CLEVELAND-CLIFFS INC.
Form 10-Q
October 19, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
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 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 NO
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
YES NO
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO
The number of shares outstanding of the registrant's common shares, par value $0.125 per share, was 298,018,441 as of October 17, 2018.

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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 Cleveland-Cliffs Inc. and subsidiaries, collectively. References to “C$” refer to Canadian currency and “$” to United States currency.

Abbreviation or acronym	Term
A&R 2015 Equity Plan	Amended and Restated Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan
ABL Facility	Amended and Restated Syndicated Facility Agreement by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are parties hereto, as the Lenders, Cleveland-Cliffs Inc., as Parent and a Borrower, and the Subsidiaries of Parent party hereto, as Borrowers dated as of March 30, 2015, and Amended and Restated as of February 28, 2018
Adjusted EBITDA	EBITDA excluding certain items such as impacts of discontinued operations, foreign currency exchange remeasurement, extinguishment of debt, impairment of long-lived assets and intersegment corporate allocations of SG&A costs
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as many other subsidiaries)
ALJ	Administrative Law Judge
AMT	Alternative Minimum Tax
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bloom Lake Group	Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC
Canadian Entities	Bloom Lake Group, Wabush Group and certain other wholly-owned Canadian subsidiaries
CCAA	Companies' Creditors Arrangement Act (Canada)
Compensation Committee	Compensation and Organization Committee of the Board of Directors
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DR-grade	Direct Reduction-grade
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FERC	Federal Energy Regulatory Commission
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States
HBI	Hot briquetted iron
Hibbing	Hibbing Taconite Company, an unincorporated joint venture
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
Long ton	2,240 pounds
LTVSMC	LTV Steel Mining Company
Metric ton	2,205 pounds
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MSHA	U.S. Mine Safety and Health Administration
Monitor	FTI Consulting Canada Inc.

Net ton	2,000 pounds
Northshore	Northshore Mining Company
OPEB	Other postretirement employment benefits
Platts 62% Price	Platts IODEX 62% Fe Fines Spot Price
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Securities Act	Securities Act of 1933, as amended
Senior Notes Due 2020	5.90% senior notes due March 2020 and 4.80% senior notes due October 2020
SSR	System support resource
Tilden	Tilden Mining Company L.C.
Topic 606	ASC Topic 606, Revenue from Contracts with Customers
Topic 815	ASC Topic 815, Derivatives and Hedging
TSR	Total shareholder return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel	U.S Steel Corporation and all subsidiaries
USW	United Steelworkers
Wabush Group	Wabush Iron Co. Limited and Wabush Resources Inc., and certain of its affiliates, including Wabush Mines (an unincorporated joint venture of Wabush Iron Co. Limited and Wabush Resources Inc.), Arnaud Railway Company and Wabush Lake Railway Company

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PART I
Item 1. Financial Statements
Statements of Unaudited Condensed Consolidated Financial Position
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$897.1	$ 978.3
Accounts receivable, net	141.4	106.7
Inventories	187.9	138.4
Supplies and other inventories	88.2	88.8
Derivative assets	190.8	37.9
Income tax receivable	110.3	13.3
Current assets of discontinued operations	16.1	118.5
Loans to and accounts receivable from the Canadian Entities	—	51.6
Other current assets	18.8	11.1
TOTAL CURRENT ASSETS	1,650.6	1,544.6
PROPERTY, PLANT AND EQUIPMENT, NET	1,144.8	1,033.8
OTHER ASSETS		
Deposits for property, plant and equipment	94.6	17.8
Income tax receivable	113.6	235.3
Non-current assets of discontinued operations	—	20.3
Other non-current assets	121.4	101.6
TOTAL OTHER ASSETS	329.6	375.0
TOTAL ASSETS	$3,125.0	$ 2,953.4

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

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

	(In Millions)	
	September 30, 2018	December 31, 2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$140.8	$ 99.5
Accrued expenses	95.1	79.1
Accrued interest	26.2	31.4
Contingent claims	—	55.6
Partnership distribution payable	43.1	44.2
Current liabilities of discontinued operations	14.2	75.0
Other current liabilities	61.3	67.4
TOTAL CURRENT LIABILITIES	380.7	452.2
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	225.0	257.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	174.4	167.7
LONG-TERM DEBT	2,300.0	2,304.2
NON-CURRENT LIABILITIES OF DISCONTINUED OPERATIONS	9.3	52.2
OTHER LIABILITIES	121.8	163.5
TOTAL LIABILITIES	3,211.2	3,397.5
COMMITMENTS AND CONTINGENCIES (REFER TO NOTE 20)		
EQUITY		
CLIFFS SHAREHOLDERS' DEFICIT		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
Class B - 4,000,000 shares authorized		
Common Shares - par value $0.125 per share		
Authorized - 600,000,000 shares (2017 - 600,000,000 shares);		
Issued - 301,886,794 shares (2017 - 301,886,794 shares);		
Outstanding - 298,007,453 shares (2017 - 297,400,968 shares)	37.7	37.7
Capital in excess of par value of shares	3,913.3	3,933.9
Retained deficit	(3,654.7)	(4,207.3)
Cost of 3,879,341 common shares in treasury (2017 - 4,485,826 shares)	(139.1)	(169.6)
Accumulated other comprehensive loss	(243.4)	(39.0)
TOTAL CLIFFS SHAREHOLDERS' DEFICIT	(86.2)	(444.3)
NONCONTROLLING INTEREST	—	0.2
TOTAL DEFICIT	(86.2)	(444.1)
TOTAL LIABILITIES AND DEFICIT	$3,125.0	$ 2,953.4

