CLIFFS NATURAL RESOURCES INC.
Form 10-Q
October 25, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2013
OR
o 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	34-1464672
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
200 Public Square, Cleveland, Ohio	44114-2315
(Address of Principal Executive Offices)	(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 x NO o

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 x NO o

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

The number of shares outstanding of the registrant's common shares, par value $0.125 per share, was 153,124,101 as of October 21, 2013.

Table of Contents

TABLE OF CONTENTS

Table of Contents

DEFINITIONS

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
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as, many other subsidiaries)
ArcelorMittal USA	ArcelorMittal USA LLC (including many of its North American affiliates, subsidiaries and representatives. References to ArcelorMittal USA comprise all such relationships unless a specific ArcelorMittal USA entity is referenced)
ASC	Accounting Standards Codification
Bloom Lake	The Bloom Lake Iron Ore Mine Limited Partnership
Chromite Project	Cliffs Chromite Ontario Inc.
CLCC	Cliffs Logan County Coal LLC
Cockatoo Island	Cockatoo Island Joint Venture
DD&A	Depreciation, depletion and amortization
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States
Hibbing	Hibbing Taconite Company
ICE Plan	Amended and Restated Cliffs 2007 Incentive Equity Plan, as amended
Ispat	Ispat Inland Steel Company
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LIBOR	London Interbank Offered Rate
LTVSMC	LTV Steel Mining Company
MMBtu	Million British Thermal Units
Moody's	Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors
MRRT	Minerals Resource Rent Tax (Australia)
MSHA	U.S. Mine Safety and Health Administration
n/m	Not meaningful
Northshore	Northshore Mining Company
Oak Grove	Oak Grove Resources, LLC
OCI	Other comprehensive income (loss)
OPEB	Other postretirement benefits
Pinnacle	Pinnacle Mining Company, LLC
Pluton Resources	Pluton Resources Limited
S&P	Standard & Poor's Rating Services, a division of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and its successors
SEC	U.S. Securities and Exchange Commission
Severstal	Severstal Dearborn, LLC
Sonoma	Sonoma Coal Project

Substitute Rating Agency	A "nationally recognized statistical rating organization" within the meaning of Section 3 (a)(62) of the Exchange Act, selected by us (as certified by a certificate of officers confirming the decision of our board of directors) as a replacement agency of Moody's or S&P, or both of them, as the case may be
Tilden	Tilden Mining Company
TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel Canada	United States Steel Corporation

Table of Contents

Abbreviation or acronym	Term
VNQDC Plan	2005 Voluntary NonQualified Deferred Compensation Plan
VWAP	Volume Weighted Average Price
Wabush	Wabush Mines Joint Venture
WISCO	Wugang Canada Resources Investment Limited, a subsidiary of Wuhan Iron and Steel (Group) Corporation
2012 Equity Plan	Cliffs Natural Resources Inc. 2012 Incentive Equity Plan

Table of Contents

PART I
Item 1. Financial Statements
Statements of Unaudited Condensed Consolidated Operations
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	$1,454.6	$1,447.9	$3,928.8	$4,096.6
Freight and venture partners' cost reimbursements	92.0	97.0	246.8	240.2
	1,546.6	1,544.9	4,175.6	4,336.8
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,197.9)	(1,346.6)	(3,320.8)	(3,403.2)
SALES MARGIN	348.7	198.3	854.8	933.6
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(70.6)	(63.9)	(167.9)	(202.6)
Exploration costs	(10.6)	(45.6)	(45.9)	(95.2)
Miscellaneous - net	(43.5)	(12.5)	13.3	25.5
	(124.7)	(122.0)	(200.5)	(272.3)
OPERATING INCOME	224.0	76.3	654.3	661.3
OTHER INCOME (EXPENSE)				
Interest expense, net	(44.7)	(45.3)	(134.5)	(135.7)
Other non-operating income (expense)	(1.2)	1.4	(2.9)	1.0
	(45.9)	(43.9)	(137.4)	(134.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	178.1	32.4	516.9	526.6
INCOME TAX BENEFIT (EXPENSE)	(65.7)	64.0	(69.0)	235.2
EQUITY LOSS FROM VENTURES, net of tax	(0.5)	(15.3)	(73.9)	(22.7)
INCOME FROM CONTINUING OPERATIONS	111.9	81.1	374.0	739.1
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	2.0	(2.7)	2.0	5.1
NET INCOME	113.9	78.4	376.0	744.2
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	3.3	6.7	(5.8)	(25.2)
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$117.2	$85.1	$370.2	$719.0
PREFERRED STOCK DIVIDENDS	(12.9)	—	(35.9)	—
NET INCOME ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	$104.3	$85.1	$334.3	$719.0
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	$0.67	$0.62	$2.20	$5.02
Discontinued operations	0.01	(0.02)	0.01	0.04
	$0.68	$0.60	$2.21	$5.06
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	$0.65	$0.61	$2.13	$5.00
Discontinued operations	0.01	(0.02)	0.01	0.04

	$0.66	$0.59	$2.14	$5.04
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	153,029	142,396	151,288	142,332
Diluted	178,459	142,895	172,624	142,780
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	$0.44	$—	$1.22	$—
CASH DIVIDENDS DECLARED PER COMMON SHARE	$0.15	$0.63	$0.45	$1.54

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

Statements of Unaudited Condensed Consolidated Comprehensive Income
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$ 117.2	$ 85.1	$ 370.2	$ 719.0
OTHER COMPREHENSIVE INCOME (LOSS)				
Pension and OPEB liability, net of tax	6.6	7.6	20.8	20.9
Unrealized net gain (loss) on marketable securities, net of tax	4.4	(0.1)	7.6	(0.6)
Unrealized net gain (loss) on foreign currency translation	22.8	18.6	(124.9)	12.2
Unrealized net gain (loss) on derivative financial instruments, net of tax	28.3	14.2	(23.1)	13.6
OTHER COMPREHENSIVE INCOME (LOSS)	62.1	40.3	(119.6)	46.1
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(0.9)	(1.5)	(3.2)	(4.5)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$ 178.4	$ 123.9	$ 247.4	$ 760.6

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

Statements of Unaudited Condensed Consolidated Financial Position
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions) September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$298.8	$195.2
Accounts receivable, net	291.7	329.0
Inventories	438.4	436.5
Supplies and other inventories	257.4	289.1
Derivative assets	72.7	78.6
Other current assets	310.6	321.6
TOTAL CURRENT ASSETS	1,669.6	1,650.0
PROPERTY, PLANT AND EQUIPMENT, NET	11,354.8	11,207.3
OTHER ASSETS		
Investments in ventures	71.5	135.8
Goodwill	158.6	167.4
Intangible assets, net	110.8	129.0
Deferred income taxes	5.3	91.8
Other non-current assets	196.1	193.6
TOTAL OTHER ASSETS	542.3	717.6
TOTAL ASSETS	$13,566.7	$13,574.9

(continued)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

Statements of Unaudited Condensed Consolidated Financial Position
Cliffs Natural Resources Inc. and Subsidiaries - (Continued)

	(In Millions) September 30, 2013	December 31, 2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$350.8	$555.5
Accrued expenses	404.7	442.6
Income taxes payable	57.3	28.3
Current portion of debt	7.9	94.1
Deferred revenue	15.1	35.9
Derivative liabilities	36.1	13.2
Other current liabilities	188.6	211.9
TOTAL CURRENT LIABILITIES	1,060.5	1,381.5
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	556.1	618.3
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	299.5	252.8
DEFERRED INCOME TAXES	1,000.5	1,108.1
LONG-TERM DEBT	3,319.6	3,960.7
OTHER LIABILITIES	395.9	492.6
TOTAL LIABILITIES	6,632.1	7,814.0
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
EQUITY		
CLIFFS SHAREHOLDERS' EQUITY		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
7% Series A Mandatory Convertible, Class A, no par value and $1,000 per share liquidation preference (See Note 15)		
Issued and Outstanding - 731,250 shares (2012 - none)	731.3	—
Class B - 4,000,000 shares authorized		
Common Shares - par value $0.125 per share		
Authorized - 400,000,000 shares (2012 - 400,000,000 shares);		
Issued - 159,545,469 shares (2012 - 149,195,469 shares);		
Outstanding - 153,124,449 shares (2012 - 142,495,902 shares)	19.8	18.5
Capital in excess of par value of shares	2,029.8	1,774.7
Retained earnings	3,483.3	3,217.7
Cost of 6,421,264 common shares in treasury (2012 - 6,699,567 shares)	(306.1)	(322.6)
Accumulated other comprehensive loss	(178.4)	(55.6)
TOTAL CLIFFS SHAREHOLDERS' EQUITY	5,779.7	4,632.7
NONCONTROLLING INTEREST	1,154.9	1,128.2
TOTAL EQUITY	6,934.6	5,760.9
TOTAL LIABILITIES AND EQUITY	$13,566.7	$13,574.9

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

Statements of Unaudited Condensed Consolidated Cash Flows
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions) Nine Months Ended September 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	$ 376.0	$ 744.2
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	438.0	382.3
Derivatives and currency hedges	0.4	12.0
Equity loss in ventures (net of tax)	73.9	22.7
Deferred income taxes	(39.5)	(352.5)
Changes in deferred revenue and below-market sales contracts	(52.2)	(36.2)
Other	(18.3)	(55.7)
Changes in operating assets and liabilities:		
Receivables and other assets	36.2	(118.6)
Product inventories	(10.8)	(70.4)
Payables and accrued expenses	(117.8)	(252.3)
Net cash provided by operating activities	685.9	275.5
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(742.2)	(793.6)
Other investing activities	7.8	8.9
Net cash used by investing activities	(734.4)	(784.7)
FINANCING ACTIVITIES		
Net proceeds from issuance of Series A, Mandatory Convertible Preferred Stock, Class A	709.4	—
Net proceeds from issuance of common shares	285.3	—
Repayment of term loan	(847.1)	(49.9)
Borrowings under credit facilities	567.0	670.0
Repayment under credit facilities	(512.0)	(420.0)
Proceeds from equipment loan	62.1	—
Contributions by joint ventures, net	17.7	68.8
Common stock dividends	(68.8)	(217.8)
Preferred stock dividends	(23.0)	—
Other financing activities	(28.6)	(23.9)
Net cash provided by financing activities	162.0	27.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(9.9)	(0.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	103.6	(482.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	195.2	521.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 298.8	$ 39.5

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
See NOTE 20 - CASH FLOW INFORMATION.

Table of Contents

Cliffs Natural Resources Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with SEC rules and regulations and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, the financial position, results of operations, comprehensive income and cash flows for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the year ended December 31, 2013 or any other future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Basis of Consolidation

The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly owned and majority-owned subsidiaries, including the following operations:

Name	Location	Ownership Interest	Operation
Northshore	Minnesota	100.0%	Iron Ore
United Taconite	Minnesota	100.0%	Iron Ore
Wabush	Newfoundland and Labrador/ Quebec, Canada	100.0%	Iron Ore
Bloom Lake	Quebec, Canada	75.0%	Iron Ore
Tilden	Michigan	85.0%	Iron Ore
Empire	Michigan	79.0%	Iron Ore
Koolyanobbing	Western Australia	100.0%	Iron Ore
Pinnacle	West Virginia	100.0%	Coal
Oak Grove	Alabama	100.0%	Coal
CLCC	West Virginia	100.0%	Coal

Intercompany transactions and balances are eliminated upon consolidation.

Also included in our consolidated results are Cliffs Chromite Ontario Inc. and Cliffs Chromite Far North Inc. Cliffs Chromite Ontario Inc. holds a 100 percent interest in each of the Black Label and Black Thor chromite deposits and, together with Cliffs Chromite Far North Inc., a 70 percent interest in the Big Daddy chromite deposit, all located in northern Ontario, Canada.

Table of Contents

Equity Method Investments

Investments in unconsolidated ventures that we have the ability to exercise significant influence over, but not control, are accounted for under the equity method. The following table presents the detail of our investments in unconsolidated ventures and where those investments are classified in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2013 and December 31, 2012. Parentheses indicate a net liability.

				(In Millions)	
Investment	Classification	Accounting Method	Interest Percentage	September 30, 2013	December 31, 2012
Amapá	Investments in ventures	Equity Method	30	$29.4	$101.9
Cockatoo	Other liabilities[2]	Equity Method	—	N/A	(25.3)
Hibbing	Investments in ventures[1]	Equity Method	23	8.3	(2.1)
Other	Investments in ventures	Equity Method	Various	33.8	33.9
				$71.5	$108.4

[1] At December 31, 2012 the classification for Hibbing was Other liabilities.

[2] At December 31, 2012 our ownership interest percentage for Cockatoo was 50 percent.

Amapá

On December 27, 2012, our board of directors authorized the sale of our 30 percent interest in Amapá. Per this original agreement, together with Anglo American plc, we were to sell our respective interest in a 100 percent sale transaction to a single entity.

On March 28, 2013, an unknown event caused the Santana port shiploader to collapse into the Amazon River, preventing further ship loading by the mine operator, Anglo American plc. In light of the March 28, 2013 collapse of the Santana port shiploader and subsequent evaluation of the effect that this event had on the carrying value of our investment in Amapá as of June 30, 2013, we recorded an impairment charge of $67.6 million in the second quarter of 2013.

On August 28, 2013, we entered into an agreement to sell our 30 percent interest in Amapá to Anglo American plc for nominal cash consideration, plus the right to certain contingent deferred consideration upon the two year anniversary of the closing. The closing is conditional on obtaining certain regulatory approvals. The transaction is expected to close in the fourth quarter of 2013.

Cockatoo Island

On July 31, 2012, we entered into a definitive asset sale agreement with our joint venture partner, HWE Cockatoo Pty Ltd., to sell our beneficial interest in the mining tenements and certain infrastructure of Cockatoo Island to Pluton Resources, which was amended on August 31, 2012. On September 7, 2012, the closing date, Pluton Resources paid a nominal sum of AUD $4.00 and assumed ownership of the assets and responsibility for the environmental rehabilitation obligations and other assumed liabilities not inherently attached to the tenements acquired. The rehabilitation obligations and assumed liabilities that are inherently attached to the tenements were transferred to Pluton Resources upon registration by the Department of Mining and Petroleum denoting Pluton Resources as the tenement holder. Upon final settlement of the sale, which was completed during the second quarter of 2013, we transferred approximately $18.6 million related to the estimated cost of the rehabilitation.

