

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 March 31, 1994  
OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .  
Commission File Number:1-8944

CLEVELAND-CLIFFS INC  
(Exact name of registrant as specified in its charter)

Ohio 34-1464672  
(State or other jurisdiction of (I.R.S. Employer  
incorporation) Identification No.)

1100 Superior Avenue, Cleveland, Ohio 44114-2589  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (216) 694-5700

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  
--- ---

As of April 30, 1994, there were 12,080,060 Common Shares (par value \$1.00 per share) outstanding.

<TABLE>

PART I - FINANCIAL INFORMATION

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED INCOME

<CAPTION>

	(In Millions, Except Per Share Amounts) Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
REVENUES		
Product sales and services	\$40.1	\$32.5
Royalties and management fees	8.0	8.2
Total Operating Revenues	48.1	40.7
Investment income (securities)	1.2	2.3
Other income	0.2	0.3
TOTAL REVENUES	49.5	43.3
COSTS AND EXPENSES		
Cost of goods sold and operating expenses	39.5	37.3
Administrative, selling and general expenses	4.0	3.7
Interest expense	1.6	1.6
Other expenses	1.4	0.9

TOTAL COSTS AND EXPENSES	46.5	43.5
INCOME (LOSS) BEFORE INCOME TAXES	3.0	(0.2)
Income taxes (credits)		
Currently payable	0.8	(0.1)
Deferred	-	-
TOTAL INCOME TAXES (CREDITS)	0.8	(0.1)
NET INCOME (LOSS)	\$2.2	(\$0.1)
INCOME (LOSS) PER COMMON SHARE	\$0.18	(\$0.01)

</TABLE>

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<TABLE>

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

<CAPTION>

	(In Millions)	
ASSETS	March 31, 1994	December 31 1993
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$63.6	\$67.9
Marketable securities	92.5	93.1
	156.1	161.0
Accounts receivable	15.5	36.9
Product inventories	41.3	27.5
Deferred income taxes	14.1	14.1
Other	10.8	10.5
TOTAL CURRENT ASSETS	237.8	250.0
PROPERTIES	172.0	172.6
Less allowances for depreciation and depletion	(137.5)	(137.3)
TOTAL PROPERTIES	34.5	35.3
INVESTMENTS IN ASSOCIATED COMPANIES	149.3	152.3
OTHER ASSETS		
Long-term investments	57.7	57.4
Deferred income taxes	6.8	6.5
Other	44.9	43.9
TOTAL OTHER ASSETS	109.4	107.8
TOTAL ASSETS	\$531.0	\$545.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	\$50.3	\$64.0
LONG-TERM OBLIGATIONS	75.0	75.0
POST-EMPLOYMENT BENEFITS	71.7	71.2
RESERVE FOR CAPACITY RATIONALIZATION	22.5	21.7
OTHER LIABILITIES	32.3	32.8
SHAREHOLDERS' EQUITY		
Preferred Stock		

Class A - No Par Value		
Authorized - 500,000 shares; Issued - None		
Class B - No Par Value		
Authorized - 4,000,000 shares; Issued - None		
Common Shares - Par Value \$1 a share		
Authorized - 28,000,000 shares		
Issued - 16,827,941 shares	16.8	16.8
Capital in excess of par value of shares	61.3	61.4
Retained income	314.4	315.8
Foreign currency translation adjustments	(0.1)	(0.3)
Unrealized gain on available-for-sale securities, net of tax	0.7	1.3
Cost of 4,748,056 Common Shares in treasury		
(1993 - 4,763,824)	(113.9)	(114.3)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	279.2	280.7
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$531.0	\$545.4
	=====	=====

<FN>  
See notes to financial statements  
</TABLE>

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<TABLE>  
                                    CLEVELAND-CLIFFS INC  
CONSOLIDATED STATEMENT OF CASH FLOWS

<CAPTION>

	Increase (Decrease) in Cash and Cash Equivalents for Three Months Ended March 31, (In Millions)	
	1994	1993
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income (loss)	\$2.2	(\$0.1)
Depreciation and amortization:		
Consolidated	0.5	0.5
Share of Associated Companies	2.7	3.0
Provision for deferred income taxes	-	-
Charges to capacity rationalization reserve	0.7	1.0
Other	1.4	(1.1)
	-----	-----
Total Before Changes in Operating Asset	7.5	3.3
Changes in operating assets and liabilities		
Marketable Securities (increase) decrease	0.6	(95.0)
Other	(6.8)	(1.7)
	-----	-----
NET CASH FROM (USED BY) OPERATING ACTIV	1.3	(93.4)
INVESTING ACTIVITIES		
Purchase of long-term investments	(1.0)	(2.6)
Capital expenditures	(0.9)	(0.9)
	-----	-----
NET CASH (USED BY) INVESTING ACTIVITIES	(1.9)	(3.5)
FINANCING ACTIVITIES		
Dividends	(3.6)	(3.6)
Other	0.3	-
	-----	-----
NET CASH (USED BY) FINANCING ACTIVITIES	(3.3)	(3.6)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.4)	0.1
	-----	-----
(DECREASE) IN CASH AND CASH EQUIVALENTS	(4.3)	(100.4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	67.9	128.6
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$63.6	\$28.2
	=====	=====
Taxes paid on income	\$3.8	\$ -
Interest paid on debt obligations	\$1.6	\$1.6