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

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Statements of Unaudited Condensed Consolidated Operations
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	$684.7	$530.7	$1,525.9	$1,195.0
Freight and venture partners' cost reimbursements	57.1	66.0	110.2	159.2
	741.8	596.7	1,636.1	1,354.2
COST OF GOODS SOLD AND OPERATING EXPENSES	(480.2)	(438.9)	(1,028.5)	(1,002.7)
SALES MARGIN	261.6	157.8	607.6	351.5
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(30.1)	(23.8)	(81.4)	(75.5)
Miscellaneous – net	(6.0)	(5.3)	(16.2)	1.3
	(36.1)	(29.1)	(97.6)	(74.2)
OPERATING INCOME	225.5	128.7	510.0	277.3
OTHER INCOME (EXPENSE)				
Interest expense, net	(29.5)	(27.6)	(93.1)	(99.1)
Gain (loss) on extinguishment of debt	—	(88.6)	0.2	(165.4)
Other non-operating income	4.3	2.6	13.1	7.6
	(25.2)	(113.6)	(79.8)	(256.9)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	200.3	15.1	430.2	20.4
INCOME TAX BENEFIT (EXPENSE)	(0.5)	7.2	(14.4)	7.2
INCOME FROM CONTINUING OPERATIONS	199.8	22.3	415.8	27.6
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	238.0	30.6	102.8	25.6
NET INCOME	437.8	52.9	518.6	53.2
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	0.5	—	3.9
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$437.8	$53.4	$518.6	$57.1
INCOME PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS – BASIC				
Continuing operations	$0.67	$0.08	$1.40	$0.11
Discontinued operations	0.80	0.10	0.35	0.09
	$1.47	$0.18	$1.75	$0.20
INCOME PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS – DILUTED				
Continuing operations	$0.64	$0.08	$1.37	$0.11
Discontinued operations	0.77	0.10	0.34	0.08
	$1.41	$0.18	$1.71	$0.19
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	297,878	296,079	297,587	285,771
Diluted	310,203	301,075	303,518	290,512

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

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Statements of Unaudited Condensed Consolidated Comprehensive Income
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$437.8	$53.4	$518.6	$57.1
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in pension and other post-retirement benefits, net of tax	6.8	7.5	20.2	18.9
Changes in foreign currency translation	(228.3)	0.5	(225.4)	(13.6)
Changes in derivative financial instruments, net of tax	0.3	—	0.8	—
OTHER COMPREHENSIVE INCOME (LOSS)	(221.2)	8.0	(204.4)	5.3
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	—	(5.7)	—	(1.1)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$216.6	$55.7	$314.2	$61.3

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

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Statements of Unaudited Condensed Consolidated Cash Flows
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions) Nine Months Ended September 30,	
	2018	2017
OPERATING ACTIVITIES		
Net income	$518.6	$53.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	68.6	66.3
Loss (gain) on extinguishment of debt	(0.2)	165.4
Loss on deconsolidation	—	16.3
Gain on derivatives	(136.4)	(47.5)
Gain on foreign currency translation	(228.1)	—
Other	5.7	19.0
Changes in operating assets and liabilities:		
Receivables and other assets	96.2	68.9
Inventories	(57.1)	(26.1)
Payables, accrued expenses and other liabilities	(78.6)	(108.8)
Net cash provided by operating activities	188.7	206.7
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(111.4)	(62.7)
Deposits for property, plant and equipment	(83.3)	(16.2)
Proceeds on sales of assets	18.5	2.2
Other investing activities	2.5	(7.7)
Net cash used by investing activities	(173.7)	(84.4)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	—	661.3
Proceeds from issuance of debt	—	1,057.8
Debt issuance costs	(1.5)	(12.0)
Repurchase of debt	(16.3)	(1,720.7)
Acquisition of noncontrolling interest	—	(105.0)
Distributions of partnership equity	(44.2)	(53.0)
Other financing activities	(45.7)	(17.0)
Net cash used by financing activities	(107.7)	(188.6)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2.3)	3.7
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN CURRENT ASSETS OF DISCONTINUED OPERATIONS	(95.0)	(62.6)
LESS: INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CLASSIFIED WITHIN CURRENT ASSETS OF DISCONTINUED OPERATIONS	(13.8)	23.1
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81.2)	(85.7)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	978.3	312.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$897.1	$227.1

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

Cleveland-Cliffs 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, 2018 are not necessarily indicative of results to be expected for the year ending December 31, 2018 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, 2017.
As more fully described in NOTE 16 - DISCONTINUED OPERATIONS, on January 25, 2018, we announced that we would accelerate the time frame for the planned closure of our Asia Pacific Iron Ore mining operations in Australia. On April 6, 2018, we committed to a course of action leading to the permanent closure of the Asia Pacific Iron Ore mining operations and, as planned, completed our final shipment in June 2018. Factors considered in this decision included increasingly discounted prices for lower-iron-content ore and the quality of the remaining iron ore reserves.
During June 2018, we completed a sale of the mobile equipment to a third party and entered into a definitive agreement to sell substantially all of the remaining assets of our Asia Pacific Iron Ore business to Mineral Resources Limited. The sale to Mineral Resources Limited was completed during August 2018. As of the period ended June 30, 2018, management determined that our Asia Pacific Iron Ore operating segment met the criteria to be classified as held for sale and a discontinued operation under ASC 205, Presentation of Financial Statements. As such, all current and historical Asia Pacific Iron Ore operating segment results are included in our financial statements and classified within discontinued operations.
We now operate in one reportable segment – U.S. Iron Ore. Unless otherwise noted, discussion of our business and results of operations in this Quarterly Report on Form 10-Q refers to our continuing operations.
Basis of Consolidation
The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries, including the following operations as of September 30, 2018:

Name	Location	Status of Operations
Northshore	Minnesota	Active
United Taconite	Minnesota	Active
Tilden	Michigan	Active
Empire	Michigan	Indefinitely Idled
Koolyanobbing[1]	Western Australia	Substantially All Assets Sold

[1] During June 2018, we completed the final planned shipment from Asia Pacific Iron Ore and commenced selling its assets. As of September 30, 2018, substantially all of the Asia Pacific Iron Ore assets were sold. Refer to NOTE 16 - DISCONTINUED OPERATIONS.

Intercompany transactions and balances are eliminated upon consolidation.
Equity Method Investments
Our 23% ownership interest in Hibbing is recorded as an equity method investment. As of September 30, 2018 and December 31, 2017, our investment in Hibbing was $7.2 million and $11.0 million, respectively, classified as Other

liabilities in the Statements of Unaudited Condensed Consolidated Financial Position.