Table of Contents

Discontinued Operations

On July 10, 2012, we entered into a definitive share and asset sale agreement to sell our 45 percent economic interest in the Sonoma joint venture coal mine located in Queensland, Australia. Upon completion of the transaction on November 12, 2012, we collected approximately AUD $141.0 million in net cash proceeds. The Sonoma operations previously were included in Other within our reportable segments.

Significant Accounting Policies

A detailed description of our significant accounting policies can be found in the audited financial statements for the fiscal year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the SEC. The significant accounting policies requiring updates have been included within the disclosures below.

Other Intangible Assets and Liabilities

Other intangible assets are subject to periodic amortization on a straight-line basis over their estimated useful lives or on a units of production basis as follows:

Intangible Assets	Basis	Useful Life (years)
Permits - Asia Pacific Iron Ore	Units of production	Life of mine
Permits - All Other	Straight line	15 - 40
Utility contracts	Straight line	5
Leases - North American Coal	Units of production	Life of mine
Leases - All Other	Straight line	4.5 - 17.5

Earnings Per Share

We present both basic and diluted earnings per share amounts. Basic earnings per share amounts are calculated by dividing Net Income Attributable to Cliffs Shareholders less any paid or declared but unpaid dividends on our depositary shares by the weighted average number of common shares outstanding during the period presented. Diluted earnings per share amounts are calculated by dividing Net Income Attributable to Cliffs Shareholders by the weighted average number of common shares, common share equivalents under stock plans using the treasury stock method and the number of common shares that would be issued under an assumed conversion of our outstanding depositary shares, each representing a 1/40th interest in a share of our Series A Mandatory Convertible Preferred Stock, Class A, under the if-converted method. Our outstanding depositary shares are convertible into common shares based on the volume weighted average of closing prices of our common stock over the 20 consecutive trading day period ending on the third day immediately preceding the end of the reporting period. Common share equivalents are excluded from EPS computations in the periods in which they have an anti-dilutive effect. See NOTE 18 - EARNINGS PER SHARE for further information.

Recent Accounting Pronouncements

On July 18, 2013, the FASB issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. ASU 2013-11 is effective for interim and annual periods beginning after December 15, 2013. We will adopt ASU 2013-11 in the fourth quarter of 2013 on a prospective basis, which will impact the presentation of our non-current Deferred income taxes and unrecognized tax benefits (within non-current Other liabilities) in the Statements of Unaudited Condensed Consolidated Financial Position.

Table of Contents

In February 2013, the FASB amended the guidance on the presentation of comprehensive income in order to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendment does not change the current requirements for reporting net income or other comprehensive income in financial statements. Rather, it requires the entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The new guidance was applied prospectively for reporting periods beginning after December 15, 2012. We adopted the provisions of guidance required for the period beginning January 1, 2013. Refer to NOTE 16 - SHAREHOLDERS' EQUITY for further information.

NOTE 2 - SEGMENT REPORTING

Our Company's primary operations are organized and managed according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group. The U.S. Iron Ore segment is comprised of our interests in five U.S. mines that provide iron ore to the integrated steel industry. The Eastern Canadian Iron Ore segment is comprised of two Eastern Canadian mines that primarily provide iron ore to the seaborne market for Asian steel producers. The Asia Pacific Iron Ore segment is located in Western Australia and provides iron ore to the seaborne market for Asian steel producers. The North American Coal segment is comprised of our four metallurgical coal mines and one thermal coal mine that provide metallurgical coal primarily to the integrated steel industry and thermal coal primarily to the energy industry. There are no intersegment revenues.

The Latin American Iron Ore operating segment is comprised of our 30 percent Amapá interest in Brazil. The Ferroalloys operating segment is comprised of our interests in chromite deposits held in Northern Ontario, Canada and the Global Exploration Group is focused on early involvement in exploration activities to identify new projects for future development or projects that add significant value to existing operations. The Latin American Iron Ore, Ferroalloys and Global Exploration Group operating segments do not meet reportable segment disclosure requirements and, therefore, are not reported separately.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold, and operating expenses identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs throughout the Company.

Table of Contents

The following table presents a summary of our reportable segments for the three and nine months ended September 30, 2013 and 2012, including a reconciliation of segment sales margin to Income from Continuing Operations Before Income Taxes and Equity Loss from Ventures:

	(In Millions)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Revenues from product sales and services:								
U.S. Iron Ore	$782.4	51 %	$796.0	52 %	$1,894.2	45 %	$1,942.7	45 %
Eastern Canadian Iron Ore	284.2	18 %	253.1	16 %	743.4	18 %	777.8	18 %
Asia Pacific Iron Ore	301.7	20 %	254.2	16 %	899.5	22 %	975.3	22 %
North American Coal	178.3	11 %	241.8	16 %	638.5	15 %	640.9	15 %
Other	—	— %	(0.2)	— %	—	— %	0.1	— %
Total revenues from product sales and services	$1,546.6	100 %	$1,544.9	100 %	$4,175.6	100 %	$4,336.8	100 %
Sales margin:								
U.S. Iron Ore	$273.5		$255.9		$647.1		$708.9	
Eastern Canadian Iron Ore	(22.0)		(40.5)		(52.3)		(43.0)	
Asia Pacific Iron Ore	99.0		(15.8)		255.3		256.1	
North American Coal	(1.8)		(1.3)		6.6		3.8	
Other	—		—		(1.9)		7.8	
Sales margin	348.7		198.3		854.8		933.6	
Other operating expense	(124.7)		(122.0)		(200.5)		(272.3)	
Other expense	(45.9)		(43.9)		(137.4)		(134.7)	
Income from continuing operations before income taxes and equity (loss) from ventures	$178.1		$32.4		$516.9		$526.6	
Depreciation, depletion and amortization:								
U.S. Iron Ore	$27.3		$24.9		$82.3		$71.9	
Eastern Canadian Iron Ore	46.8		41.7		130.3		118.2	
Asia Pacific Iron Ore	38.0		40.2		116.1		110.0	
North American Coal	38.8		25.1		99.7		69.5	
Other	2.2		1.0		9.6		12.7	
Total depreciation, depletion and amortization	$153.1		$132.9		$438.0		$382.3	
Capital additions (1):								
U.S. Iron Ore	$15.2		$19.6		$39.1		$82.5	
Eastern Canadian Iron Ore	181.5		285.5		535.3		593.4	
Asia Pacific Iron Ore	2.0		5.8		8.6		132.0	
North American Coal	10.4		33.3		37.2		105.1	
Other	2.2		10.3		4.9		61.0	
Total capital additions	$211.3		$354.5		$625.1		$974.0	

(1) Includes capital lease additions and non-cash accruals. Refer to NOTE 20 - CASH FLOW INFORMATION.

12

Table of Contents

A summary of assets by segment is as follows:

	(In Millions) September 30, 2013	December 31, 2012
Assets:		
U.S. Iron Ore	$ 1,770.6	$ 1,735.1
Eastern Canadian Iron Ore	7,982.7	7,605.1
Asia Pacific Iron Ore	1,188.7	1,506.3
North American Coal	1,831.8	1,877.8
Other	696.5	570.9
Total segment assets	13,470.3	13,295.2
Corporate	96.4	279.7
Total assets	$ 13,566.7	$ 13,574.9

NOTE 3 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2013 and December 31, 2012:

	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	September 30, 2013		December 31, 2012		September 30, 2013		December 31, 2012	
Derivative Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815:								
Interest-rate Swaps	Derivative assets	$ 1.7		$—		$—		$—
Foreign Exchange Contracts	Derivative assets	4.3	Derivative assets	16.2	Derivative liabilities	22.0	Derivative liabilities	1.9
Total derivatives designated as hedging instruments under ASC 815		$ 6.0		$ 16.2		$ 22.0		$ 1.9
Derivatives not designated as hedging instruments under ASC 815:								
Commodity Contracts		$—		$—	Derivative liabilities	$ 2.7		$—
Customer Supply Agreements	Derivative assets	62.1	Derivative assets	58.9		—		—
Provisional Pricing Arrangements	Derivative assets	4.6	Derivative assets	3.5	Derivative liabilities	11.4	Derivative liabilities	11.3
Total derivatives not designated as hedging instruments under ASC 815		$ 66.7		$ 62.4		$ 14.1		$ 11.3
Total derivatives		$ 72.7		$ 78.6		$ 36.1		$ 13.2

Table of Contents

Derivatives Designated as Hedging Instruments

Cash Flow Hedges

Australian and Canadian Dollar Foreign Exchange Contracts

We are subject to changes in foreign currency exchange rates as a result of our operations in Australia and Canada. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore sales. The functional currency of our Canadian operations is the U.S. dollar; however, the production costs for these operations primarily are incurred in the Canadian dollar. We use foreign currency exchange contracts to hedge our foreign currency exposure for a portion of our U.S. dollar sales receipts in our Australian functional currency entities and our Canadian dollar operating costs. For our Australian operations, U.S. dollars are converted to Australian dollars at the currency exchange rate in effect during the period the transaction occurred. For our Canadian operations, U.S. dollars are converted to Canadian dollars at the exchange rate in effect for the period the operating costs are incurred. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and U.S. currency exchange rates and U.S. and Canadian currency exchange rates, respectively, and to protect against undue adverse movement in these exchange rates. These instruments qualify for hedge accounting treatment, and are tested for effectiveness at inception and at least once each reporting period. If and when any of our hedge contracts are determined not to be highly effective as hedges, the underlying hedged transaction is no longer likely to occur, or the derivative is terminated, hedge accounting is discontinued.

As of September 30, 2013, we had outstanding Australian and Canadian foreign currency exchange contracts with notional amounts of $333.0 million and $453.5 million, respectively, in the form of forward contracts with varying maturity dates ranging from October 2013 to September 2014. This compares with outstanding Australian and Canadian foreign currency exchange contracts with a notional amount of $400.0 million and $630.4 million, respectively, as of December 31, 2012.

Changes in fair value of highly effective hedges are recorded as a component of Accumulated other comprehensive loss in the Statements of Unaudited Condensed Consolidated Financial Position. Any ineffectiveness is recognized immediately in income and, as of September 30, 2013 and 2012, there was no material ineffectiveness recorded for these foreign exchange contracts. Amounts recorded as a component of Accumulated other comprehensive loss are reclassified into earnings in the same period the forecasted transaction affects earnings. Of the amounts remaining in Accumulated other comprehensive loss related to Australian hedge contracts and Canadian hedge contracts, we estimate that losses of $13.4 million and gains of $1.0 million (net of tax), respectively, will be reclassified into earnings within the next 12 months.

Table of Contents

The following summarizes the effect of our derivatives designated as cash flow hedging instruments, net of tax in Accumulated other comprehensive loss in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 and 2012:

(In Millions)

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2013	2012		2013	2012
Australian Dollar Foreign Exchange Contracts (hedge designation)	$2.9	$1.4	Product revenues	$(8.9)	$5.1
Canadian Dollar Foreign Exchange Contracts (hedge designation)	9.2	11.3	Cost of goods sold and operating expenses	(7.3)	1.3
Total	$12.1	$12.7		$(16.2)	$6.4
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2013	2012		2013	2012
Australian Dollar Foreign Exchange Contracts (hedge designation)	$(25.2)	$7.5	Product revenues	$(4.5)	$7.8
Canadian Dollar Foreign Exchange Contracts (hedge designation)	(9.9)	6.2	Cost of goods sold and operating expenses	(7.5)	1.6
	$(35.1)	$13.7		$(12.0)	$9.4

Fair Value Hedges

Interest Rate Hedges

Interest rate risk is managed using a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments, such as U.S. treasury lock agreements and interest rate swaps. From time to time, these instruments, which are derivative instruments, are entered into to facilitate the maintenance of the desired ratio of variable- to fixed-rate debt. These derivative instruments, with a notional amount of $250.0 million, are designated and qualify as fair value hedges as of September 30, 2013. These instruments did not have a material impact on our financial statements for the year ended December 31, 2012.

Table of Contents

For derivative instruments that are designated and qualify as fair-value hedges, the gain or loss on the hedge instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current net income. We include the gain or loss on the derivative instrument and the offsetting loss or gain on the hedged item in Other non-operating income (expense). The net gain or loss recognized in Other non-operating income (expense) for the three and nine months ended September 30, 2013 and 2012 were as follows:

(In Millions)

Derivatives in Fair Value Hedging Relationships	Location of Gain Recognized in Income on Derivative	Net Gain Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2013	2012	2013	2012
Interest Rate Swaps	Other non-operating income (expense)	$0.1	$—	$0.1	$—

Derivatives Not Designated as Hedging Instruments

Customer Supply Agreements

Most of our U.S. Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors, some of which are subject to annual price collars in order to limit the percentage increase or decrease in prices for our iron ore pellets during any given year. The base price is the primary component of the purchase price for each contract. The inflation-indexed price adjustment factors are integral to the iron ore supply contracts and vary based on the agreement, but typically include adjustments based upon changes in the Platts 62 percent Fe market rate and/or international pellet prices and changes in specified Producers Price Indices, including those for all commodities, industrial commodities, energy and steel. The pricing adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement. In most cases, these adjustment factors have not been finalized at the time our product is sold. In these cases, we historically have estimated the adjustment factors at each reporting period based upon the best third-party information available. The estimates are then adjusted to actual when the information has been finalized. The price adjustment factors have been evaluated to determine if they contain embedded derivatives. The price adjustment factors share the same economic characteristics and risks as the host contract and are integral to the host contract as inflation adjustments; accordingly, they have not been separately valued as derivative instruments.