</TABLE>

## CLEVELAND-CLIFFS INC

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1994

## NOTE A - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the financial statement footnotes and other information in the Company's 1993 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited financial statements present fairly the Company's financial position and results. References to the "Company" mean Cleveland-Cliffs Inc and consolidated subsidiaries, unless otherwise indicated. Quarterly results are not necessarily representative of annual results due to seasonal and other factors.

Certain prior year amounts have been reclassified to conform to current year classifications.

## NOTE B - SHAREHOLDERS' EQUITY

The 1987 Incentive Equity Plan authorizes the Company to make grants and awards of stock options, stock appreciation rights and restricted or deferred stock awards to officers and key employees, for up to 839,045 Common Shares. The 1992 Incentive Equity Plan authorizes the Company to issue up to 595,000 Common Shares upon the exercise of Options Rights, as Restricted Shares, in payment of Performance Shares or Performance Units that have been earned, as Deferred Shares, or in payment of dividend equivalents paid with respect to awards made under the Plan. Such shares may be shares of original issuance or treasury shares or a combination of both. Stock option and restricted award transactions since December 31, 1993 are summarized as follows:

<TABLE>  
<CAPTION>

Stock Options:	1987 Plan	1992 Plan
	-----	-----
<S>	<C>	<C>
Options outstanding as of 12/31/93	95,125	10,000
Granted	-0-	500
Exercised	(15,768)	-0-
Cancelled	-0-	-0-
	-----	-----
Options outstanding as of 03/31/94	79,357	10,500
Options exercisable as of 03/31/94		10,000
Restricted awards:		
Awarded and restricted as of 12/31/93	4,941	15,277
Awarded	-0-	-0-
Cancelled	-0-	-0-
Awarded and restricted as of 03/31/94	4,240	15,277
Reserved for future grants or awards as of 03/31/94	6,501	569,223

</TABLE>

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## NOTE C - INVESTMENTS IN ASSOCIATED COMPANIES

Summarized income statement information for a significant unconsolidated subsidiary, as defined, follows:

## TILDEN MINING COMPANY

(A 60% ownership interest at March 31, 1994 and 1993 carried at equity)

## STATEMENT OF COSTS AND EXPENSES CHARGED TO ASSOCIATES

<TABLE>  
<CAPTION>

(In Millions)  
Three Months  
Ended March 31  
-----

	1994	1993
	-----	-----
<S>	<C>	<C>
EXPENSES:		
Operating costs	\$ 3.3	\$ 3.5
Interest	--	--
	-----	-----
TOTAL EXPENSES	\$ 3.3	\$ 3.5
	=====	=====

</TABLE>

In February, 1994, the Company reached agreement in principle with Algoma Steel Inc. ("Algoma") and Stelco Inc. to restructure and simplify the Tilden Mine operating agreement effective January 1, 1994. The principal terms of the new agreement are (1) the participants' tonnage entitlements and cost-sharing will be based on a 6.0 million ton target normal production level instead of the previous 4.0 million ton base production level, (2) the Company's interest in the Tilden Magnetite Partnership increases from 33.33% to 40.0% with an associated increase in the Company's obligation for mine costs, (3) the Company will receive an increased royalty, (4) the Company has the right to supply any additional iron ore pellet requirements of Algoma from Tilden or the Company, and (5) a partner may take additional production with certain fees paid to the Partnership. The agreement is not expected to have a material financial effect on the Company's consolidated financial statements. The new Tilden arrangements reflect an underlying plan of operating improvements and will allow a lengthening of the magnetite ore reserve life. Additional capital and development expenditures are expected in connection with the improvement plan.

#### NOTE D - ENVIRONMENTAL MATTERS

The Company's policy is to conduct business in a manner that promotes environmental quality. Environmental costs at active operations are included in current operating and capital costs. The Company's environmental obligations for idle and closed mining and other sites have been recognized based on specific estimates for known conditions and required investigations. Any potential insurance recoveries have not been reflected in the determination of the reserve.