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Foreign Currency
Our financial statements are prepared with the U.S. dollar as the reporting currency. Historically, the functional currency of our Australian subsidiaries has been the Australian dollar. Concurrent with the sale of assets to Mineral Resources Limited in August 2018, management determined that there have been significant changes in economic factors related to our Australian subsidiaries. The change in economic factors is a result of the sale and conveyance of substantially all assets and liabilities of our Australian subsidiaries to third parties, representing a significant change in operations. As such, the functional currency for the Australian subsidiaries has changed from the Australian dollar to the U.S. dollar and all Australian denominated monetary balances will be remeasured through the Statements of Unaudited Condensed Consolidated Operations on a prospective basis.
In addition, as a result of the liquidation of substantially all of the Australian subsidiaries' assets, the historical impact of foreign currency translation recorded in Accumulated other comprehensive loss in the Statements of Unaudited Condensed Consolidated Financial Position of $228.1 million was reclassified and recognized in Income from Discontinued Operations, net of tax in the Statements of Unaudited Condensed Consolidated Operations. Refer to NOTE 16 - DISCONTINUED OPERATIONS for further information regarding our Australian subsidiaries.
The functional currency of all other subsidiaries is the U.S. dollar. To the extent that monetary assets and liabilities, including short-term intercompany loans, are recorded in a currency other than the functional currency, these amounts are remeasured each reporting period, with the resulting gain or loss being recorded in the Statements of Unaudited Condensed Consolidated Operations. Transaction gains and losses resulting from remeasurement of short-term intercompany loans are included in Miscellaneous – net in the Statements of Unaudited Condensed Consolidated Operations.
The following represents the transaction gains and losses resulting from remeasurement:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Short-term intercompany loans	$(0.2)	$0.1	$(0.5)	$16.7
Other	—	(1.4)	(0.2)	(2.7)
Net impact of transaction gains (losses) resulting from remeasurement	$(0.2)	$(1.3)	$(0.7)	$14.0

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, 2017 included in our Annual Report on Form 10-K filed with the SEC. There have been no material changes in our significant accounting policies and estimates from those disclosed therein other than those related to the adoption of Topic 606 and the change in functional currency related to our Australian subsidiaries. Refer to NOTE 2 - NEW ACCOUNTING STANDARDS for further information related to the adoption of Topic 606.
NOTE 2 - NEW ACCOUNTING STANDARDS
Adoption of New Accounting Standards
ASC Topic 606, Revenue from Contracts with Customers (Topic 606). On January 1, 2018, we adopted Topic 606 and applied it to all contracts that were not completed using the modified retrospective method. We recognized the cumulative effect of initially applying Topic 606 as an adjustment of $34.0 million to the opening balance of Retained deficit. The comparative period information has not been restated and continues to be reported under the accounting standards in effect for those periods. We do not expect that the adoption of Topic 606 will have a material impact to our annual net income on an ongoing basis.
Under Topic 606, revenue is generally recognized upon delivery to our customers, which is earlier than under the previous guidance. As an example, for certain iron ore shipments where revenue was previously recognized upon title transfer when payment was received, we now recognize revenue when control transfers, which is generally upon delivery. While we continue to retain title until we receive payment, we determined upon review of our customer

contracts that the preponderance of control indicators pass to our customers' favor when we deliver our products; thus, we generally concluded that control transfers at that point. As a result of the adoption of Topic 606 and vessel deliveries not occurring

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during the winter months because of the closure of the Soo Locks and the Welland Canal, our revenues and net income will be relatively lower than historical levels during the first quarter of each year and relatively higher than historical levels during the remaining three quarters in future years. However, the total amount of revenue recognized during the year should remain substantially the same as under previous accounting standards, assuming revenue rates and volumes are consistent between years.

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The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of Topic 606 were as follows:

	($ in Millions)		
	Balance at December 31, 2017	Adjustments due to Topic 606	Balance at January 1, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$978.3	$ —	$978.3
Accounts receivable, net	106.7	76.6	183.3
Inventories	138.4	(51.4)	87.0
Supplies and other inventories	88.8	—	88.8
Derivative assets	37.9	11.6	49.5
Income tax receivable	13.3	—	13.3
Current assets of discontinued operations	118.5	—	118.5
Loans to and accounts receivable from the Canadian Entities	51.6	—	51.6
Other current assets	11.1	—	11.1
TOTAL CURRENT ASSETS	1,544.6	36.8	1,581.4
PROPERTY, PLANT AND EQUIPMENT, NET	1,033.8	—	1,033.8
OTHER ASSETS			
Deposits for property, plant and equipment	17.8	—	17.8
Income tax receivable	235.3	—	235.3
Non-current assets of discontinued operations	20.3	—	20.3
Other non-current assets	101.6	—	101.6
TOTAL OTHER ASSETS	375.0	—	375.0
TOTAL ASSETS	$2,953.4	$ 36.8	$2,990.2
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$99.5	$ 1.4	$100.9
Accrued expenses	79.1	—	79.1
Accrued interest	31.4	—	31.4
Contingent claims	55.6	—	55.6
Partnership distribution payable	44.2	—	44.2
Current liabilities of discontinued operations	75.0	—	75.0
Other current liabilities	67.4	1.4	68.8
TOTAL CURRENT LIABILITIES	452.2	2.8	455.0
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	257.7	—	257.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	167.7	—	167.7
LONG-TERM DEBT	2,304.2	—	2,304.2
NON-CURRENT LIABILITIES OF DISCONTINUED OPERATIONS	52.2	—	52.2
OTHER LIABILITIES	163.5	—	163.5
TOTAL LIABILITIES	3,397.5	2.8	3,400.3
EQUITY			
CLIFFS SHAREHOLDERS' DEFICIT	(444.3)	34.0	(410.3)
NONCONTROLLING INTEREST	0.2	—	0.2
TOTAL DEFICIT	(444.1)	34.0	(410.1)

TOTAL LIABILITIES AND DEFICIT	$2,953.4	$ 36.8	$2,990.2

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The impact of adoption on our Statements of Unaudited Condensed Consolidated Operations and Statements of Unaudited Condensed Consolidated Financial Position is as follows:

	($ in Millions)					
	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	As Reported	Balances without Adoption of Topic 606	Effect of Change	As Reported	Balances without Adoption of Topic 606	Effect of Change
REVENUES FROM PRODUCT SALES AND SERVICES						
Product	$684.7	$ 675.6	$ 9.1	$1,525.9	$1,471.2	$ 54.7
Freight and venture partners' cost reimbursements	57.1	56.5	0.6	110.2	107.7	2.5
	741.8	732.1	9.7	1,636.1	1,578.9	57.2
COST OF GOODS SOLD AND OPERATING EXPENSES	(480.2)	(475.9)	(4.3)	(1,028.5)	(1,006.6)	(21.9)
SALES MARGIN	261.6	256.2	5.4	607.6	572.3	35.3
OTHER OPERATING EXPENSE						
Selling, general and administrative expenses	(30.1)	(30.1)	—	(81.4)	(81.4)	—
Miscellaneous – net	(6.0)	(6.0)	—	(16.2)	(16.2)	—
	(36.1)	(36.1)	—	(97.6)	(97.6)	—
OPERATING INCOME	225.5	220.1	5.4	510.0	474.7	35.3
OTHER INCOME (EXPENSE)						
Interest expense, net	(29.5)	(29.5)	—	(93.1)	(93.1)	—
Gain on extinguishment of debt	—	—	—	0.2	0.2	—
Other non-operating income	4.3	4.3	—	13.1	13.1	—
	(25.2)	(25.2)	—	(79.8)	(79.8)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	200.3	194.9	5.4	430.2	394.9	35.3
INCOME TAX EXPENSE	(0.5)	(0.5)	—	(14.4)	(14.4)	—
INCOME FROM CONTINUING OPERATIONS	199.8	194.4	5.4	415.8	380.5	35.3
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	238.0	238.0	—	102.8	102.8	—
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$437.8	$ 432.4	$ 5.4	$518.6	$483.3	$ 35.3
INCOME PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS – BASIC						
Continuing operations	$0.67	$ 0.65	$ 0.02	$1.40	$1.28	$ 0.12
Discontinued operations	0.80	0.80	—	0.35	0.35	—
	$1.47	$ 1.45	$ 0.02	$1.75	$1.63	$ 0.12
INCOME PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS – DILUTED						
Continuing operations	$0.64	$ 0.62	$ 0.02	$1.37	$1.25	$ 0.12
Discontinued operations	0.77	0.77	—	0.34	0.34	—
	$1.41	$ 1.39	$ 0.02	$1.71	$1.59	$ 0.12
AVERAGE NUMBER OF SHARES (IN THOUSANDS)						
Basic	297,878	297,878		297,587	297,587	

Diluted	310,203	310,203	303,518	303,518

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	($ in Millions)		
	September 30, 2018		
	As Reported	Balances without Adoption of Topic 606	Effect of Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$897.1	$897.1	$—
Accounts receivable, net	141.4	34.8	106.6
Inventories	187.9	257.5	(69.6)
Supplies and other inventories	88.2	88.2	—
Derivative assets	190.8	156.6	34.2
Income tax receivable	110.3	110.3	—
Current assets of discontinued operations	16.1	16.1	—
Other current assets	18.8	18.8	—
TOTAL CURRENT ASSETS	1,650.6	1,579.4	71.2
PROPERTY, PLANT AND EQUIPMENT, NET	1,144.8	1,144.8	—
OTHER ASSETS			
Deposits for property, plant and equipment	94.6	94.6	—
Income tax receivable	113.6	113.6	—
Other non-current assets	121.4	121.4	—
TOTAL OTHER ASSETS	329.6	329.6	—
TOTAL ASSETS	$3,125.0	$3,053.8	$71.2
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$140.8	$140.1	$0.7
Accrued expenses	95.1	95.1	—
Accrued interest	26.2	26.2	—
Partnership distribution payable	43.1	43.1	—
Current liabilities of discontinued operations	14.2	14.2	—
Other current liabilities	61.3	61.5	(0.2)
TOTAL CURRENT LIABILITIES	380.7	380.2	0.5
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	225.0	225.0	—
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	174.4	174.4	—
LONG-TERM DEBT	2,300.0	2,300.0	—
NON-CURRENT LIABILITIES OF DISCONTINUED OPERATIONS	9.3	9.3	—
OTHER LIABILITIES	121.8	121.8	—
TOTAL LIABILITIES	3,211.2	3,210.7	0.5
EQUITY			
CLIFFS SHAREHOLDERS' DEFICIT	(86.2)	(156.9)	70.7
TOTAL LIABILITIES AND DEFICIT	$3,125.0	$3,053.8	$71.2

The adoption of Topic 606 did not have an impact on net cash flows in our Statements of Unaudited Condensed Consolidated Cash Flows.

ASU 2017-07, Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. On January 1, 2018, we adopted the amendments to ASC 715 regarding the presentation of net periodic pension and postretirement benefit costs. We retrospectively adopted the presentation of service cost separate from the other components of net periodic costs. The interest cost, expected return on assets, amortization of prior service costs, net remeasurement, and other costs have been reclassified from Cost of goods sold and operating expenses, Selling, general and administrative expenses and Miscellaneous – net to Other non-operating income. We elected to apply the practical expedient, which allows us to reclassify amounts disclosed previously in our pension and other postretirement benefits footnote as the basis for applying retrospective presentation for comparative periods. On a prospective basis from adoption, only service costs will be included in amounts capitalized in inventory or property, plant, and equipment.

The effect of the retrospective presentation change related to the net periodic cost of our defined benefit pension and other postretirement employee benefits plans on our Statements of Unaudited Condensed Consolidated Operations was as follows:

($ in Millions)	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	As Revised	Without Adoption of ASU 2017-07	Effect of Change	As Revised	Without Adoption of ASU 2017-07	Effect of Change
Cost of goods sold and operating expenses	$(438.9)	$(439.5)	$ 0.6	$(1,002.7)	$(1,004.4)	$ 1.7
Selling, general and administrative expenses	$(23.8)	$(21.8)	$ (2.0)	$(75.5)	$(69.6)	$ (5.9)
Miscellaneous – net	$(5.3)	$(4.9)	$ (0.4)	$1.3	$2.4	$ (1.1)
Operating income	$128.7	$130.5	$ (1.8)	$277.3	$282.6	$ (5.3)
Other non-operating income	$2.6	$0.8	$ 1.8	$7.6	$2.3	$ 5.3
Net Income	$52.9	$52.9	$ —	$53.2	$53.2	$ —

Recent Accounting Pronouncements

Issued and Not Effective

In August 2018, the FASB issued ASU No. 2018-14, Defined Benefit Plans (Topic 715-20) - Changes to the Disclosure Requirements for Defined Benefit Plans. Certain of the existing required disclosures were modified for clarification or removed and additional disclosures were added. The new standard is effective for the year ending December 31, 2020, will be applied on a retrospective basis and early adoption is permitted. Based on our analysis to date, the updated standard is not expected to have a material impact on our consolidated financial statements, but will affect our footnote disclosures. We expect to early adopt this new standard during the fourth quarter of 2018.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except for short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the Statements of Unaudited Condensed Consolidated Operations. We plan to adopt the standard on its effective date of January 1, 2019. We will apply the standard on the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption as permitted by ASU 2018-11. Based on our analysis to date, the updated standard is not expected to have a material effect on our consolidated financial statements. For example, based on the future minimum payments under non-cancellable operating leases as of September 30, 2018, we would expect to record right–of–use assets and lease liabilities of approximately $19 million, discounted to fair value, in the Statements of Unaudited Condensed Consolidated Financial Position.