Certain supply agreements with one U.S. Iron Ore customer provide for supplemental revenue or refunds to the customer based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once the product is shipped. The derivative instrument, which is finalized based on a future price, is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. We recognized $53.9 million and $113.4 million as Product revenues in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively, related to the supplemental payments. This compares with Product revenues of $49.8 million and $131.8 million for the comparable respective periods in 2012. Derivative assets, representing the fair value of the pricing factors, were $62.1 million and $58.9 million in the September 30, 2013 and December 31, 2012 Statements of Unaudited Condensed Consolidated Financial Position, respectively.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on

Table of Contents

market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a freestanding derivative and is required to be accounted for separately once the provisional revenue has been recognized. The derivative instrument is adjusted to fair value through Product revenues each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined. At September 30, 2013 and December 31, 2012, we recorded $4.6 million and $3.5 million, respectively, as Derivative assets and $11.4 million and $11.3 million, respectively, as Derivative liabilities in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of final revenue rate with our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customers at September 30, 2013 and related to our U.S. Iron Ore and Eastern Canadian Iron Ore customers at December 31, 2012. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final revenue rate based on the price calculations established in the supply agreements. As a result, we recognized a net $24.3 million increase and a net $6.8 million decrease in Product revenues in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively, related to these arrangements. This compares with a net $8.1 million decrease and a net $10.3 million decrease in Product revenues for the comparable respective periods in 2012.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 and 2012:

(In Millions)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2013	2012	2013	2012
Foreign Exchange Contracts	Other income (expense)	$—	$—	$—	$0.3
Foreign Exchange Contracts	Income (Loss) from Discontinued Operations, net of tax	—	1.1	—	1.1
Commodity Contracts	Other non-operating income (expense)	(2.7)	—	(2.7)	—
Customer Supply Agreements	Product revenues	53.9	49.8	113.4	131.8
Provisional Pricing Arrangements	Product revenues	24.3	(10.3)	(6.8)	(10.3)
Total		$75.5	$40.6	$103.9	$122.9

Refer to NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS for additional information.

NOTE 4 - INVENTORIES

The following table presents the detail of our Inventories in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2013 and December 31, 2012:

	(In Millions)					
	September 30, 2013			December 31, 2012		
Segment	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	$160.4	$20.3	$180.7	$147.2	$22.9	$170.1
Eastern Canadian Iron Ore	54.2	36.2	90.4	62.6	44.2	106.8
Asia Pacific Iron Ore	54.0	34.7	88.7	36.7	37.2	73.9
North American Coal	55.6	23.0	78.6	36.7	49.0	85.7
Total	$324.2	$114.2	$438.4	$283.2	$153.3	$436.5

We recorded a lower-of-cost-or-market inventory charge during the third quarter of 2013 of $5.9 million relating to concentrate inventory primarily driven by extended maintenance shutdowns that resulted in higher costs and reduced fixed-cost leverage. We recorded these charges in Cost of goods sold and operating expenses in the Statements of Unaudited Condensed Consolidated Operations for our Eastern Canadian Iron Ore operations. For the nine months ended September 30, 2013, the lower-of-cost-or-market inventory charge recorded was $10.6 million concentrate inventory. During the first half of 2013, the Wabush concentrate inventory charge was caused by higher costs as a result of transitioning into concentrate-only production and the forest fire that temporarily idled the mine in June. Additionally, as a result of the idling of our Wabush pellet plant during the second quarter of 2013, we recorded a lower-of-cost-or-market inventory charge of $11.1 million relating to Wabush pellets that are contractually committed tons, and we recorded an unsaleable inventory impairment charge of $10.6 million relating to Wabush pellets. Both of these charges were recorded in Cost of goods sold and operating expenses in the second quarter of 2013 and included in the Statements of Unaudited Condensed Consolidated Operations for the nine months ended September 30, 2013 for our Eastern Canadian Iron Ore operations. No lower-of-cost-or-market inventory adjustments were recorded for the three and nine months ended September 30, 2012 within the Eastern Canadian Iron Ore operating segment results.
We recorded lower-of-cost-or-market inventory charges of $2.6 million and $5.3 million in Cost of goods sold and operating expenses in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively, for our North American Coal operations. These charges were a result of market declines and costs associated with operational and geological issues. For the three and nine months ended September 30, 2012, we recorded lower-of-cost-or-market inventory charges of $8.0 million and $17.9 million, respectively, for our North American Coal operations due to market prices for coal.

Table of Contents

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following table indicates the value of each of the major classes of our consolidated depreciable assets as of September 30, 2013 and December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012
Land rights and mineral rights	$7,826.5	$7,920.8
Office and information technology	119.3	92.4
Buildings	214.0	162.0
Mining equipment	1,554.7	1,290.7
Processing equipment	2,172.8	1,937.4
Railroad equipment	222.3	240.8
Electric power facilities	82.9	58.7
Port facilities	103.8	114.3
Interest capitalized during construction	25.5	20.8
Land improvements	63.0	43.9
Other	91.8	39.0
Construction in progress	1,049.2	1,123.9
	13,525.8	13,044.7
Allowance for depreciation and depletion	(2,171.0)	(1,837.4)
	$11,354.8	$11,207.3

We recorded depreciation and depletion expense of $148.3 million and $423.1 million in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively. This compares with depreciation and depletion expense of $127.7 million and $364.9 million for the three and nine months ended September 30, 2012, respectively.

The accumulated amount of capitalized interest included within construction in progress at September 30, 2013 is $30.1 million, of which $15.3 million was capitalized during 2013. At December 31, 2012, $17.1 million of capitalized interest was included within construction in progress, of which $15.4 million was capitalized during 2012.

NOTE 6 - DISCONTINUED OPERATIONS

The table below sets forth selected financial information related to operating results of our business classified as discontinued operations. While the reclassification of revenues and expenses related to discontinued operations for prior periods has no impact upon previously reported net income, the Statements of Unaudited Condensed Consolidated Operations present the revenues and expenses that were reclassified from the specified line items to discontinued operations. During the fourth quarter of 2012, we sold our 45 percent economic interest in Sonoma. The Sonoma operations previously were included in Other within our reportable segments.

Table of Contents

The following table presents detail of our operations related to our Sonoma operations in the Statements of Unaudited Condensed Consolidated Operations:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	$—	$42.6	$—	$141.6
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	$2.0	$(2.7)	$2.0	$5.2

Income (Loss) from Discontinued Operations, net of tax during the three and nine months ended September 30, 2013 relates to additional income tax benefit resulting from the actual tax gain from the sale of Sonoma as included on the 2012 tax return, which was filed during the three months ended September 30, 2013.

We recorded a loss from discontinued operations of $2.7 million, net of $1.2 million in income tax credits, and income from discontinued operations of $5.2 million, net of $2.1 million in tax expense in Income (Loss) from Discontinued Operations, net of tax for the three and nine months ended September 30, 2012, respectively, related to our previously owned interest in the Sonoma operations.

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES

Goodwill

The following table summarizes changes in the carrying amount of goodwill allocated by operating segment for the nine months ended September 30, 2013 and the year ended December 31, 2012:

	(In Millions)											
	September 30, 2013						December 31, 2012					
	U.S. Iron Ore	Eastern Canadian Iron Ore	Asia Pacific Iron Ore	North American Coal	Other	Total	U.S. Iron Ore	Eastern Canadian Iron Ore	Asia Pacific Iron Ore	North American Coal	Other	Total
Beginning Balance	$2.0	$—	$84.5	$—	$80.9	$167.4	$2.0	$986.2	$83.0	$—	$80.9	$1,152.1
Arising in business combinations	—	—	—	—	—	—	—	13.8	—	—	—	13.8
Impairment	—	—	—	—	—	—	—	(1,000.0)	—	—	—	(1,000.0)
Impact of foreign currency translation	—	—	(8.8)	—	—	(8.8)	—	—	1.5	—	—	1.5
Ending Balance	$2.0	$—	$75.7	$—	$80.9	$158.6	$2.0	$—	$84.5	$—	$80.9	$167.4
Accumulated Goodwill Impairment Loss	$—	$(1,000.0)	$—	$(27.8)	$—	$(1,027.8)	$—	$(1,000.0)	$—	$(27.8)	$—	$(1,027.8)

Table of Contents

Other Intangible Assets and Liabilities

Following is a summary of intangible assets and liabilities as of September 30, 2013 and December 31, 2012:

		(In Millions)					
		September 30, 2013			December 31, 2012		
	Classification	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Permits	Intangible assets, net	$130.3	$(35.7)	$94.6	$136.1	$(31.7)	$104.4
Utility contracts	Intangible assets, net	54.7	(40.8)	13.9	54.7	(32.4)	22.3
Leases	Intangible assets, net	5.7	(3.4)	2.3	5.7	(3.4)	2.3
Total intangible assets		$190.7	$(79.9)	$110.8	$196.5	$(67.5)	$129.0
Below-market sales contracts	Other current liabilities	$(46.0)	$13.3	$(32.7)	$(46.0)	$—	$(46.0)
Below-market sales contracts	Other liabilities	(250.7)	199.6	(51.1)	(250.7)	181.6	(69.1)
Total below-market sales contracts		$(296.7)	$212.9	$(83.8)	$(296.7)	$181.6	$(115.1)

Amortization expense relating to intangible assets was $4.8 million and $14.9 million for the three and nine months ended September 30, 2013, respectively, and is recognized in Cost of goods sold and operating expenses in the Statements of Unaudited Condensed Consolidated Operations. Amortization expense relating to intangible assets was $4.8 million and $14.1 million for the comparable respective periods in 2012. The estimated amortization expense relating to intangible assets for each of the five succeeding years is as follows:

	(In Millions)
	Amount
Year Ending December 31	
2013 (remaining three months)	$6.1
2014	19.3
2015	8.5
2016	8.4
2017	8.4
2018	7.8
Total	$58.5

The below-market sales contracts are classified as a liability and recognized over the term of the underlying contracts, which have remaining lives ranging from one to four years. For the three and nine months ended September 30, 2013, we recognized $14.7 million and $31.3 million, respectively, in Product revenues related to the below-market sales contracts, compared with $14.7 million and $31.3 million for the three and nine months ended September 30, 2012, respectively. The following amounts are estimated to be recognized in Product revenues for the remainder of this year and each of the three succeeding fiscal years:

	(In Millions)
	Amount
Year Ending December 31	
2013 (remaining three months)	$14.7
2014	23.0

2015	23.0
2016	23.1
Total	$83.8

Table of Contents

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following represents the assets and liabilities of the Company measured at fair value at September 30, 2013 and December 31, 2012:

	(In Millions)			
	September 30, 2013			
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	$ 192.0	$ —	$ —	$ 192.0
Derivative assets	—	1.7	66.7	68.4
Marketable securities	26.7	—	—	26.7
Foreign exchange contracts	—	4.3	—	4.3
Total	$ 218.7	$ 6.0	$ 66.7	$ 291.4
Liabilities:				
Derivative liabilities	$ —	$ 2.7	$ 11.4	$ 14.1
Foreign exchange contracts	—	22.0	—	22.0
Total	$ —	$ 24.7	$ 11.4	$ 36.1

	(In Millions)			
	December 31, 2012			
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	$ 100.0	$ —	$ —	$ 100.0
Derivative assets	—	—	62.4	62.4
Marketable securities	27.0	—	—	27.0
Foreign exchange contracts	—	16.2	—	16.2
Total	$ 127.0	$ 16.2	$ 62.4	$ 205.6
Liabilities:				
Derivative liabilities	$ —	$ —	$ 11.3	$ 11.3
Foreign exchange contracts	—	1.9	—	1.9
Total	$ —	$ 1.9	$ 11.3	$ 13.2

Financial assets classified in Level 1 at September 30, 2013 and December 31, 2012 include money market funds and available-for-sale marketable securities. The valuation of these instruments is based upon unadjusted quoted prices for identical assets in active markets.

The valuation of financial assets and liabilities classified in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable. Level 2 securities primarily include derivative financial instruments valued using financial models that use as their basis readily observable market parameters. At September 30, 2013, such derivative financial instruments included our existing foreign currency exchange contracts, commodity contracts, and

Table of Contents

interest rate swaps. At December 31, 2012, such derivative financial instruments included our existing foreign currency exchange contracts. The fair value of the foreign currency exchange contracts is based on forward market prices and represents the estimated amount we would receive or pay to terminate these agreements at the reporting date, taking into account creditworthiness, nonperformance risk and liquidity risks associated with current market conditions.

The derivative financial assets classified within Level 3 at September 30, 2013 and December 31, 2012 included a freestanding derivative instrument related to certain supply agreements with one of our U.S. Iron Ore customers. The agreements include provisions for supplemental revenue or refunds based on the customer’s annual steel pricing at the time the product is consumed in the customer’s blast furnaces. We account for this provision as a derivative instrument at the time of sale and adjust this provision to fair value as an adjustment to Product revenues each reporting period until the product is consumed and the amounts are settled. The fair value of the instrument is determined using a market approach based on an estimate of the annual realized price of hot-rolled steel at the steelmaker’s facilities, and takes into consideration current market conditions and nonperformance risk.

The Level 3 derivative assets and liabilities at September 30, 2013 and December 31, 2012, also consisted of derivatives related to certain provisional pricing arrangements with our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customers at September 30, 2013 and our U.S. Iron Ore and Eastern Canadian Iron Ore customers at December 31, 2012. These provisional pricing arrangements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through Product revenues each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

The following table illustrates information about quantitative inputs and assumptions for the derivative assets and derivative liabilities categorized in Level 3 of the fair value hierarchy:

Qualitative/Quantitative Information About Level 3 Fair Value Measurements

($ in millions)	Fair Value at 9/30/2013	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Provisional Pricing Arrangements	$4.6	Derivative assets	Market Approach	Management's Estimate of 62% Fe	$131
	$11.4	Derivative liabilities			
Customer Supply Agreement	$62.1	Derivative assets	Market Approach	Hot-Rolled Steel Estimate	$590 - $660 ($630)

The significant unobservable input used in the fair value measurement of the reporting entity’s provisional pricing arrangements is management’s estimate of 62 percent Fe price based upon current market data, including historical seasonality and forward-looking estimates determined by management. Significant increases or decreases in this input would result in a significantly higher or lower fair value measurement, respectively.