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At March 31, 1994, the Company has provided an environmental reserve of \$10.1 million, of which \$3.1 million is current. The components are as follows:

- o \$4.2 million for the Cliffs-Dow site in Michigan, which is independent of the Company's mining operations. The reserve is based on an engineering study prepared by outside consultants engaged by the responsible parties. The Company continues to evaluate the study recommendations and other means to clean-up the site. Significant site clean-up activities have taken place in the fourth quarter of 1993 and the first quarter of 1994.
- o \$5.9 million for other identified environmental exposures, including the Arrowhead Refinery site in Minnesota, the Rio Tinto mine site in Nevada and the Summitville mine site in Colorado, which sites are independent of the Company's iron mining operations. The reserve is based on the estimated cost of investigation and remediation of sites where expenditures may be incurred. Final plans and allocations among the involved parties are undetermined.

#### NOTE E - ACCOUNTING CHANGES

In November, 1992, the Financial Accounting Standards Board issued Statement 112, "Employers' Accounting for Postemployment Benefits." Statement 112 requires accrual accounting for benefits provided to former or inactive employees after employment but before retirement. Although Statement 112 is effective for years beginning after December 15, 1993, the Company elected to adopt the provisions of this standard for the year ended December 31, 1993. The effect of adopting this statement was not material to the consolidated financial statements.

In May, 1993, the Financial Accounting Standards Board issued Statement 115, "Accounting for Certain Investments in Debt and Equity Securities," which establishes standards of financial accounting and reporting investments in equity securities that have readily determinable fair values and for investments in debt securities. This statement, which is effective for years beginning after December 15, 1993, has been adopted for the year ended December 31, 1993. The effect of adopting this statement was not material to the consolidated financial statements.

Prior year financial statements have not been restated for adoption of the two standards. However, certain prior year amounts have been reclassified to conform to current year classifications.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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RESULTS OF OPERATIONS  
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COMPARISON OF FIRST QUARTER 1994 AND 1993  
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Net income for the first quarter of 1994 was \$2.2 million, or \$.18 per share. In the first quarter of 1993, the Company recorded a net loss of \$100,000, or 1 cent per share. First quarter results are traditionally not representative of annual results due to seasonal effects.

The \$2.3 million increase in first quarter results was mainly due to higher sales realization and volume in North America, and higher sales volume in Australia due to shipment timing, partially offset by lower net investment income and higher operating costs. First quarter 1994 results included a net \$1.0 million after-tax loss on marketable securities due to higher interest rates. Excluding the loss on marketable securities, earnings would have been \$3.2 million, or \$.26 per share.

\* \* \*

Cliffs' North American iron ore pellet sales in the first quarter of 1994 were 736,000 tons versus 652,000 tons in 1993. Pellet inventory at March 31, 1994 was 1.2 million tons versus 2.1 million tons one year ago. Cliffs' pellet sales, including resale of purchased ore, are estimated to be 6.8 million tons for the year 1994 versus 6.4 million tons in 1993.

Cliffs-managed mines in North America produced 7.7 million tons of iron ore pellets in the first quarter, down from 8.1 million tons in 1993. Operating costs in the first quarter of 1994 were substantially higher than the year ago quarter due to unusually severe weather, mining difficulties, and higher employment costs. Production nominations for the full year 1994, which have not changed from the beginning of the year, total 34.5 million tons, a 7 percent increase from 1993 production.

LIQUIDITY  
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At March 31, 1994, the Company had cash and marketable securities of \$156.1 million, including \$6.2 million dedicated to fund Australian mine obligations. In addition, the full amount of a \$75.0 million unsecured revolving credit was available. The Company was in compliance with all financial covenants and restrictions of the revolving credit agreement.

Since December 31, 1993, cash and marketable securities have decreased \$4.9 million due to increased working capital, \$6.8 million, dividends, \$3.6 million, capital expenditures, \$1.0 million, and purchase of long-term investments, \$1.0 million, partially offset by cash flow from operating activities, \$7.5 million.

North American pellet inventories were 1.2 million tons at March 31, 1994, versus .8 million tons at December 31, 1993 and 2.1 million tons one year ago. The increase of .4 million tons from December 31, 1993 reflects the seasonal nature of the Great Lakes shipping season.