Issued and Adopted

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) - Changes to the Disclosure Requirements for Fair Value Measurement. The new standard removes or modifies certain existing disclosure requirements and adds additional disclosure requirements. We have evaluated the impact of the adoption of this new accounting standard update and determined that it will not have a material effect on our consolidated financial statements. However, we do expect an overall reduction in both our quarterly and annual disclosures related to fair value measurement. We are adopting the standard effective for the period ended September 30, 2018.

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NOTE 3 - SEGMENT REPORTING

We operate in one reportable segment – U.S. Iron Ore. U.S. Iron Ore is a major supplier of iron ore pellets to the North American steel industry from our mines and pellet plants located in Michigan and Minnesota.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold and operating expenses identifiable to each segment. Additionally, we evaluate performance on a segment basis, as well as a consolidated basis, based on EBITDA and Adjusted EBITDA. These measures allow management and investors to focus on our ability to service our debt as well as illustrate how the business and each operating segment are performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

The following tables present a summary of our reportable segment including a reconciliation of segment sales margin to Income from Continuing Operations Before Income Taxes and a reconciliation of Net Income to EBITDA and Adjusted EBITDA:

	(In Millions)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Revenues from product sales and services:								
U.S. Iron Ore	$741.8	100%	$596.7	100%	$1,636.1	100%	$1,354.2	100%
Sales margin	$261.6		$157.8		$607.6		$351.5	
Other operating expense	(36.1)		(29.1)		(97.6)		(74.2)	
Other expense	(25.2)		(113.6)		(79.8)		(256.9)	
Income from continuing operations before income taxes	$200.3		$15.1		$430.2		$20.4	

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	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	$437.8	$52.9	$518.6	$53.2
Less:				
Interest expense, net	(29.7)	(28.9)	(95.5)	(103.1)
Income tax benefit (expense)	(0.5)	7.6	(14.4)	6.8
Depreciation, depletion and amortization	(19.2)	(21.5)	(68.6)	(66.3)
EBITDA	$487.2	$95.7	$697.1	$215.8
Less:				
Impact of discontinued operations	$238.2	$34.8	$120.4	$41.3
Foreign exchange remeasurement	(0.2)	(1.3)	(0.7)	14.0
Gain (loss) on extinguishment of debt	—	(88.6)	0.2	(165.4)
Impairment of long-lived assets	(1.1)	—	(1.1)	—
Adjusted EBITDA	$250.3	$150.8	$578.3	$325.9
EBITDA				
U.S. Iron Ore	$273.1	$168.9	$641.6	$381.8
Corporate and Other[1]	214.1	(73.2)	55.5	(166.0)
Total EBITDA	$487.2	$95.7	$697.1	$215.8
Adjusted EBITDA:				
U.S. Iron Ore	$279.5	$174.2	$657.9	$399.8
Corporate and Other[1]	(29.2)	(23.4)	(79.6)	(73.9)
Total Adjusted EBITDA	$250.3	$150.8	$578.3	$325.9

[1]Corporate and Other includes activity from discontinued operations and immaterial costs related to the HBI project.

The following table summarizes our depreciation, depletion and amortization expense and capital additions:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Depreciation, depletion and amortization:				
U.S. Iron Ore	$17.8	$16.5	$49.2	$49.6
Corporate and Other	1.4	1.7	4.2	5.4
Total depreciation, depletion and amortization	$19.2	$18.2	$53.4	$55.0
Capital additions[1]:				
U.S. Iron Ore	$51.8	$19.2	$97.2	$70.9
Corporate and Other[2]	40.8	7.1	144.7	7.1
Total capital additions	$92.6	$26.3	$241.9	$78.0

[1] Includes cash paid for capital additions of $194.6 million, including deposits of $83.3 million, lease additions of $7.6 million, and an increase in non-cash accruals of $42.2 million, partially offset by governmental grants received of $2.5 million for the nine months ended September 30, 2018, compared to cash paid for capital additions of $77.4 million, including deposits of $16.2 million, and an increase in non-cash accruals of $0.6 million for the nine months ended September 30, 2017.
[2] Includes capital additions related to our HBI project.

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A summary of assets by segment is as follows:

	(In Millions)	
	September 30, 2018	December 31, 2017
Assets:		
U.S. Iron Ore	$1,798.8	$ 1,500.6
Corporate and Other[1]	1,310.1	1,314.0
Assets of Discontinued Operations	16.1	138.8
Total assets	$3,125.0	$ 2,953.4

[1]Corporate and Other includes assets related to the HBI project.

NOTE 4 - REVENUE

We sell a single product, iron ore pellets, in the North American market. Generally, revenue is recognized when iron ore is delivered to our customers. Revenue is measured at the point that control transfers and represents the amount of consideration we expect to receive in exchange for transferring goods. We offer standard payment terms to our customers, generally requiring settlement within 30 days.

We enter into supply contracts of varying lengths to provide customers iron ore pellets to use in their blast furnaces. Blast furnaces run continuously with a constant feed of iron ore and once shut down, cannot easily be restarted. As a result, we ship iron ore in large quantities for storage and use by customers at a later date. Customers do not simultaneously receive and consume the benefits of the iron ore. Based on our assessment of the factors that indicate the pattern of satisfaction, we transfer control of the iron ore at a point in time upon shipment or delivery of the product. The customer is able to direct the use of, and obtain substantially all of the benefits from, the product at the time the product is delivered.

Certain of our customer supply agreements specify a provisional price, which is used for initial billing and cash collection. Revenue recorded in accordance with Topic 606 is calculated using the expected revenue rate at the point when control transfers. The final settlement includes market inputs for a specified period of time, which may vary by customer, but typically include one or more of the following: Platts 62% Price, pellet premiums, international indexed freight rates and changes in specified Producer Price Indices, including industrial commodities, energy and steel. Changes in the expected revenue rate from the date control transfers through final settlement of contract terms is recorded in accordance with Topic 815. Refer to NOTE 15 - DERIVATIVE INSTRUMENTS for further information on how our estimated and final revenue rates are determined.

A supply agreement with one customer provides for supplemental revenue or refunds based on the average annual daily market price for hot-rolled coil steel at the time the iron ore is consumed in the customer’s blast furnaces. Since, in this case, control transfers prior to consumption, the supplemental revenue is recorded in accordance with ASC Topic 815. Refer to NOTE 15 - DERIVATIVE INSTRUMENTS for further information on supplemental revenue or refunds.