Table of Contents

The significant unobservable input used in the fair value measurement of the reporting entity's customer supply agreements is the future hot-rolled steel price that is estimated based on current market data, analysts' projections, projections provided by the customer and forward-looking estimates determined by management. Significant increases or decreases in this input would result in a significantly higher or lower fair value measurement, respectively.
Substantially all of the financial assets and liabilities are carried at fair value or contracted amounts that approximate fair value.
We recognize any transfers between levels as of the beginning of the reporting period, including both transfers into and out of levels. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the nine months of 2013 or 2012. The following tables represent a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2013 and 2012.

	(In Millions)			
	Derivative Assets (Level 3)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Beginning balance	$45.1	$83.9	$62.4	$157.9
Total gains				
Included in earnings	57.6	24.9	118.0	129.6
Settlements	(36.0)	(52.9)	(113.7)	(231.6)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Ending balance - September 30	$66.7	$55.9	$66.7	$55.9
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	$57.6	$24.9	$118.0	$129.6

	(In Millions)			
	Derivative Liabilities (Level 3)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Beginning balance	$(32.0)	$(15.8)	$(11.3)	$(19.5)
Total gains				
Included in earnings	20.6	4.1	(11.4)	(11.7)
Settlements	—	—	11.3	19.5
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Ending balance - September 30	$(11.4)	$(11.7)	$(11.4)	$(11.7)
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) on liabilities still held at the reporting date	$20.6	$4.1	$(11.4)	$(11.7)

Table of Contents

Gains and losses included in earnings are reported in Product revenues in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 and 2012.

The carrying amount for certain financial instruments (e.g. Accounts receivable, net, Accounts payable and Accrued expenses) approximate fair value and, therefore, have been excluded from the table below. A summary of the carrying amount and fair value of other financial instruments at September 30, 2013 and December 31, 2012 were as follows:

		(In Millions)			
		September 30, 2013		December 31, 2012	
	Classification	Carrying Value	Fair Value	Carrying Value	Fair Value
Other receivables:					
Customer supplemental payments	Level 2	$—	$—	$22.3	$21.3
ArcelorMittal USA—Receivable	Level 2	13.4	14.3	19.3	21.3
Other	Level 2	10.1	10.1	10.9	10.9
Total receivables		$23.5	$24.4	$52.5	$53.5
Long-term debt:					
Term loan—$1.25 billion	Level 2	$—	$—	$753.0	$753.0
Senior notes—$700 million	Level 2	699.4	719.2	699.4	759.4
Senior notes—$1.3 billion	Level 2	1,289.6	1,442.2	1,289.4	1,524.7
Senior notes—$400 million	Level 2	398.4	439.7	398.2	464.3
Senior notes—$500 million	Level 2	496.3	528.4	495.7	528.4
Revolving loan	Level 2	380.0	380.0	325.0	325.0
Equipment Loan Facilities	Level 2	54.2	54.2	—	—
Fair Value Adjustment to Interest Rate Hedge	Level 2	1.7	1.7	—	—
Total long-term debt		$3,319.6	$3,565.4	$3,960.7	$4,354.8

The fair value of the receivables and debt are based on the fair market yield curves for the remainder of the term expected to be outstanding.

The terms of one of our U.S. Iron Ore pellet supply agreements required supplemental payments to be paid by the customer during the period 2009 through 2012, with the option to defer a portion of the 2009 monthly amount up to $22.3 million in exchange for interest payments until the deferred amount was repaid in 2013. Interest was payable by the customer quarterly and began in September 2009 at the higher of 9 percent or the prime rate plus 350 basis points. During the first half of 2013, payments totaling $22.3 million on the outstanding amount due were made by the customer and the receivable was fully repaid by the end of June 2013. As of December 31, 2012, the receivable of $22.3 million was classified as current and recorded in Other current assets in the Statements of Unaudited Condensed Consolidated Financial Position as all supplemental payments to be paid by the customer were due by the end of 2013. The fair value of the receivable of $21.3 million at December 31, 2012 is based on a discount rate of 2.81 percent, which represented the estimated credit-adjusted risk-free interest rate for the period the receivable was outstanding.

In 2002, we entered into an agreement with Ispat that restructured the ownership of the Empire mine and increased our ownership from 46.7 percent to 79.0 percent in exchange for the assumption of all mine liabilities. Under the terms of the agreement, we indemnified Ispat from obligations of Empire in exchange for certain future payments to Empire and to us by Ispat of $120.0 million, recorded at a present value of $13.4 million and $19.3 million at September 30, 2013 and December 31, 2012, respectively, of which $10.0 million was recorded in Other current assets at September 30, 2013 and December 31, 2012. The fair value

Table of Contents

of the receivable of $14.3 million and $21.3 million at September 30, 2013 and December 31, 2012, respectively, is based on a discount rate of 1.98 percent and 2.85 percent, respectively, which represents the estimated credit-adjusted risk-free interest rate for the period the receivable is outstanding.
The fair value of long-term debt was determined using quoted market prices or discounted cash flows based upon current borrowing rates. The term loan and revolving loan are variable rate interest and approximate fair value. See NOTE 9 - DEBT AND CREDIT FACILITIES for further information.
Items Measured at Fair Value on a Non-Recurring Basis
The following tables present information about the impairment charges on both financial and nonfinancial assets that were measured on a fair value basis at September 30, 2013 and December 31, 2012. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

	(In Millions)				
	September 30, 2013				
Description	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Assets:					
Investment in ventures impairment - Amapá	—	—	—	$—	$67.6

In light of the March 28, 2013 collapse of the Santana port shiploader and subsequent evaluation of the effect that this event had on the carrying value of our investment in Amapá as of June 30, 2013, we recorded an impairment charge of $67.6 million in the second quarter of 2013.

	(In Millions)			
	December 31, 2012			
Description	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investment in ventures impairment - Amapá	$—	$—	$72.5	$72.5

On December 27, 2012, the board of directors approved the sale of our 30 percent investment in Amapá, which is recorded as an equity method investment in the Statements of Unaudited Condensed Consolidated Operations. The carrying value of the investment was reduced to fair value of $72.5 million as of December 31, 2012, resulting in an impairment charge of $365.4 million, which was recorded in the fourth quarter of 2012. We believe the sum of the sale proceeds approximates fair value. The fair value of the proceeds (and therefore the portion of the equity method investment measured at fair value) was determined using a probability-weighted cash flow approach.

Table of Contents

NOTE 9 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt as of September 30, 2013 and December 31, 2012:

($ in Millions)

September 30, 2013

Debt Instrument	Type	Annual Effective Interest Rate	Final Maturity	Total Face Amount	Total Debt	
$700 Million 4.875% 2021 Senior Notes	Fixed	4.89%	2021	$ 700.0	$ 699.4	(2)
$1.3 Billion Senior Notes:						
$500 Million 4.80% 2020 Senior Notes	Fixed	4.83%	2020	500.0	499.2	(3)
$800 Million 6.25% 2040 Senior Notes	Fixed	6.34%	2040	800.0	790.4	(4)
$400 Million 5.90% 2020 Senior Notes	Fixed	5.98%	2020	400.0	398.4	(5)
$500 Million 3.95% 2018 Senior Notes	Fixed	4.14%	2018	500.0	496.3	(6)
$1.75 Billion Credit Facility:						
Revolving Loan	Variable	2.08%	2017	1,750.0	380.0	(7)
Equipment Loans	Fixed	Various	2020	62.1	62.1	
Fair Value Adjustment to Interest Rate Hedge					1.7	
Total debt				$ 4,712.1	$ 3,327.5	
Less current portion					7.9	
Long-term debt					$ 3,319.6	

($ in Millions)

December 31, 2012

Debt Instrument	Type	Annual Effective Interest Rate	Final Maturity	Total Face Amount		Total Debt	
$1.25 Billion Term Loan	Variable	1.83%	2016	$ 847.1	(1)	$ 847.1	(1)
$700 Million 4.875% 2021 Senior Notes	Fixed	4.88%	2021	700.0		699.4	(2)
$1.3 Billion Senior Notes:							
$500 Million 4.80% 2020 Senior Notes	Fixed	4.80%	2020	500.0		499.2	(3)
$800 Million 6.25% 2040 Senior Notes	Fixed	6.25%	2040	800.0		790.2	(4)
$400 Million 5.90% 2020 Senior Notes	Fixed	5.90%	2020	400.0		398.2	(5)
$500 Million 3.95% 2018 Senior Notes	Fixed	4.14%	2018	500.0		495.7	(6)
$1.75 Billion Credit Facility:							
Revolving Loan	Variable	2.02%	2017	1,750.0		325.0	(7)
Total debt				$ 5,497.1		$ 4,054.8	
Less current portion						94.1	
Long-term debt						$ 3,960.7	

(1) During the first quarter of 2013, the term loan was repaid in full through repayments totaling $847.1 million. As of December 31, 2012, $402.8 million had been paid on the original $1.25 billion term loan and, of the remaining term loan, $94.1 million was classified as Current portion of debt. The current classification was based upon the principal payment terms of the arrangement requiring principal payments on each three-month anniversary following the funding of the term loan.

Table of Contents

(2) As of September 30, 2013 and December 31, 2012, the $700 million 4.875 percent senior notes were recorded at a par value of $700 million less unamortized discounts of $0.6 million for each period, based on an imputed interest rate of 4.89 percent.

(3) As of September 30, 2013 and December 31, 2012, the $500 million 4.80 percent senior notes were recorded at a par value of $500 million less unamortized discounts of $0.8 million for each period, based on an imputed interest rate of 4.83 percent.

(4) As of September 30, 2013 and December 31, 2012, the $800 million 6.25 percent senior notes were recorded at par value of $800 million less unamortized discounts of $9.6 million and $9.8 million, respectively, based on an imputed interest rate of 6.34 percent.

(5) As of September 30, 2013 and December 31, 2012, the $400 million 5.90 percent senior notes were recorded at a par value of $400 million less unamortized discounts of $1.6 million and $1.8 million, respectively, based on an imputed interest rate of 5.98 percent.

(6) As of September 30, 2013 and December 31, 2012, the $500 million 3.95 percent senior notes were recorded at a par value of $500 million less unamortized discounts of $3.7 million and $4.3 million, respectively, based on an imputed interest rate of 4.14 percent.

(7) As of September 30, 2013 and December 31, 2012, $380.0 million and $325.0 million revolving loans were drawn under the credit facility, respectively, and the principal amount of letter of credit obligations totaled $27.7 million for each period, thereby reducing available borrowing capacity to $1.3 billion and $1.4 billion for each period, respectively.

Credit Facility and Term Loan

On February 8, 2013, we amended the Term Loan Agreement among Cliffs Natural Resources Inc. and various lenders dated March 4, 2011, as amended, or term loan, and the Amended and Restated Multicurrency Credit Agreement among Cliffs Natural Resources Inc. and various lenders dated August 11, 2011 (as further amended by Amendment No. 1 as of October 16, 2012), or amended credit agreement, to effect the following:

- Suspend the current Funded Debt to EBITDA ratio requirement for all quarterly measurement periods in 2013, after which point it will revert back to the period ending March 31, 2014 until maturity.
- Require a Minimum Tangible Net Worth of approximately $4.6 billion as of each of the three-month periods ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013. Minimum Tangible Net Worth, in accordance with the amended credit agreement and term loan, is defined as total equity less goodwill and intangible assets.
- Maintain a Maximum Total Funded Debt to Capitalization of 52.5 percent from the amendments' effective date through the period ending December 31, 2013.
- The amended agreements retain the Minimum Interest Coverage Ratio requirement of 2.5 to 1.0.

During February 2013, we repaid the $847.1 million outstanding balance under the term loan through the use of proceeds from the 2013 public equity offerings. Additionally, as a result of the term loan repayment, the remaining deferred financing costs associated with the issuance of the term loan of $7.1 million were expensed. Upon the repayment of the term loan, the financial covenants associated with the term loan no longer were applicable.

Per the terms of the amended credit agreement, we are subject to higher borrowing costs. The applicable interest rate is determined by reference to the former Funded Debt to EBITDA ratio. Based on the amended terms, borrowing costs could increase as much as 0.5 percent relative to the outstanding borrowings, as well as 0.1 percent on unborrowed amounts. Furthermore, the amended credit agreement places certain restrictions upon our declaration and payment of dividends, our ability to consummate acquisitions and the debt levels of our subsidiaries.

Table of Contents

As of September 30, 2013, we were in compliance with all applicable financial covenants related to the amended credit agreement.

At December 31, 2012, prior to the amendments made on February 8, 2013 that are discussed above, the terms of the term loan and amended credit agreement each contained customary covenants that require compliance with certain financial covenants based on: (1) debt to earnings ratio (Total Funded Debt to EBITDA, as those terms are defined in the amended credit agreement), as of the last day of each fiscal quarter cannot exceed (i) 3.5 to 1.0, if none of the $270.0 million private placement senior notes due 2013 remain outstanding, or otherwise (ii) the then applicable maximum multiple under the $270.0 million private placement senior notes due 2013 and (2) interest coverage ratio (Consolidated EBITDA to Interest Expense, as those terms are defined in the amended credit agreement), for the preceding four quarters must not be less than 2.5 to 1.0 on the last day of any fiscal quarter. As the $270.0 million private placement senior notes due 2013 were repaid on December 28, 2012 with proceeds from the 2012 public debt offering, the financial covenant relating to the outstanding notes no longer was applicable. As of December 31, 2012, we were in compliance with the financial covenants related to both the term loan and the amended credit agreement.

Equipment Loans

During September 2013, we entered into $62.1 million of seven-year installment equipment loans with various interest rates. The loans are secured by equipment from our Eastern Canadian Iron Ore operations. Proceeds from the borrowings were used for general corporate purposes.

Short-Term Facilities

Asia Pacific Iron Ore maintains a bank contingent instrument and cash advance facility. The facility, which is renewable annually at the bank’s discretion, provides A$30.0 million ($27.9 million) at September 30, 2013 in credit for contingent instruments, such as performance bonds, and the ability to request a cash advance facility to be provided at the discretion of the bank. The facility limit was reduced from A$40.0 million to A$30.0 million during the third quarter of 2013. At December 31, 2012, the facility provided A$40.0 million ($41.6 million) in credit for contingent instruments. As of September 30, 2013, the outstanding bank guarantees under the facility totaled A$27.5 million ($25.6 million), thereby reducing borrowing capacity to A$2.5 million ($2.3 million). As of December 31, 2012, the outstanding bank guarantees under the facility totaled A$25.0 million ($26.0 million), thereby reducing borrowing capacity to A$15.0 million ($15.6 million). We have provided a guarantee of the facility, along with certain of our Australian subsidiaries. The terms of the short-term facility contain certain customary covenants; however, there are no financial covenants.