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Pursuant to the Coal Industry Retiree Health Benefit Act of 1992, the Trustees of the UMWA Combined Benefit Fund have assigned responsibility to the Company for premium payments with respect to 366 retirees and dependents and 111 "orphans" (unassigned beneficiaries), representing less than one-half of one percent of all "assigned beneficiaries." The Company is currently paying premiums under protest and is evaluating each assignment and expects to contest those it believes were incorrectly assigned. In addition, the constitutionality of the Benefit Act is being litigated by others. In December, 1993, a complaint was filed by the Trustees of the United Mine Workers of America 1992 Benefit Plan against the Company demanding the payment of premiums on 75 beneficiaries related to two formerly operated joint venture coal mines. The Company is actively contesting the complaint. Monthly premium payments are being paid into

an escrow account (80% by a former joint venture participant and 20% by the Company) by joint agreement with the Trustee, pending outcome of the litigation. At March 31, 1994, the coal retiree reserve maintained by the Company is \$10.6 million, of which \$1.0 million is current. First quarter 1994 payments were \$.4 million. The reserve is reflected at present value, utilizing an assumed discount rate of 7.25%. Constitutional and other legal challenges to various provisions of the Act by other former coal producers are pending in the Federal Courts.

CAPITALIZATION

Long-term obligations effectively serviced by the Company at March 31, 1994, including the current portion, totalled \$88.6 million. The Company guarantees Empire mine debt obligations of LTV and Wheeling which totalled \$20.8 million at March 31, 1994. The following table sets forth information concerning long-term obligations guaranteed and effectively serviced by the Company.

<TABLE>  
<CAPTION>

	(Millions)			
	March 31, 1994		December 31, 1993	
	Obligations Effectively Serviced	Total Long-Term Obligations and Guarantees	Obligations Effectively Serviced	Total Long-Term Obligations and Guarantees
CONSOLIDATED	\$ 75.0	\$ 75.0	\$ 75.0	\$ 75.0
SHARE OF UNCONSOLIDATED AFFILIATES	13.6	34.4*	13.6	34.4*
TOTAL	\$ 88.6	\$ 109.4	\$ 88.6	\$ 109.4
RATIO TO SHAREHOLDERS' EQUITY	.3:1	.4:1	.3:1	.4:1

<FN> \* Includes Empire Mine debt obligations which are serviced by LTV and Wheeling.

</TABLE>

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At March 31, 1994, the Company was in compliance with all financial covenants and restrictions related to its \$75.0 million, medium-term, unsecured senior note agreement.

The fair value of the Company's long term debt (which had a carrying value of \$75.0 million) at March 31, 1994, was estimated at \$78.0 million based on a discounted cash flow analysis and estimates of current borrowing rates.

In addition, on April 30, 1992, the Company entered into a \$75.0 million three-year revolving credit agreement. No borrowings are outstanding under the revolving credit facility. The Company may convert amounts outstanding at the end of three years to a three-year term loan. The Company was in compliance with all financial covenants and restrictions of the revolving credit agreement at March 31, 1994.

Following is a summary of common shares outstanding:

<TABLE>  
<CAPTION>

	1994	1993	1992
March 31	12,079,885	11,992,804	11,979,764
June 30		12,008,065	11,985,804
September 30		12,038,092	11,987,554
December 31		12,064,117	11,988,554

</TABLE>

POTENTIAL INVESTMENTS

The Company continues to investigate investment opportunities in the iron ore business and the extension of its business scope to produce and supply "reduced iron feed" for steel and iron production.

The potential reactivation of the Republic Mine to produce reduced iron briquettes has been delayed due to the withdrawal of technology support for a coal-fired process by the technology supplier. The earliest start-up date for a project using this process is now estimated to be 1997.

The Company is proceeding with the evaluation of possible production of iron carbide in South America and the Pacific Rim utilizing a natural gas-based process.

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PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) List of Exhibits - Refer to Exhibit Index on page 12.
- (b) There were no reports on Form 8-K filed during the three months ended March 31, 1994.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLEVELAND-CLIFFS INC

Date May 11, 1994

By /s/ J. S. Brinzo

J. S. Brinzo  
Senior Executive-  
Finance and Principal  
Financial Officer

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<TABLE>

EXHIBIT INDEX

<CAPTION>

Exhibit Number	Exhibit	Page Number
11	Statement re computation of earnings per share	13

</TABLE>

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<TABLE>

COMPUTATION OF EARNINGS PER SHARE

Exhibit 11

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

<CAPTION>

	(In Millions, Except Per Share Amounts) Three Months Ended March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Primary and fully diluted earnings per share:		
Average shares outstanding	12.1	12.0
Net effect of dilutive stock options - based on treasury stock method using average market price	-	-
	-----	-----
Average shares and equivalents	12.1	12.0
	=====	=====
Net income (loss) applicable to average shares and equivalents	\$2.2	(\$0.1)
	=====	=====
Income (loss) per share	\$0.18	(\$0.01)
	=====	=====

</TABLE>