Included within Revenues from product sales and services is derivative revenue related to Topic 815 of $135.9 million and $334.4 million, for three and nine months ended September 30, 2018, respectively.

Practical expedients and exemptions

We have elected to treat all shipping and handling costs as fulfillment costs because a significant portion of these costs are incurred prior to control transfer.

We have various long-term sales contracts with minimum purchase and supply requirement provisions that extend beyond the current reporting period. The portion of our transaction price for these contracts that is allocated entirely to wholly unsatisfied performance obligations is based on market prices that have not yet been determined and therefore is variable in nature. As such, we have not disclosed the value of unsatisfied performance obligations pursuant to the practical expedient.

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Deferred Revenue

The table below summarizes our deferred revenue balances:

	Deferred Revenue (Current)[1]	Deferred Revenue (Long-Term)
Opening balance as of January 1, 2018	$ 23.8	$ 51.4
Closing balance as of September 30, 2018	16.1	42.8
Decrease	$ (7.7)	$ (8.6)

[1] The opening balance includes a $1.4 million adjustment from the December 31, 2017 balance due to the adoption of Topic 606.

The terms of one of our 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 in exchange for interest payments until the deferred amount was repaid in 2013. Installment amounts received under this arrangement in excess of sales were classified as Other current liabilities and Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position upon receipt of payment. Revenue is recognized over the life of the supply agreement, which extends until 2022, in equal annual installments. As of September 30, 2018 and December 31, 2017, installment amounts received in excess of sales totaled $55.6 million and $64.2 million, respectively, related to this agreement. As of September 30, 2018 and December 31, 2017, deferred revenue of $12.8 million was recorded in Other current liabilities and $42.8 million and $51.4 million, respectively, was recorded as long-term in Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position, related to this agreement.

Due to the payment terms and the timing of cash receipts near a period end, cash receipts can exceed shipments for certain customers. Revenue recognized on these transactions totaling $3.3 million and $9.6 million was deferred and included in Other current liabilities in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2018 and December 31, 2017, respectively.

NOTE 5 - INVENTORIES

The following table presents the detail of our Inventories in the Statements of Unaudited Condensed Consolidated Financial Position:

	(In Millions)	
	September 30, 2018	December 31, 2017
Finished Goods	$171.8	$ 127.1
Work-in-Process	16.1	11.3
Total Inventories	$187.9	$ 138.4

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following table indicates the value of each of the major classes of our consolidated depreciable assets:

	(In Millions)	
	September 30, 2018	December 31, 2017
Land rights and mineral rights	$549.6	$ 549.6
Office and information technology	67.8	65.8
Buildings	84.1	85.2
Mining equipment	538.7	533.9
Processing equipment	619.0	610.9
Electric power facilities	58.7	56.9
Land improvements	24.2	23.7
Asset retirement obligation	16.9	16.9
Other	25.2	25.2
Construction in-progress	168.7	32.6
	2,152.9	2,000.7
Allowance for depreciation and depletion	(1,008.1)	(966.9)
	$1,144.8	$ 1,033.8

NOTE 7 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt:

(In Millions)

September 30, 2018

Debt Instrument	Annual Effective Interest Rate	Total Principal Amount	Debt Issuance Costs	Unamortized Discounts	Total Debt
Secured Notes					
$400 Million 4.875% 2024 Senior Notes	5.00%	$ 400.0	$ (6.0)	$ (2.3)	$391.7
Unsecured Notes					
$400 Million 5.90% 2020 Senior Notes	5.98%	88.4	(0.1)	(0.1)	88.2
$500 Million 4.80% 2020 Senior Notes	4.83%	122.3	(0.2)	(0.1)	122.0
$700 Million 4.875% 2021 Senior Notes	4.89%	124.2	(0.3)	—	123.9
$316.25 Million 1.50% 2025 Convertible Senior Notes	6.26%	316.3	(5.8)	(78.1)	232.4
$1.075 Billion 5.75% 2025 Senior Notes	6.01%	1,073.3	(10.3)	(15.1)	1,047.9
$800 Million 6.25% 2040 Senior Notes	6.34%	298.4	(2.3)	(3.3)	292.8
ABL Facility	N/A	450.0	N/A	N/A	—
Fair Value Adjustment to Interest Rate Hedge					1.1
Long-term debt					$2,300.0

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(In Millions)
December 31, 2017

Debt Instrument	Annual Effective Interest Rate	Total Principal Amount	Debt Issuance Costs	Unamortized Discounts	Total Debt
Secured Notes					
$400 Million 4.875% 2024 Senior Notes	5.00%	$ 400.0	$ (7.1)	$ (2.6)	$390.3
Unsecured Notes					
$400 Million 5.90% 2020 Senior Notes	5.98%	88.9	(0.2)	(0.1)	88.6
$500 Million 4.80% 2020 Senior Notes	4.83%	122.4	(0.3)	(0.1)	122.0
$700 Million 4.875% 2021 Senior Notes	4.89%	138.4	(0.3)	(0.1)	138.0
$316.25 Million 1.50% 2025 Convertible Senior Notes	6.26%	316.3	(6.6)	(85.6)	224.1
$1.075 Billion 5.75% 2025 Senior Notes	6.01%	1,075.0	(11.3)	(16.5)	1,047.2
$800 Million 6.25% 2040 Senior Notes	6.34%	298.4	(2.4)	(3.4)	292.6
ABL Facility	N/A	550.0	N/A	N/A	—
Fair Value Adjustment to Interest Rate Hedge					1.4
Long-term debt					$2,304.2

$1.075 Billion 5.75% 2025 Senior Notes

On February 27, 2017, we entered into an indenture among the Company, the guarantors party thereto and U.S. Bank National Association, as trustee, relating to the issuance of $500 million aggregate principal amount of 5.75% 2025 Senior Notes. On August 7, 2017, we issued an additional $575 million aggregate principal amount of our 5.75% 2025 Senior Notes. The second tranche was issued at 97.0% of face value. The 5.75% 2025 Senior Notes were originally issued in private transactions exempt from the registration requirements of the Securities Act. Pursuant to the registration rights agreement executed as part of these issuances, we filed on February 14, 2018 a registration statement with the SEC with respect to a registered offer to exchange the 5.75% 2025 Senior Notes for publicly registered notes, with all significant terms and conditions remaining the same. The exchange offer expired on April 26, 2018, and substantially all of the outstanding 5.75% 2025 Senior Notes were tendered for exchange.

