31.8	17.9
2006 (Estimated)	46.2	23.1	37.4	16.6

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- trends affecting our financial condition, results of operations or future prospects;
 - estimates of our economic iron ore reserves;
 - our business and growth strategies;
 - our financing plans and forecasts; and
 - the potential existence of significant deficiencies or material weaknesses in internal controls over financial reporting that may be identified during the performance of testing required under Section 404 of the Sarbanes-Oxley Act of 2002.
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Wisconsin Electric Power Company.

Maritime Asbestos Litigation.

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- (a) On January 13, February 15, February 24, and March 15, 2006, pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (“VNQDC Plan”), the Company sold a total of 369 shares of common stock, par value \$.50 per share, of Cleveland-Cliffs Inc (“Common Shares”) for an aggregate consideration of \$33,202.19 to the Trustee of the Trust maintained under the VNQDC Plan. These sales were made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 pursuant to an election made by one managerial employee under the VNQDC Plan.
- (b) The table below sets forth information regarding repurchases by Cleveland-Cliffs Inc of its Common Shares during the periods indicated.
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Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit) \$	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
January 1-31, 2006	-0-	-0-	-0-	-0-
February 1-28, 2006	-0-	-0-	-0-	-0-
March 1-31, 2006	5,243(2)	83.995	-0-	-0-
Total	5,243	\$ 83.995	-0-	-0-

- (1) The Company did not repurchase any of its equity securities during the period covered by this report pursuant to any publicly announced plan or program
- (2) Shares were acquired by the Company from an employee in connection with the vesting of restricted stock. Whole shares were repurchased to satisfy the tax withholding obligations of the employee on March 10, 2006.

(a) List of Exhibits-Refer to Exhibit Index on page 71.

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CLEVELAND-CLIFFS INC

Date: April 27, 2006

By /s/Donald J. Gallagher

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

Exhibit Number	Exhibit	
10(a)	* Form of the 2006 Restricted Shares Agreement for the Retirement Eligible Employee under the Incentive Equity Plan (as Amended and Restated as of May 13, 1997) dated March 14, 2006 (filed as Exhibit 99(a) to Form 8-K of Cleveland-Cliffs Inc on March 17, 2006)	Not Applicable
10(b)	* Form of the 2006 Restricted Shares Agreement for the Non-Retirement Eligible Employee under the Incentive Equity Plan's Agr	

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Exhibit Number	Exhibit
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 Filed Herewith dated by John S. Brinzo, Chairman and Chief Executive Officer for Cleveland-Cliffs Inc, as of April 27, 2006

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Very truly yours,

Cleveland-Cliffs Inc

By: /s/ W. R. Calfee
William R. Calfee
Executive Vice President-Commercial

cc: M. G. Rippey
D. J. Gallagher

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 fa
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- (d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 27, 2006

By /s/John S. Brinzo

John S. Brinzo

Chairman and Chief Executive Officer

- (d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 - 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
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**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**