Letters of Credit

We issued standby letters of credit with certain financial institutions in order to support Bloom Lake’s general business obligations. In addition, we issued standby letters of credit with certain financial institutions during the third quarter of 2011 in order to support Wabush’s obligations. As of September 30, 2013 and December 31, 2012, these letter of credit obligations totaled $43.3 million and $96.9 million, respectively. All of these standby letters of credit are in addition to the letters of credit provided for under the amended credit agreement.

Table of Contents

Debt Maturities

The following represents a summary of our maturities of debt instruments, excluding borrowings on the amended credit agreement, based on the principal amounts outstanding at September 30, 2013:

	(In Millions)
	Maturities of Debt
2013 (October 1 - December 31)	$1.9
2014	7.9
2015	8.3
2016	8.6
2017	8.9
2018 and thereafter	2,926.5
Total maturities of debt	$2,962.1

NOTE 10 - LEASE OBLIGATIONS

We lease certain mining, production and other equipment under operating and capital leases. The leases are for varying lengths, generally at market interest rates and contain purchase and/or renewal options at the end of the terms. Our operating lease expense was $5.3 million and $19.5 million for the three and nine months ended September 30, 2013, respectively, compared with $6.7 million and $19.2 million for the same respective periods in 2012.

Future minimum payments under capital leases and non-cancellable operating leases at September 30, 2013 are as follows:

	(In Millions)		
	Capital Leases		Operating Leases
2013 (October 1 - December 31)	$18.2		$8.2
2014	65.5		20.0
2015	87.0		13.5
2016	36.1		8.3
2017	28.6		7.5
2018 and thereafter	54.2		21.5
Total minimum lease payments	$289.6		$79.0
Amounts representing interest	54.4		
Present value of net minimum lease payments	$235.2	(1)	

(1) The total is comprised of $51.3 million and $183.9 million classified as Other current liabilities and Other liabilities, respectively, in the Statements of Unaudited Condensed Consolidated Financial Position at September 30, 2013.

Table of Contents

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of $310.2 million and $265.1 million at September 30, 2013 and December 31, 2012, respectively. The following is a summary of the obligations as of September 30, 2013 and as of the year ended December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012
Environmental	$8.4	$15.7
Mine closure		
LTVSMC	19.4	18.3
Operating mines:		
U.S. Iron Ore	139.6	81.2
Eastern Canadian Iron Ore	76.6	88.9
Asia Pacific Iron Ore	26.2	22.4
North American Coal	40.0	38.6
Total mine closure	301.8	249.4
Total environmental and mine closure obligations	310.2	265.1
Less current portion	10.7	12.3
Long term environmental and mine closure obligations	$299.5	$252.8

Mine Closure

Our mine closure obligations are for our four consolidated U.S. operating iron ore mines, our two Eastern Canadian operating iron ore mines, our Asia Pacific operating iron ore mine, our five operating North American coal mines and a closed operation formerly operating as LTVSMC.

The accrued closure obligation for our active mining operations provides for contractual and legal obligations associated with the eventual closure of the mining operations. The accretion of the liability and amortization of the related asset is recognized over the estimated mine lives for each location.

The following represents a rollforward of our asset retirement obligation liability related to our active mining locations for the nine months ended September 30, 2013 and the year ended December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012 (1)
Asset retirement obligation at beginning of period	$231.1	$194.9
Accretion expense	13.6	17.6
Exchange rate changes	2.8	0.3
Revision in estimated cash flows	35.2	18.2
Payments	(0.3)	0.1
Asset retirement obligation at end of period	$282.4	$231.1

(1) Represents a 12-month rollforward of our asset retirement obligation at December 31, 2012.

The revisions in estimated cash flows recorded during the nine months ended September 30, 2013 primarily include estimated asset retirement costs for one of our U.S. Iron Ore mines associated with required storm water management systems expected to be implemented subsequent to the closure of the mine.

Table of Contents

NOTE 12 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The following are the components of defined benefit pension and OPEB expense for the three and nine months ended September 30, 2013 and 2012:

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Service cost	$9.6	$8.0	$29.2	$24.0
Interest cost	11.2	12.1	34.4	36.4
Expected return on plan assets	(16.2)	(14.9)	(49.3)	(44.7)
Amortization:				
Prior service costs	0.8	1.1	2.3	3.0
Net actuarial loss	7.5	7.4	22.5	22.4
Settlements	—	0.4	—	0.4
Net periodic benefit cost	$12.9	$14.1	$39.1	$41.5

Other Postretirement Benefits Expense

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Service cost	$3.0	$3.7	$9.2	$11.2
Interest cost	4.3	5.3	13.0	15.9
Expected return on plan assets	(5.0)	(4.3)	(15.0)	(12.9)
Amortization:				
Prior service costs	(0.9)	0.7	(2.7)	2.2
Net actuarial loss	2.9	2.8	8.7	8.4
Net periodic benefit cost	$4.3	$8.2	$13.2	$24.8

We made pension contributions of $36.1 million and $51.2 million for the three and nine months ended September 30, 2013, respectively, compared to pension contributions of $7.6 million and $32.5 million for the three and nine months ended September 30, 2012, respectively. The OPEB contributions, made annually in the first quarter, were $14.1 million and $21.9 million for the nine months ended September 30, 2013 and 2012, respectively.

NOTE 13 - STOCK COMPENSATION PLANS

Employees' Plans

On March 11, 2013, the Compensation and Organization Committee ("Committee") of the board of directors approved a grant under our shareholder-approved 2012 Equity Plan for the 2013 to 2015 performance period. A total of 1.0 million shares were granted under the award, consisting of 0.8 million performance shares and 0.2 million restricted share units.

Table of Contents

The 2012 Equity Plan was approved by our board of directors on March 13, 2012 and our shareholders approved it on May 8, 2012, effective as of March 13, 2012. The 2012 Equity Plan replaced the ICE Plan. The maximum number of shares that may be issued under the 2012 Equity Plan is 6.0 million common shares. During 2012, a total of 23.6 thousand and 426.6 thousand shares were granted under the 2012 Equity Plan and the ICE Plan, respectively.

The ICE Plan was terminated on May 8, 2012 and no additional grants will be issued from the ICE Plan after this date; however, all awards previously granted under the ICE Plan continue in full force and effect in accordance with the terms of the award.

For the outstanding ICE Plan and Equity Plan awards, each performance share, if earned, entitles the holder to receive common shares or cash within a range between a threshold and maximum number of our common shares, with the actual number of common shares earned dependent upon whether the Company achieves certain objectives and performance goals as established by the Committee. The performance share or unit grants vest over a period of three years and are intended to be paid out in common shares or cash in certain circumstances. Performance for the 2011 to 2013 performance period is measured on the basis of two factors: 1) relative TSR for the period and 2) three-year cumulative free cash flow. The relative TSR for the 2011 to 2013 performance period is measured against the constituents of the S&P Metals and Mining ETF Index on the last day of trading of the performance period. Performance for the 2012 to 2014 and for the 2013 to 2015 performance periods are measured only on the basis of relative TSR for the period and measured against the constituents of the S&P Metals and Mining ETF Index on the last day of trading of the performance period. The final payouts for the 2011 to 2013 performance period, the 2012 to 2014 performance period and the 2013 to 2015 performance period will vary from zero to 200 percent of the original grant. The restricted share units are subject to continued employment, are retention based, will vest at the end of the respective performance period, and are payable in common shares or cash in certain circumstances at a time determined by the Committee at its discretion.

Upon the occurrence of a change in control, all performance shares, restricted share units, restricted stock, performance units and retention units granted to a participant will vest and become nonforfeitable and will be paid out in cash.

Determination of Fair Value

The fair value of each grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. A correlation matrix of historic and projected stock prices was developed for both the Company and our predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the three plan-year agreements. We estimate the volatility of our common shares and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the remaining life of the performance plans.

The following assumptions were utilized to estimate the fair value for the first quarter of 2013 performance share grants:

Grant Date	Grant Date Market Price	Average Expected Term (Years)	Expected Volatility	Risk-Free Interest Rate	Dividend Yield	Fair Value	Fair Value (Percent of Grant Date Market Price)
March 11, 2013	$23.83	2.81	52.9%	0.40%	2.52%	$17.01	71.38%

Table of Contents

The fair value of the restricted share units is determined based on the closing price of the Company’s common shares on the grant date. The restricted share units granted under either the ICE Plan or 2012 Equity Plan vest over a period of three years.

NOTE 14 - INCOME TAXES

Our 2013 estimated annual effective tax rate before discrete items is approximately 16.2 percent. This estimated annual effective tax rate differs from the U.S. statutory rate of 35 percent primarily due to deductions for percentage depletion in excess of cost depletion related to U.S. operations, income not subject to tax and foreign taxes and benefits derived from operations outside the United States, which are taxed at rates lower than the U.S. statutory rate of 35 percent. There were discrete items booked in the first nine months of 2013 of approximately $14.7 million benefit. These adjustments relate primarily to deferred tax balances, which include the amendments of prior year income tax returns and the reversal of a previously recorded valuation allowance for which it was determined the benefit of the associated deferred tax asset is realizable.

NOTE 15 - CAPITAL STOCK

Depositary Shares

On February 21, 2013, we issued 29.25 million depositary shares, equivalent to 731,250 preferred shares, comprised of the 27.0 million depositary share offering and the exercise of an underwriters' over-allotment option to purchase an additional 2.25 million depositary shares. Each depositary share represents a 1/40th interest in a share of our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, without par value, or Preferred Share, at a price of $25 per depositary share for total net proceeds of approximately $709.4 million, after underwriter fees and discounts. Each Preferred Share has an initial liquidation preference of $1,000 per share (equivalent to a $25 liquidation preference per depositary share). When and if declared by our board of directors, we will pay cumulative dividends on each Preferred Share at an annual rate of 7.00 percent on the liquidation preference. We will pay declared dividends in cash on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2013 and to, and including February 1, 2016. Holders of the depositary shares are entitled to a proportional fractional interest in the rights and preferences of the Preferred Shares, including conversion, dividend, liquidation and voting rights, subject to the provisions of the deposit agreement.

The Preferred Shares may be converted, at the option of the holder, at the minimum conversion rate of 28.1480 of our common shares (equivalent to 0.7037 of our common shares per depositary share) at any time prior to February 1, 2016 or other than during a fundamental change conversion period, subject to anti-dilution adjustments. If not converted prior to that time, each Preferred Share will convert automatically on February 1, 2016 into between 28.1480 and 34.4840 common shares, par value $0.125 per share, subject to anti-dilution adjustments. The number of common shares issuable on conversion will be determined based on the average VWAP per share of our common shares during the 20 trading day period beginning on, and including, the 23rd scheduled trading day prior to February 1, 2016, subject to customary anti-dilution adjustments. Upon conversion, a minimum of 20.6 million common shares and a maximum of 25.2 million common shares will be issued.

If certain fundamental changes involving the Company occur, holders of the Preferred Shares may convert their shares into a number of common shares at the conversion rate that will be adjusted under certain circumstances, and such holders also will be entitled to a fundamental change dividend make-whole amount. The Preferred Shares are not redeemable.

Common Share Public Offering

On February 21, 2013, we issued 10.35 million common shares, comprised of the 9.0 million common share offering and the exercise of an underwriters' over-allotment option to purchase an additional 1.35 million common shares. We received net proceeds of approximately $285.3 million at a closing price of $29.00 per common share.

Table of Contents

Dividends

On March 20, 2013, our board of directors declared a cash dividend of $13.6111 per Preferred Share, which is equivalent to approximately $0.34 per depositary share. The cash dividend was paid on May 1, 2013 to our shareholders of record as of the close of business on April 15, 2013. On May 7, 2013, our board of directors declared the quarterly cash dividend of $17.50 per Preferred Share, which is equivalent to approximately $0.44 per depositary share. The cash dividend was paid on August 1, 2013 to our shareholders of record as of the close of business on July 15, 2013. On September 9, 2013, our board of directors declared the quarterly cash dividend of $17.50 per Preferred Share, which is equivalent to approximately $0.44 per depositary share. The cash dividend of $12.9 million will be paid on November 1, 2013 to our shareholders of record as of the close of business on October 15, 2013.

A $0.28 per common share cash dividend was paid on March 1, 2012 to our shareholders of record as of the close of business on February 15, 2012. On March 13, 2012, our board of directors increased the quarterly common share dividend by 123 percent to $0.625 per share. The increased cash dividend of $0.625 per share was paid on June 1, 2012, August 31, 2012 and December 3, 2012 to our common shareholders of record as of the close of business on April 27, 2012, August 15, 2012 and November 23, 2012, respectively. On February 11, 2013, our board of directors approved a reduction to our quarterly cash dividend rate by 76 percent to $0.15 per share. Our board of directors took this step in order to improve the future cash flows available for investment in the Phase II expansion at Bloom Lake, as well as to preserve our investment-grade credit ratings. The decreased dividend of $0.15 per share was paid on March 1, 2013, June 3, 2013 and September 3, 2013 to our common shareholders of record as of the close of business on February 22, 2013, May 17, 2013 and August 15, 2013, respectively.