Debt Extinguishment

The following is a summary of the debt extinguished with cash during the three and nine months ended September 30, 2018 that resulted in no gain or loss on extinguishment for the three months ended September 30, 2018, and a gain on extinguishment of $0.2 million for the nine months ended September 30, 2018:

	(In Millions)	
	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Debt Instrument	Debt Extinguished	
$400 Million 5.90% 2020 Senior Notes	$ —	$ 0.5
$500 Million 4.80% 2020 Senior Notes	—	0.1
$700 Million 4.875% 2021 Senior Notes	1.0	14.2
$1.075 Billion 5.75% 2025 Senior Notes	—	1.7
	$ 1.0	$ 16.5

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Debt Maturities

The following represents a summary of our maturities of debt instruments based on the principal amounts outstanding at September 30, 2018:

	(In Millions) Maturities of Debt
2018	$ —
2019	—
2020[1]	210.7
2021	124.2
2022	—
2023	—
2024 and thereafter	2,088.0
Total maturities of debt	$ 2,422.9

[1] On October 5, 2018, we redeemed the entirety of our outstanding Senior Notes Due 2020. The aggregate principal amount outstanding of the Senior Notes Due 2020 was approximately $211 million. Pursuant to the terms of the indenture governing the Senior Notes Due 2020, approximately $218 million in the aggregate, including make-whole premiums and accrued and unpaid interest to, but excluding, the redemption date, was paid to holders of the Senior Notes Due 2020.

ABL Facility

On February 28, 2018, we entered into an amended and restated senior secured asset-based revolving credit facility with various financial institutions. The ABL Facility amends and restates our prior $550.0 million Syndicated Facility Agreement, dated as of March 30, 2015. The ABL Facility will mature upon the earlier of February 28, 2023 or 60 days prior to the maturity of certain other material debt and provides for up to $450.0 million in borrowings, comprised of (i) a $400.0 million U.S. tranche, including a $248.8 million sublimit for the issuance of letters of credit and a $100.0 million sublimit for U.S. swingline loans, and (ii) at the time of closing, a $50.0 million Australian tranche, including a $24.4 million sublimit for the issuance of letters of credit and a $20.0 million sublimit for Australian swingline loans. On June 19, 2018, the Australian tranche was terminated and reallocated to the U.S. tranche, resulting in a $450.0 million allocation to the U.S. tranche, including a $273.2 million sublimit for the issuance of letters of credit and $120.0 million sublimit for swingline loans. Availability under the U.S. tranche of the ABL Facility is limited to an eligible U.S. borrowing base, as applicable, determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

The ABL Facility and certain bank products and hedge obligations are guaranteed by us and certain of our existing wholly-owned U.S. subsidiaries and are required to be guaranteed by certain of our future U.S. subsidiaries. Amounts outstanding under the ABL Facility are secured by (i) a first-priority security interest in the accounts receivable and other rights to payment, inventory, as-extracted collateral, certain investment property, deposit accounts, securities accounts, certain general intangibles and commercial tort claims, certain mobile equipment, commodities accounts, deposit accounts, securities accounts and other related assets of ours, the other borrowers and the guarantors, and proceeds and products of each of the foregoing (collectively, the “ABL Collateral”) and (ii) a second-priority security interest in substantially all of our assets and the assets of the other borrowers and the guarantors other than the ABL Collateral (collectively, the “Notes Collateral” and, together with the ABL Collateral, the “Collateral”).

Borrowings under the ABL Facility bear interest, at our option, at a base rate or, if certain conditions are met, a LIBOR rate, in each case plus an applicable margin. The base rate is equal to the greater of the federal funds rate plus ½ of 1%, the LIBOR rate based on a one-month interest period plus 1% and the floating rate announced by Bank of America Merrill Lynch as its “prime rate" and 1%. The LIBOR rate is a per annum fixed rate equal to LIBOR with respect to the applicable interest period and amount of LIBOR rate loan requested.

The ABL Facility contains customary representations and warranties and affirmative and negative covenants including, among others, covenants regarding the maintenance of certain financial ratios if certain conditions are triggered, covenants relating to financial reporting, covenants relating to the payment of dividends on, or purchase or redemption of, our capital stock, covenants relating to the incurrence or prepayment of certain debt, covenants relating to the incurrence of liens or encumbrances, covenants relating to compliance with laws, covenants relating to transactions

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with affiliates, covenants relating to mergers and sales of all or substantially all of our assets and limitations on changes in the nature of our business.

The ABL Facility provides for customary events of default, including, among other things, the event of nonpayment of principal, interest, fees, or other amounts, a representation or warranty proving to have been materially incorrect when made, failure to perform or observe certain covenants within a specified period of time, a cross-default to certain material indebtedness, the bankruptcy or insolvency of the Company and certain of its subsidiaries, monetary judgment defaults of a specified amount, invalidity of any loan documentation, a change of control of the Company, and ERISA defaults resulting in liability of a specified amount. If an event of a default exists (beyond any applicable grace or cure period, if any), the administrative agent may and, at the direction of the requisite number of lenders, shall declare all amounts owing under the ABL Facility immediately due and payable, terminate such lenders' commitments to make loans under the ABL Facility and/or exercise any and all remedies and other rights under the ABL Facility. For certain events of default related to insolvency and receivership, the commitments of the lenders will be automatically terminated and all outstanding loans and other amounts will become immediately due and payable.

As of September 30, 2018 and December 31, 2017, we were in compliance with the ABL Facility liquidity requirements and, therefore, the springing financial covenant requiring a minimum fixed charge coverage ratio of 1.0 to 1.0 was not applicable.

As of September 30, 2018 and December 31, 2017, no loans were drawn under the ABL Facility and we had total availability of $368.4 million and $273.2 million, respectively, as a result of borrowing base limitations. As of September 30, 2018 and December 31, 2017, the principal amount of letter of credit obligations totaled $37.7 million and $46.5 million, respectively, to support business obligations primarily related to workers compensation and environmental obligations, thereby further reducing available borrowing capacity on our ABL Facility to $330.7 million and $226.7 million, respectively.

NOTE 8 - FAIR VALUE MEASUREMENTS

The following represents the assets and liabilities measured at fair value:

	(In Millions)			
	September 30, 2018			
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	$0.7	$ 596.2	$ —	$596.9
Derivative assets	—	0.2	190.6	190.8
Total	$0.7	$ 596.4	$ 190.6	$787.7
Liabilities:				
Derivative liabilities	$—	$ 0.1	$ 5.7	$5.8
Total	$—	$ 0.1	$ 5.7	$5.8

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Description	(In Millions) December 31, 2017 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	$66.3	$ 550.6	$ —	$616.9
Derivative assets	—	—	37.9	37.9
Total	$66.3	$ 550.6	$ 37.9	$654.8
Liabilities:				
Derivative liabilities	$—	$ 0.3	$ 1.7	$2.0
Total	$—	$ 0.3	$ 1.7	$2.0

Financial assets classified in Level 1 include money market funds and treasury bonds. 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 assets include commercial paper, certificates of deposit and commodity hedge contracts. Level 2 liabilities include commodity hedge contracts.

The Level 3 assets and liabilities include derivative assets that consist of freestanding derivative instruments related to a customer supply agreement and certain provisional pricing arrangements with our customers.

The supply agreement included in our Level 3 assets includes provisions for supplemental revenue or refunds based on the average annual daily market price for hot-rolled coil steel at the time the iron ore product is consumed in the customer's blast furnaces. We account for these provisions as derivative instruments at the time of sale and adjust the corresponding asset or liability to fair value as an adjustment to Product revenues each reporting period until the product is consumed and the amounts are settled. We had assets of $186.0 million and $37.9 million at September 30, 2018 and December 31, 2017, respectively, related to this supply agreement.

The provisional pricing arrangements included in our Level 3 assets/liabilities 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 estimated final revenue rate at the date of sale and the estimated final revenue rate at the measurement date is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instruments are 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 rates are determined. We had assets of $4.6 million and liabilities of $5.7 million related to provisional pricing arrangements at September 30, 2018 compared to liabilities of $1.7 million related to provisional pricing arrangements at December 31, 2017.

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

Qualitative/Quantitative Information About Level 3 Fair Value Measurements

	(In Millions) Fair Value at September 30, 2018	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Customer supply agreement	$ 186.0	Derivative assets	Market Approach	Management's Estimate of Market Hot-Rolled Coil Steel per net ton	$842
Provisional pricing arrangements	$ 4.6	Derivative assets	Market Approach	Management's Estimate of Platts 62% Price per dry metric ton	$68 - $70 ($70)
Provisional pricing arrangements	$ 5.7	Other current liabilities	Market Approach	Management's Estimate of Platts 62% Price per dry metric ton	$68 - $70 ($70)

The significant unobservable input used in the fair value measurement of our customer supply agreement is a forward-looking estimate of the average annual daily market price for hot-rolled coil steel determined by management. The significant unobservable input used in the fair value measurement of our provisional pricing arrangements is management’s estimate of Platts 62% Price based upon current market data and index pricing, which include forward-looking estimates.

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):

	(In Millions) Level 3 Assets			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Beginning balance[1]	$174.6	$70.2	$49.5	$30.1
Total gains				
Included in earnings	139.0	54.0	341.8	138.5
Settlements	(123.0)	(35.2)	(200.7)	(79.6)
Ending balance - September 30	$190.6	$89.0	$190.6	$89.0
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	$15.9	$52.9	$141.0	$63.1

[1] Beginning balance as of January 1, 2018 includes an $11.6 million adjustment for adoption of Topic 606.

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	(In Millions) Level 3 Liabilities			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Beginning balance	$(3.0)	$(20.3)	$(1.7)	$—
Total losses				
Included in earnings	(3.1)	(15.3)	(7.4)	(35.6)
Settlements	0.4	30.2	3.4	30.2
Ending balance - September 30	$(5.7)	$(5.4)	$(5.7)	$(5.4)
Total losses for the period included in earnings attributable to the change in unrealized losses on liabilities still held at the reporting date	$(2.7)	$(10.9)	$(5.7)	$(6.4)

The carrying amount of certain financial instruments (e.g., Accounts receivable, net, Accounts payable and Accrued expenses) approximates fair value and, therefore, has been excluded from the table below. A summary of the carrying amount and fair value of other financial instruments were as follows:

		(In Millions)			
		September 30, 2018		December 31, 2017	
	Classification	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt:					
Secured Notes					
$400 Million 4.875% 2024 Senior Notes	Level 1	$391.7	$395.0	$390.3	$398.0
Unsecured Notes					
$400 Million 5.90% 2020 Senior Notes	Level 1	88.2	91.5	88.6	88.0
$500 Million 4.80% 2020 Senior Notes	Level 1	122.0	125.9	122.0	118.8
$700 Million 4.875% 2021 Senior Notes	Level 1	123.9	124.8	138.0	130.8
$316.25 Million 1.50% 2025 Convertible Senior Notes	Level 1	232.4	531.4	224.1	352.9
$1.075 Billion 5.75% 2025 Senior Notes	Level 1	1,047.9	1,047.8	1,047.2	1,029.3
$800 Million 6.25% 2040 Senior Notes	Level 1	292.8	255.3	292.6	227.1
ABL Facility	Level 2	—	—	—	—
Fair value adjustment to interest rate hedge	Level 2	1.1	1.1	1.4	1.4
Total long-term debt		$2,300.0	$2,572.8	$2,304.2	$2,346.3

The fair value of long-term debt was determined using quoted market prices based upon current borrowing rates.

NOTE 9 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and OPEB plans, primarily consisting of retiree healthcare benefits, to most employees in the U.S. as part of a total compensation and benefits program. The defined benefit pension plans largely are noncontributory and benefits generally are based on a minimum formula or employees' years of service and average earnings for a defined period prior to retirement.

On January 1, 2018, we adopted the amendments to ASC 715 regarding the presentation of net periodic pension and postretirement benefit costs. We retrospectively adopted the presentation of service cost separate from the other components of net periodic costs. Service costs are classified within Cost of goods sold and operating expenses, Selling, general and administrative expenses and Miscellaneous – net while the interest cost, expected return on assets, amortization of prior service costs/credits, net actuarial gain/loss, and other costs are classified within Other non-operating income in our Statements of Unaudited Condensed Consolidated Operations.

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The following are the components of defined benefit pension and OPEB costs and credits:
Defined Benefit Pension Costs

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Service cost	$4.7	$3.4	$14.0	$12.9
Interest cost	7.6	7.9	22.7	22.9
Expected return on plan assets	(15.0)	(13.8)	(45.0)	(40.9)
Amortization:				
Prior service costs	0.6	0.6	1.7	1.9
Net actuarial loss	5.3	6.1	15.9	16.7
Net periodic benefit cost	$3.2			