Table of Contents

NOTE 16 - SHAREHOLDERS' EQUITY

The following table reflects the changes in shareholders' equity attributable to both Cliffs and the noncontrolling interests primarily related to Bloom Lake, Tilden and Empire of which Cliffs owns 75 percent, 85 percent and 79 percent, respectively, for the nine months ended September 30, 2013 and September 30, 2012:

	(In Millions)		
	Cliffs Shareholders' Equity	Noncontrolling Interest	Total Equity
December 31, 2012	$4,632.7	$1,128.2	$5,760.9
Comprehensive income			
Net income	370.2	5.8	376.0
Other comprehensive income (loss)	(122.8)	3.2	(119.6)
Total comprehensive income	247.4	9.0	256.4
Issuance of common shares	285.3	—	285.3
Issuance of Preferred Shares	709.4	—	709.4
Stock and other incentive plans	9.6	—	9.6
Common and Preferred Shares dividends	(104.7)	—	(104.7)
Capital contribution by noncontrolling interest to subsidiary	—	17.7	17.7
September 30, 2013	$5,779.7	$1,154.9	$6,934.6

	(In Millions)		
	Cliffs Shareholders' Equity	Noncontrolling Interest	Total Equity
December 31, 2011	$5,785.0	$1,254.7	$7,039.7
Comprehensive income			
Net income	719.0	25.2	744.2
Other comprehensive income	41.6	4.5	46.1
Total comprehensive income	760.6	29.7	790.3
Stock and other incentive plans	9.0	—	9.0
Common shares dividends	(217.8)	—	(217.8)
Undistributed gains to noncontrolling interest	—	11.3	11.3
Capital contribution by noncontrolling interest to subsidiary	—	64.7	64.7
Acquisition of controlling interest	—	(8.0)	(8.0)
September 30, 2012	$6,336.8	$1,352.4	$7,689.2

Table of Contents

The following table reflects the changes in Accumulated other comprehensive income (loss) related to Cliffs shareholders' equity for September 30, 2013 and September 30, 2012:

(In Millions)	Postretirement Benefit Liability, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2012	$(382.7)	$2.1	$316.3	$8.7	$(55.6)
Other comprehensive income (loss) before reclassifications	(1.1)	2.5	3.3	(5.0)	(0.3)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	6.4	0.1	—	(2.0)	4.5
Balance March 31, 2013	$(377.4)	$4.7	$319.6	$1.7	$(51.4)
Other comprehensive loss before reclassifications	(1.5)	(2.0)	(152.0)	(42.2)	(197.7)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	8.1	3.6	—	(2.2)	9.5
Balance June 30, 2013	$(370.8)	$6.3	$167.6	$(42.7)	$(239.6)
Other comprehensive income (loss) before reclassifications	(0.6)	3.5	22.8	12.1	37.8
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	6.3	0.9	—	16.2	23.4
Balance September 30, 2013	$(365.1)	$10.7	$190.4	$(14.4)	$(178.4)

(In Millions)	Postretirement Benefit Liability, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain on Foreign Currency Translation	Net Unrealized Gain on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2011	$(408.9)	$2.6	$312.5	$1.2	$(92.6)
Change during 2012	16.4	(0.6)	12.2	13.6	41.6
Balance September 30, 2012	$(392.5)	$2.0	$324.7	$14.8	$(51.0)

Table of Contents

The following table reflects the details about Accumulated other comprehensive income (loss) components related to Cliffs shareholders' equity for the three and nine months ended September 30, 2013:

	(In Millions)		
Details about Accumulated Other Comprehensive Income (Loss) Components	Amount of (Gain)/Loss Reclassified into Income		Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	
Amortization of Pension and Postretirement Benefit Liability:			
Prior-service costs	$(0.1)	$(0.4)	(1)
Net actuarial loss	10.4	31.2	(1)
	10.3	30.8	Total before taxes
	(4.0)	(10.0)	Income tax benefit (expense)
	$6.3	$20.8	Net of taxes
Unrealized gain (loss) on marketable securities:			
Sale of marketable securities	$0.6	$(0.5)	Other non-operating income (expense)
Impairment	—	5.3	Other non-operating income (expense)
	0.6	4.8	Total before taxes
	0.3	(0.2)	Income tax benefit (expense)
	$0.9	$4.6	Net of taxes
Unrealized gain (loss) on derivative financial instruments:			
Australian dollar foreign exchange contracts	$12.7	$6.4	Product revenues
Canadian dollar foreign exchange contracts	11.0	11.3	Cost of goods sold and operating expenses
	23.7	17.7	Total before taxes
	(7.5)	(5.7)	Income tax benefit (expense)
	$16.2	$12.0	Net of taxes
Total Reclassifications for the Period	$23.4	$37.4	

(1) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. See NOTE 12 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

Table of Contents

NOTE 17 - RELATED PARTIES

Three of our five U.S. iron ore mines and one of our two Eastern Canadian iron ore mines are owned with various joint venture partners that are integrated steel producers or their subsidiaries. We are the manager of each of the mines we co-own and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets and concentrate that we produce. The joint venture partners are also our customers. The following is a summary of the mine ownership of these iron ore mines at September 30, 2013:

Mine	Cliffs Natural Resources	ArcelorMittal	U.S. Steel Canada	WISCO
Empire	79.0 %	21.0 %	—	—
Tilden	85.0 %	—	15.0 %	—
Hibbing	23.0 %	62.3 %	14.7 %	—
Bloom Lake	75.0 %	—	—	25.0 %

ArcelorMittal has a unilateral right to put its interest in the Empire mine to us, but has not exercised this right to date.

Product revenues from related parties were as follows:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Product revenues from related parties	$455.5	$476.1	$1,211.6	$1,279.6
Total product revenues	1,454.6	1,447.9	3,928.8	4,096.6
Related party product revenue as a percent of total product revenue	31.3 %	32.9 %	30.8 %	31.2 %

Amounts due from related parties recorded in Accounts receivable, net and Derivative assets, including customer supply agreements and provisional pricing arrangements, were $124.2 million and $149.8 million at September 30, 2013 and December 31, 2012, respectively. Amounts due to related parties recorded in Other current liabilities, including provisional pricing arrangements and liabilities to related parties, were $38.5 million and $20.2 million at September 30, 2013 and December 31, 2012, respectively.

Table of Contents

NOTE 18 - EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings per share:

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income from Continuing Operations attributable to Cliffs shareholders	$115.2	$87.8	$368.2	$713.9
Income from Discontinued Operations, net of tax	2.0	(2.7)	2.0	5.1
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$117.2	$85.1	$370.2	$719.0
PREFERRED STOCK DIVIDENDS	(12.9)	—	(35.9)	—
NET INCOME ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	$104.3	$85.1	$334.3	$719.0
Weighted Average Number of Shares:				
Basic	153.0	142.4	151.3	142.3
Depositary Shares	25.2	—	21.1	—
Employee Stock Plans	0.2	0.5	0.2	0.5
Diluted	178.4	142.9	172.6	142.8
Earnings per Common Share Attributable to Cliffs Common Shareholders - Basic:				
Continuing operations	$0.67	$0.62	$2.20	$5.02
Discontinued operations	0.01	(0.02)	0.01	0.04
	$0.68	$0.60	$2.21	$5.06
Earnings per Common Share Attributable to Cliffs Common Shareholders - Diluted:				
Continuing operations	$0.65	$0.61	$2.13	$5.00
Discontinued operations	0.01	(0.02)	0.01	0.04
	$0.66	$0.59	$2.14	$5.04

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments

In 2011, we began to incur capital commitments related to the expansion of the Bloom Lake mine. The Phase II expansion project includes expansion of the mine and the mine's processing capabilities. The capital investment also includes common infrastructure necessary to sustain current operations and support the expansion. As previously announced, we are continuing to delay certain components of the Phase II expansion at the Bloom Lake mine, including the completion of the concentrator and load-out facility. Common infrastructure projects necessary to sustain current operations and support the expansion are continuing as planned. Through September 30, 2013, approximately $1.3 billion of the total capital investment for the Bloom Lake expansion project had been committed, of which a total of approximately $1.2 billion had been expended. Of the remaining committed capital, expenditures of approximately $104 million are expected to be made during the remainder of 2013.

Table of Contents

Contingencies

Litigation

We are currently a party to various claims and legal proceedings incidental to our operations. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material effect on our financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, additional funding requirements or an injunction. If an unfavorable ruling were to occur, there exists the possibility of a material impact on the financial position and results of operations of the period in which the ruling occurs, or future periods. However, we believe that any pending litigation will not result in a material liability in relation to our unaudited condensed consolidated financial statements.

NOTE 20 - CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures for the nine months ended September 30, 2013 and 2012 is as follows:

	(In Millions) Nine Months Ended September 30,	
	2013	2012
Capital additions	$625.1	$974.0
Cash paid for capital expenditures	742.2	793.6
Difference	$(117.1)	$180.4
Non-cash accruals	$(117.1)	$125.1
Capital leases	—	55.3
Total	$(117.1)	$180.4

Non-Cash Financing Activities - Declared Dividends

On September 9, 2013, our board of directors declared the quarterly cash dividend on our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, of $17.50 per share, which is equivalent to approximately $0.44 per depositary share, each representing 1/40th of a share of Series A preferred stock. The cash dividend of $12.9 million will be payable on November 1, 2013 to our shareholders of record as of the close of business on October 15, 2013.

NOTE 21 - SUBSEQUENT EVENTS

We have evaluated subsequent events through the date of financial statement issuance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 as well as other publicly available information.

Table of Contents

Overview

Cliffs Natural Resources Inc. traces its corporate history back to 1847. Today, we are an international mining and natural resources company. A member of the S&P 500 Index, we are a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Our Company’s operations are organized according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group.

We have been executing a strategy designed to achieve scale in the mining industry and focused on serving the world’s largest and fastest growing steel markets. In the United States, we currently operate five iron ore mines in Michigan and Minnesota, four metallurgical coal mines located in West Virginia and Alabama, and one thermal coal mine located in West Virginia. We also operate two iron ore mines in Eastern Canada. Our Asia Pacific operations consist solely of our Koolyanobbing iron ore mining complex in Western Australia. In Ontario, Canada, we have a major chromite project in the feasibility study stage of development. In addition, our Global Exploration Group is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations.

The key driver of our business is global demand for steelmaking raw materials in both developed and emerging economies, with China and the United States representing the two largest markets for our Company. In the first nine months of 2013, China produced approximately 587 million metric tons of crude steel, or approximately 49 percent of total global crude steel production, whereas the U.S. produced approximately 65 million metric tons of crude steel, or about 5 percent of total crude steel production. These figures represent an approximate 9 percent increase and a 4 percent decrease, respectively, in crude steel production over the comparable period in 2012.

Global crude steel production continued to grow in the third quarter of 2013, led by increased production in a resilient Chinese economy that grew at an increased rate in the third quarter in part due to minor reforms to domestic lending policies. U.S. crude steel production declined in the first nine months of 2013 when compared to the same period in 2012, partly due to increased import competition. 2013 appears to mark a return to the pre-financial crisis trend in crude steel production, after a strong recovery year in 2012. Despite these factors, the pricing environment for steelmaking raw materials was healthy, which directly impacted our first nine months of 2013 performance.

During the remainder of 2013, we expect year-over-year steel production to rise in China, and to remain stable near the current pace in the United States. China's growth will be predicated on continued urbanization and the consequent demand for housing and durable goods. In the United States, steel production faces the challenge of increased imports, partially offset by healthy demand from motor vehicle producers and continued demand from construction activities. We continue to expect that Chinese steel production will outpace the growth in Chinese iron ore production, which will face increasing production costs due primarily to diminishing iron ore grades and rising wages. Chinese iron ore, while abundant, is a lower grade than Australian and Brazilian ore, containing less than two thirds of the equivalent iron ore content on average.

The global price of iron ore is significantly influenced by Chinese demand, and the change in spot market prices in the first nine months of 2013 reflected strong and continued economic expansion in China. The world market price that is utilized most commonly in our sales contracts is the Platts 62 percent Fe fines price, which has reflected this trend. The Platts 62 percent Fe fines spot price increased 17.0 percent to an average price of $133 per ton for the three months ended September 30, 2013 compared to the respective quarter of 2012. In comparison, the year-to-date Platts pricing has increased 2.0 percent to an average price of $135 per ton during the nine months ended September 30, 2013. The spot price volatility impacts our realized revenue rates, particularly in our Eastern Canadian Iron Ore and Asia Pacific Iron Ore business segments as the related contracts are correlated heavily to world market spot pricing. However, the impact of this volatility on our U.S. Iron Ore revenues is muted slightly because the pricing in our long-term contracts mostly is structured to be based on 12-month averages, including some contracts with established annual price collars. Additionally, contracts often are priced partially or completely on other indices instead of world market spot prices.

During the first nine months of 2013 and 2012, capacity utilization among U.S. steelmaking facilities remained unchanged at an average rate of approximately 77 percent. Domestic capacity utilization was in line with the trend in global capacity utilization, which also remained unchanged in the first nine months of 2013 at an average rate of approximately 79 percent, when compared to the same period in 2012. Domestically, both the automotive industry, housing market activity and growth in the oil and natural gas industry supported U.S. steel demand in the first nine months of 2013, providing sources of healthy demand for our products, but was offset by increased imports due in part to a strengthening U.S. dollar.

The metallurgical coal market continues to be in an oversupplied position. This is due largely to low demand by European, Japanese and South American coking coal consumers and increased supply from Australia producers. As a result, the benchmark Platts price for premium low-volatile hard coking coal decreased from $225 per ton for the three months ended September 30, 2012 to $145 per ton during the third quarter of 2013. In comparison, the year-to-date benchmark Platts price for premium low-volatile hard coking coal decreased from $223 per ton for the nine months ended September 30, 2012 to $161 per ton during the nine months ended September 30, 2013. The decline in market pricing has impacted negatively realized revenue rates for our North American Coal business segment.

Our consolidated revenues for the three and nine months ended September 30, 2013 were $1.5 billion and $4.2 billion, respectively, with net income from continuing operations per diluted share of $0.65 and $2.13, respectively. This compares with revenues of $1.5 billion and $4.3 billion, with net income from continuing operations per diluted share of $0.61 and $5.00, for the comparable periods in 2012. Net income in the first nine months of 2013 was impacted negatively by a $67.6 million asset impairment charge related to our investment in Amapá. Net income in the first nine months of 2012 was impacted positively by $277.8 million of discrete tax items, primarily due to the enactment of the MRRT in Australia.

Growth Strategy and Strategic Transactions

Through a number of strategic acquisitions executed over recent years, we have increased significantly our portfolio of assets, enhancing our production profile and growth project pipeline. Our capital allocation strategy is designed to prioritize among all potential uses of future cash flows in a manner that is most meaningful for shareholders. We plan on using future cash flows to develop organic growth projects and to reduce debt over time. Maintaining financial flexibility as commodity pricing changes throughout the business cycle is imperative to our ability to execute our strategic initiatives.

As we continue to expand our operating scale and geographic presence as an international mining and natural resources company, we have shifted our strategy from a merger and acquisition-based strategy to one that primarily focuses on organic growth and expansion initiatives. Our focus is investing in the expansion of our seaborne iron ore production capabilities driven by our belief in the long-term outlook for the seaborne iron ore market. Throughout the first nine months of 2013, we continued to make investments in Bloom Lake, our large-scale seaborne iron ore growth project in Eastern Canada. Maximizing Bloom Lake's production capabilities represents an opportunity to create significant shareholder value. We expect the Phase II expansion at Bloom Lake to meaningfully enhance our future earnings and cash flow generation by increasing sales volume and reducing unit operating costs. As previously announced, we have continued to delay certain components of the Bloom Lake Phase II expansion, including the completion of the concentrator and load-out facility. Common infrastructure projects necessary to sustain current operations and support the expansion are continuing as planned. The commencement of Phase II's construction activities will depend on a number of factors, including but not limited to, market conditions, iron ore pricing and project milestones, which we continue to monitor.

We also own additional development properties, known as Labrador Trough South, located in Quebec that potentially could allow us to leverage parts of our existing infrastructure in Eastern Canada to supply additional iron ore into the seaborne market in future years if developed.

Table of Contents

Our chromite project, which was moved into the feasibility study stage of development in May of 2012, continues to represent an opportunity for us to diversify; however, certain project-related activities have been deferred pending satisfactory resolution of unresolved issues. In June 2013, we announced a temporary suspension of the environmental assessment activities for the project due to delayed approval of the Terms of Reference for the provincial environmental assessment process, uncertainty regarding the federal environmental assessment process, unresolved land surface rights issues and unfinished economic agreements with the Province of Ontario. Early in September 2013, the First Nations-initiated judicial challenge to the federal environmental assessment process was resolved when certain of the First Nation communities that initiated the challenge decided to withdraw and have the matter dismissed in favor of negotiating a process with the Company. Separately, on September 10, 2013, the Ontario Mining and Lands Commissioner ruled in favor of an unpatented mining claim holder by dismissing an application filed by us to dispense with the need for that claimholder's consent to use a portion of the surface of that claimholder's claims for a road for the project. We have filed to appeal this decision by the Mining and Lands Commissioner. Delayed approval of the Terms of Reference for the provincial environmental assessment process and unfinished agreements with the Province of Ontario that are critical to the project's economic viability also remain outstanding; therefore, we have not resumed the environmental assessment activities for the project.

Business Segments

Our Company's primary operations are organized and managed according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group. The Latin American Iron Ore, Ferroalloys and Global Exploration Group operating segments do not meet the criteria for reportable segments.

Results of Operations – Consolidated

2013 Compared to 2012

The following is a summary of our consolidated results of operations for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	2013	2012	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	$1,546.6	$1,544.9	$1.7	$4,175.6	$4,336.8	$(161.2)
Cost of goods sold and operating expenses	(1,197.9)	(1,346.6)	148.7	(3,320.8)	(3,403.2)	82.4
Sales margin	$348.7	$198.3	$150.4	$854.8	$933.6	$(78.8)
Sales margin %	22.5%	12.8%	9.7%	20.5%	21.5%	(1.0)%

Revenues from Product Sales and Services

Sales revenue for the three and nine months ended September 30, 2013 increased $1.7 million and decreased $161.2 million, respectively from each of the comparable periods in 2012.

The increase in sales revenue during the third quarter of 2013 primarily was attributable to higher realized revenue rates of $47.3 million, offset by lower worldwide sales volumes of $38.0 million. The increase in our realized revenue rates during the third quarter of 2013 compared to the third quarter of 2012 were 2.0 percent, 2.8 percent and 28.4 percent for our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore operations, respectively, which were offset partially by a decrease in realized revenue rates of 23.2 percent at our North American Coal operations. Offsetting the overall higher realized revenue rates was the decrease in lower worldwide iron ore sales volume of $32.9 million or 298 thousand tons during the third quarter of 2013 as compared to the same period in 2012.

Table of Contents

The decrease in sales revenue during the first nine months of 2013 compared to the first nine months of 2012 primarily was attributable to lower worldwide iron ore sales volumes of $169.9 million or 1.3 million tons and lower realized revenue rates of $109.6 million, partially offset by higher North American Coal sales volumes of $110.6 million or 897 thousand tons. The decrease in our realized revenue rates during the first nine months of 2013 compared to the first nine months of 2012 was 15.3 percent, 1.7 percent and 0.7 percent for our North American Coal, U.S. Iron Ore and Eastern Canadian Iron Ore operations, respectively. These realized revenue rate decreases were offset partially by an increased realized revenue rate of 1.1 percent for our Asia Pacific Iron Ore operations.

Refer to "Results of Operations – Segment Information" for additional information regarding the specific factors that impacted revenue during the period.

Cost of Goods Sold and Operating Expenses

Cost of goods sold and operating expenses for the three and nine months ended September 30, 2013 were $1,197.9 million and $3,320.8 million, respectively, which represented a decrease of $148.7 million and $82.4 million, or 11.0 percent and 2.4 percent, respectively, from the comparable prior-year periods.

Cost of goods sold and operating expenses for the three months ended September 30, 2013 decreased primarily as a result of cost rate decreases of $95.8 million and a favorable foreign exchange rate impact of $36.5 million. Cost rate decreases of $47.9 million, $20.7 million, $19.4 million and $7.8 million at our North American Coal, Asia Pacific Iron Ore, U.S. Iron Ore and Eastern Canadian Iron Ore operations, respectively, primarily were driven by favorable fixed-cost leverage as a result of strong production period-over-period at our North American Coal operations and lower mining costs at our Asia Pacific Iron Ore operations.

Cost of goods sold and operating expenses for the nine months ended September 30, 2013 decreased primarily as a result of cost rate decreases of $83.8 million and a favorable foreign exchange rate impact of $50.2 million. Cost rate decreases of $105.6 million at our North American Coal operations were driven primarily by favorable fixed-cost leverage as a result of strong production period-over-period. These cost decreases were offset partially by additional costs of $32.3 million related to inventory write-downs at our Eastern Canadian Iron Ore operations during the nine months ended September 30, 2013.

Refer to "Results of Operations – Segment Information" for additional information regarding the specific factors that impacted our operating results during the period.

Other Operating Income (Expense)

The following is a summary of other operating income (expense) for the three and nine months ended September 30, 2013 and 2012:

	(In Millions) Three Months Ended September 30, 2013	2012	Variance Favorable/ (Unfavorable)	Nine Months Ended September 30, 2013	2012	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	$(70.6)	$(63.9)	$(6.7)	$(167.9)	$(202.6)	$34.7
Exploration costs	(10.6)	(45.6)	35.0	(45.9)	(95.2)	49.3
Miscellaneous - net	(43.5)	(12.5)	(31.0)	13.3	25.5	(12.2)
	$(124.7)	$(122.0)	$(2.7)	$(200.5)	$(272.3)	$71.8

Selling, general and administrative expenses during the three and nine months ended September 30, 2013 increased $6.7 million and decreased $34.7 million, respectively, over the comparable periods in 2012. The three and nine months ended September 30, 2013 was impacted by $8.2 million in severance costs related to the voluntary and involuntary terminations as a result of cost savings actions and unfavorable incremental legal matter costs of approximately $6.6 million for the three and nine months ended September

Table of Contents

30, 2013 compared to the same prior-year periods. These increases in selling, general and administrative expenses were offset partially by reductions in outside service and technology spending during the three and nine months ended September 30, 2013 by $7.1 million and $33.8 million, respectively, over the comparable periods in 2012. Additionally, general travel and employee-related expenses were $8.7 million lower for the nine months ended September 30, 2013 as compared to the comparable period in 2012.

Exploration costs decreased by $35.0 million and $49.3 million during the three and nine months ended September 30, 2013, respectively, from the comparable periods in 2012, primarily due to decreases in costs at our Ferroalloys and Global Exploration Group operating segments. Our Ferroalloys operating segment had cost decreases of $14.9 million and $10.5 million in the third quarter and first nine months of 2013, respectively, over the comparable prior-year periods. During 2012, there were increased engineering and drilling costs due to the external resources utilized to support the Chromite Project feasibility study that were not recurring in 2013. Our Global Exploration Group had cost decreases of $17.8 million and $35.3 million in the third quarter and first nine months of 2013, respectively, over the comparable prior-year periods, due to lower drilling and professional services spend for certain projects.

Miscellaneous – net was unfavorable by $31.0 million and $12.2 million during the three and nine months ended September 30, 2013, respectively, from the comparable periods in 2012. The three months ended September 30, 2013 were impacted negatively as a result of the Pointe Noire oil spill during the period as we incurred casualty losses of $17.8 million and as a result of minimum contractual shipment tonnage not being met as a result of the delay in the Bloom Lake Phase II expansion, which resulted in incurred penalties of $15.9 million. Additionally, an unfavorable incremental increase of $11.2 million was due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity. These unfavorable items were offset partially by the decrease in the incremental losses from the sale of assets of $10.8 million and insurance recoveries of $6.2 million compared to the comparable prior-year period.

The nine months ended September 30, 2013 were impacted negatively by $17.8 million and $21.5 million, respectively, as a result of the Pointe Noire oil spill and Bloom Lake Phase II minimum contractual shipment penalties, as discussed above. Additionally, there was a decrease of $10.9 million in net insurance recoveries related to Oak Grove mine and various legal settlements period-over-period. These unfavorable period-over-period impacts were offset partially by an increase of $33.9 million due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity. In addition, there were incremental gains from the sale of assets of $23.0 million for the nine months ended September 30, 2013 predominately related to the final transfer of assets associated with the closure of Cockatoo.

Failure to meet minimum monthly shipment requirements as a result of the continued delay in the Bloom Lake Phase II expansion is expected to result in penalties of approximately $16 million for the remainder of 2013 and each quarter until the Bloom Lake Phase II expansion is completed.

Table of Contents

Other Income (Expense)

The following is a summary of other income (expense) for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	2013	2012	Variance Favorable/ (Unfavorable)
Interest expense, net	$(44.7)	$(45.3)	$0.6	$(134.5)	$(135.7)	$1.2
Other non-operating income (expense)	(1.2)	1.4	(2.6)	(2.9)	1.0	(3.9)
	$(45.9)	$(43.9)	$(2.0)	$(137.4)	$(134.7)	$(2.7)

Income Taxes

Our tax rate is affected by permanent items, such as depletion and the relative amount of income we earn in various foreign jurisdictions with tax rates that differ from the U.S. statutory rate. It also is affected by discrete items that may occur in any given period, but are not consistent from period to period. The following represents a summary of our tax provision and corresponding effective rates for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance	2013	2012	Variance
Income tax benefit (expense)	$(65.7)	$64.0	$(129.7)	$(69.0)	$235.2	$(304.2)
Effective tax rate	36.9%	(197.5)%	234.4%	13.3%	(44.7)%	58.0%

Table of Contents

A reconciliation of the statutory rate to the effective tax rate for the nine months ended September 30, 2013 and 2012 is as follows:

	(In Millions) Nine Months Ended September 30,			
	2013		2012	
Tax at U.S. statutory rate of 35 percent	$180.9	35.0 %	$184.3	35.0 %
Increases/(Decreases) due to:				
Percentage depletion	(61.0)	(11.8)	(86.4)	(16.4)
Impact of foreign operations	10.3	2.1	20.0	3.8
Income not subject to tax	(68.7)	(13.3)	(86.9)	(16.5)
Valuation allowance on future tax benefits	21.2	4.1	—	—
Other items - net	1.0	0.1	11.6	2.2
Provision for income tax and effective income tax rate before discrete items	83.7	16.2	42.6	8.1
Discrete items:				
Mineral Resources Rent Tax	—	—	(314.9)	(59.8)
Prior year adjustments made in current year	(13.4)	(2.6)	—	—
Foreign exchange remeasurement	(1.4)	(0.3)	62.1	11.8
Valuation allowance	(8.8)	(1.7)	—	—
Tax uncertainties	8.9	1.7	(23.7)	(4.5)
Other items - net	—	—	(1.3)	(0.3)
Provision for income tax expense (benefit) and effective income tax rate including discrete items	$69.0	13.3 %	$(235.2)	(44.7)%

Our tax provision for the nine months ended September 30, 2013 was an expense of $69.0 million and a 13.3 percent effective tax rate compared with a benefit of $235.2 million and an effective tax rate of negative 44.7 percent for the comparable prior-year period. The difference in the effective rate from the prior year is due primarily to the enactment of the MRRT by the Australian federal government in March 2012 offset by the effect of currency elections on remeasurement made in 2012 and a decrease in 2013 of favorable impact of permanent items, including depletion and income not subject to tax relative to income before taxes.

Discrete items for the nine months ended September 30, 2013, provided a benefit of approximately $14.7 million. These adjustments relate primarily to adjustments to deferred tax balances, which include the amendments of prior-year income tax returns and the reversal of a previously recorded valuation allowance for which it was determined the benefit of the associated deferred tax asset is realizable. Discrete items for the nine months ended September 30, 2012 related to the enactment of the MRRT by the Australian federal government and the impact of currency elections on remeasurement of deferred tax assets and liabilities. The MRRT had a financial statement tax benefit of $314.7 million, which partially was offset by the impact of currency elections on remeasurement of deferred tax assets and liabilities of $60.5 million.

Our 2013 estimated annual effective tax rate before discrete items is approximately 16.2 percent. This estimated annual effective tax rate differs from the U.S. statutory rate of 35 percent primarily due to deductions for percentage depletion in excess of cost depletion related to U.S. operations, income not subject to tax and foreign taxes and benefits derived from operations outside the U.S., which are taxed at rates lower than the U.S. statutory rate of 35 percent.

See NOTE 14 - INCOME TAXES for further information.

Table of Contents

Equity Loss from Ventures

Equity loss from ventures for the three and nine months ended September 30, 2013 of $0.5 million and $73.9 million, respectively, compares to $15.3 million and $22.7 million, for the respective periods in 2012. The equity loss from ventures for the nine months ended September 30, 2013 primarily is comprised of the impairment charge of $67.6 million related to our 30 percent ownership interest in Amapá.

Income (Loss) from Discontinued Operations, net of tax

Income from discontinued operations, net of tax is comprised of the 45 percent economic interest in the Sonoma joint venture coal mine. The Sonoma joint venture coal mine, the sale of which occurred in the fourth quarter of 2012, resulted in a net loss of $2.7 million and net income of $5.2 million for the three and nine months ended September 30, 2012, respectively. Income from discontinued operations, net of tax in the current period relates to additional income tax benefit resulting from the actual tax gain from the sale of Sonoma included on the 2012 tax return, which was filed during the three months ended September 30, 2013.

Noncontrolling Interest

Noncontrolling interest primarily is comprised of our consolidated, but less-than-wholly owned subsidiaries at the Bloom Lake and Empire mining operations. The net loss attributable to the noncontrolling interest related to Bloom Lake was $14.2 million and $12.0 million for the three and nine months ended September 30, 2013, respectively, compared to a net loss attributable to noncontrolling interest of $2.0 million and net income attributable to the noncontrolling interest of $2.3 million for the comparable respective periods in 2012.

The net income attributable to the noncontrolling interest of the Empire mining venture was $10.9 million and $17.9 million for the three and nine months ended September 30, 2013, respectively, compared to a net loss attributable to the noncontrolling interest of $4.4 million and net income attributable to the noncontrolling interest of $23.2 million for the comparable respective periods in 2012.

Results of Operations – Segment Information

We are organized and managed according to product category and geographic location. Segment information reflects our strategic business units, which are organized to meet customer requirements and global competition. We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold and operating expenses identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs.

Table of Contents

2013 Compared to 2012

U.S. Iron Ore

The following is a summary of U.S. Iron Ore results for the three months ended September 30, 2013 and 2012:

	(In Millions)							
			Changes due to:					
	Three Months Ended September 30,		Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
	2013	2012						
Revenues from product sales and services	$782.4	$796.0	$14.7	$(33.2)	$ —	$ 4.9	$(13.6)
Cost of goods sold and operating expenses	(508.9)	(540.1)	19.4	18.5	(1.8)	(4.9)	31.2
Sales margin	$273.5	$255.9	$34.1	$(14.7)	$ (1.8)	$ —	$17.6

	Three Months Ended September 30,			
Per Ton Information	2013	2012	Difference	Percent change
Realized product revenue rate[1]	$112.67	$110.51	$2.16	2.0 %
Cost of goods sold and operating expenses rate[1] (excluding DDA)	64.81	67.81	(3.00)	(4.4)%
Depreciation, depletion & amortization	4.34	3.79	0.55	14.5 %
Total cost of goods sold and operating expenses rate	69.15	71.60	(2.45)	(3.4)%
Sales margin	$43.52	$38.91	$4.61	11.8 %
Sales tons[2] (In thousands)	6,285	6,576		
Production tons[2] (In thousands)				
Total	7,000	6,914		
Cliffs' share of total	5,176	5,075		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

[2] Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was $273.5 million for the three months ended September 30, 2013, compared with a sales margin of $255.9 million for the three months ended September 30, 2012. Sales margin per ton increased 11.8 percent to $43.52 per ton in the third quarter of 2013 compared to the third quarter of 2012.

Revenue decreased by $18.5 million, excluding the increase of $4.9 million of freight and reimbursements from the prior year, predominantly as a result of:

- Lower sales volumes of 291 thousand tons or $33.2 million:

  Primarily driven by reduced tonnage with a customer due to their force majeure, the expiration of one contract with a continuing customer, lower full-year nomination by a customer and timing of shipments due to inventory level management; and

Partially offset by the placement of more export tons into Europe, including pellet contracts transferred from Wabush, and additional spot contracts with a major customer.

Table of Contents

- Offset by the increase to the average revenue rate, which resulted in an increase of $14.7 million. The average realized product revenue rate increased by $2.16 per ton or 2.0 percent to $112.67 per ton in the third quarter of 2013 as a result of:
  - Increases in customer pricing drove the average realized rate up by $7 per ton primarily due to an increase in market pricing and increased supplemental revenue due to changes in hot-band-steel pricing, which are key pricing mechanisms in most of our contracts. Additionally, one customer contract increased the average rate by $4 per ton due to the previously negotiated reset of the contract base rate; and
  - Offset by the change in customer mix, which was unfavorable to the average realized rates by $5 per ton due to increased sales with overseas customers, which have lower realized rates due to higher freight costs as well as an unfavorable mix with our Great Lakes customers. Additionally, realized revenue rates were impacted negatively by $3 per ton as a result of recently extended contracts.

Cost of goods sold and operating expenses in the third quarter of 2013 decreased $36.1 million, excluding the increase of $4.9 million of freight and reimbursements from the same period in the prior year, primarily as a result of:

- The third quarter of 2012 being impacted adversely due to $25.0 million of higher cost inventory being sold due to LIFO effects; and
- Lower sales volumes that resulted in decreased costs of $18.5 million compared to the comparable prior-year period.

On a per-ton basis, depreciation, depletion and amortization rate increased period-over-period as a result of capital placed into service during 2012 and in 2013 at our Michigan operations.

Table of Contents

The following is a summary of U.S. Iron Ore results for the nine months ended September 30, 2013 and 2012:

	(In Millions)						
			Changes due to:				
	Nine Months Ended September 30,		Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
	2013	2012					
Revenues from product sales and services	$1,894.2	$1,942.7	$(28.5)	$(36.1)	$ —	$ 16.1	$(48.5)
Cost of goods sold and operating expenses	(1,247.1)	(1,233.8)	14.2	13.4	(24.8)	(16.1)	(13.3)
Sales margin	$647.1	$708.9	$(14.3)	$(22.7)	$ (24.8)	$ —	$(61.8)

	Nine Months Ended September 30,			
Per Ton Information	2013	2012	Difference	Percent change
Realized product revenue rate[1]	$113.23	$115.19	$(1.96)	(1.7)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	64.91	64.48	0.43	0.7 %
Depreciation, depletion & amortization	5.45	4.67	0.78	16.7 %
Total cost of goods sold and operating expenses rate	70.36	69.15	1.21	1.7 %
Sales margin	$42.87	$46.04	$(3.17)	(6.9)%
Sales tons[2] (In thousands)	15,095	15,399		
Production tons[2] (In thousands)				
Total	19,983	21,260		
Cliffs' share of total	14,777	15,739		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

[2] Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was $647.1 million for the nine months ended September 30, 2013, compared with sales margin of $708.9 million for the nine months ended September 30, 2012. The decline compared to the prior year is attributable to a decrease in revenue of $48.5 million as well as an increase in cost of goods sold and operating expenses of $13.3 million. Sales margin per ton decreased 6.9 percent to $42.87 in the first nine months of 2013 compared to the first nine months of 2012.

Revenue decreased by $64.6 million, excluding the increase of $16.1 million of freight and reimbursements from the prior year, predominantly due to:

•Lower sales volumes of 304 thousand tons or $36.1 million:

Primarily driven by reduced tonnage with a customer due to their force majeure, the expiration of one contract with a continuing customer, lower full-year nomination by a customer and the bankruptcy of one customer in 2012; and

Partially offset by the placement of an additional 1.1 million export tons primarily into Europe including pellet contracts transferred from Wabush as well as trial and spot cargoes in Europe during the first nine months of 2013 when compared to the same prior-year period. We additionally benefited from additional customer demand, specifically additional spot contracts with a major customer.

Table of Contents

•A decline in the average revenue rate, which resulted in a decrease of $28.5 million also was a contributing factor to the decrease in year-over-year revenues. The average year-to-date realized product revenue rate declined by $1.96 per ton or 1.7 percent to $113.23 per ton in 2013. This decline is a result of:

Unfavorable customer mix impacted the realized revenue rates by $3 per ton primarily due to higher sales tonnage to overseas customers, which have lower realized revenue rates driven by freight;

Realized revenue rates were impacted negatively by $2 per ton as a result of recently extended contracts; and

Offset by one customer contract that increased the average rate by $3 per ton due to the reset of the contract base rate.

Cost of goods sold and operating expenses in the first nine months of 2013 decreased $2.8 million, excluding the increase of $16.1 million of freight and reimbursements from the same period in the prior year, predominantly as a result of:

- Lower sales volumes decreased costs by $13.4 million compared to the comparable prior-year period;
- Lower costs of $13.0 million attributable to the change in sales mix to include less Empire-ArcelorMittal equity tons when compared to the prior year; and
- Offset by higher idle costs of $24.8 million due to the previously announced temporary idling of production at the Empire mine and the idle of two of the four production lines at our Northshore mine.

Production

Cliffs' share of production in our U.S. Iron Ore segment decreased by 6.1 percent in the first nine months of 2013 when compared to the comparable period in 2012. As previously announced, beginning on January 5, 2013, we idled two of the four furnaces at the Northshore mine, resulting in decreased production of 0.4 million and 1.1 million tons when compared to the first three and nine months of 2012, respectively. Additionally, production at Empire during the three months ended September 30, 2013 was 0.6 million tons higher than the prior-year quarter as a result of increased production due to the duration of the summer idle period-over-period.

Table of Contents

Eastern Canadian Iron Ore

The following is a summary of Eastern Canadian Iron Ore results for the three months ended September 30, 2013 and 2012:

	(In Millions)							
			Change due to:					
	Three Months Ended September 30,		Revenue and cost rate	Sales volume	Idle cost/ production volume variance	Inventory write-down	Exchange rate	Total change
	2013	2012						
Revenues from product sales and services	$284.2	$253.1	$8.7	$22.4	$—	$ —	$—	$31.1
Cost of goods sold and operating expenses	(306.2)	(293.6)	7.8	(30.4)	4.0	(5.6)	11.6	(12.6)
Sales margin	$(22.0)	$(40.5)	$16.5	$(8.0)	$4.0	$ (5.6)	$11.6	$18.5

	Three Months Ended September 30,			
Per Ton Information	2013	2012	Difference	Percent change
Realized product revenue rate	$109.52	$106.57	$2.95	2.8 %
Cost of goods sold and operating expenses rate (excluding DDA)	99.96	106.06	(6.10)	(5.8)%
Depreciation, depletion & amortization	18.03	17.56	0.47	2.7 %
Total cost of goods sold and operating expenses rate	117.99	123.62	(5.63)	(4.6)%
Sales margin	$(8.47)	$(17.05)	$8.58	n/m
Sales tons[1] (In thousands)	2,595	2,375		
Production tons[1] (In thousands)	2,198	2,255		

[1] Tons are metric tons (2,205 pounds).

We reported a sales margin loss for our Eastern Canadian Iron Ore segment of $22.0 million for the three months ended September 30, 2013, compared with a sales margin loss of $40.5 million for the three months ended September 30, 2012. Sales margin per ton improved to a loss of $8.47 per ton in the third quarter of 2013 compared to a sales margin loss of $17.05 per ton in the third quarter of 2012.

Table of Contents

Revenue increased by $31.1 million and realized rates increased $2.95 per ton for the three months ended September 30, 2013 when compared to the same period in the prior year, predominantly as a result of:

- Higher Wabush sinter feed sales volumes of 705 thousand tons, offset partially by lower pellet sales volumes of 446 thousand tons due to idling of pellet production at the Wabush Scully mine during the second quarter of 2013. The increase in volume at Wabush resulted in an additional $24.0 million in revenue during the period, offset slightly by the decrease in volume at Bloom Lake that reduced revenue by $1.6 million; and
- An increase driven by changes in spot market pricing offset by lower pellet premiums due to a shift in product mix resulted in an increase of $8.7 million primarily as a result of:

An increase in the Platts 62 percent Fe spot rate to an average of $133 per ton from $113 per ton in the comparable prior-year quarter resulted in an increase of $19 per ton, partially offset by timing impacts of $9 per ton period-over-period. The timing impacts mostly are related to 2012 pricing where the rapid fall in Platts pricing was mitigated by pricing mechanisms based on annual averages and/or 90-plus day lag periods;

A reduction in average pellet premiums as our Eastern Canadian Iron Ore segment ceased pellet production at our Wabush facility in June 2013 and going forward will only be producing sinter feed, pellet sales will continue to decrease as a percentage of the product mix in the future. During the third quarter of 2013, 16 percent of products sold were pellets, compared to 38 percent in the comparable prior-year period, which resulted in the realized revenue rate decreasing by $3 per ton due to lower average pellet premiums; and

A reduction due to higher freight rates decreasing the average revenue rate by $3 per ton. The Brazil to China benchmark freight rates increased by 29 percent in the third quarter of 2013 compared to the third quarter of 2012.

Cost of goods sold and operating expenses during the three months ended September 30, 2013 increased from the same period last year by $12.6 million primarily due to:

- Higher Wabush sales volumes resulting in increased costs of $32.1 million compared to the comparable prior-year period;
- Offset partially by favorable foreign exchange rate variances of $11.6 million; and
- Lower cost during the third quarter of 2013 compared to the third quarter of 2012 as a result of the lower-of-cost-or-market adjustments recorded on the pellet and concentrate inventories that were recorded during the second quarter of 2013 and due to the change in product mix to include lower cost concentrate sales during the third quarter of 2013.

Table of Contents

The following is a summary of Eastern Canadian Iron Ore results for the nine months ended September 30, 2013 and 2012:

	(In Millions)							
			Change due to:					
	Nine Months Ended September 30,		Revenue and cost rate	Sales volume	Idle cost/ Production volume variance	Inventory write-down	Exchange rate	Total change
	2013	2012						
Revenues from product sales and services	$743.4	$777.8	$5.6	$(40.0)	$—	$ —	$—	$(34.4)
Cost of goods sold and operating expenses	(795.7)	(820.8)	(12.9)	33.7	22.3	(32.3)	14.3	25.1
Sales margin	$(52.3)	$(43.0)	$(7.3)	$(6.3)	$22.3	$ (32.3)	$14.3	$(9.3)