

Statements of Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries - (Continued)

	(In Millions)	
	December 31,	
	2016	2015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 107.6	\$ 106.3
Accrued employment costs	56.1	53.0
State and local taxes payable	28.3	35.2
Accrued expenses	41.1	32.4
Accrued interest	40.2	53.3
Accrued royalties	26.2	17.3
Guarantees	0.2	96.5
Insured loss	—	93.5
Other current liabilities	91.4	94.2
TOTAL CURRENT LIABILITIES	391.1	581.7
POSTEMPLOYMENT BENEFIT LIABILITIES		
Pensions	245.7	209.7
Other postretirement benefits	34.8	11.3
TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES	280.5	221.0
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	193.9	231.2
LONG-TERM DEBT	2,175.1	2,699.4
OTHER LIABILITIES	213.8	213.8
TOTAL LIABILITIES	3,254.4	3,947.1
COMMITMENTS AND CONTINGENCIES (SEE NOTE 20)		
EQUITY		
CLIFFS SHAREHOLDERS' DEFICIT		
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 - none issued (2015 - 731,223 shares)	—	731.3
Class B - 4,000,000 shares authorized		
Common Shares - par value \$0.125 per share		
Authorized - 400,000,000 shares (2015 - 400,000,000 shares);		
Issued - 238,636,794 shares (2015 - 159,546,224 shares);		
Outstanding - 233,074,091 shares (2015 - 153,591,930 shares)	29.8	19.8
Capital in excess of par value of shares	3,347.0	2,298.9
Retained deficit	(4,574.3)	(4,748.4)
Cost of 5,562,703 common shares in treasury (2015 - 5,954,294 shares)	(245.5)	(265.0)
Accumulated other comprehensive loss	(21.3)	(18.0)
TOTAL CLIFFS SHAREHOLDERS' DEFICIT	(1,464.3)	(1,981.4)
NONCONTROLLING INTEREST	133.8	169.8
TOTAL DEFICIT	(1,330.5)	(1,811.6)
TOTAL LIABILITIES AND DEFICIT	\$ 1,923.9	\$ 2,135.5

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

Statements of Consolidated Operations

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)		
	Year Ended December 31,		
	2016	2015	2014
REVENUES FROM PRODUCT SALES AND SERVICES			
Product	\$ 1,913.5	\$ 1,832.4	\$ 3,095.2
Freight and venture partners' cost reimbursements	195.5	180.9	278.0
	<u>2,109.0</u>	<u>2,013.3</u>	<u>3,373.2</u>
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,719.7)	(1,776.8)	(2,487.5)
SALES MARGIN	389.3	236.5	885.7
OTHER OPERATING INCOME (EXPENSE)			
Selling, general and administrative expenses	(117.8)	(110.0)	(154.7)
Impairment of goodwill and other long-lived assets	—	(3.3)	(635.5)
Miscellaneous - net	(30.7)	28.1	34.6
	<u>(148.5)</u>	<u>(85.2)</u>	<u>(755.6)</u>
OPERATING INCOME	240.8	151.3	130.1
OTHER INCOME (EXPENSE)			
Interest expense, net	(200.5)	(228.5)	(176.7)
Gain on extinguishment/restructuring of debt	166.3	392.9	16.2
Other non-operating income (expense)	0.4	(2.6)	10.7
	<u>(33.8)</u>	<u>161.8</u>	<u>(149.8)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	207.0	313.1	(19.7)
INCOME TAX BENEFIT (EXPENSE)	12.2	(169.3)	86.0
EQUITY LOSS FROM VENTURES, net of tax	—	(0.1)	(9.9)
INCOME FROM CONTINUING OPERATIONS	219.2	143.7	56.4
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(19.9)	(892.1)	(8,368.0)
NET INCOME (LOSS)	199.3	(748.4)	(8,311.6)
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST			
(Year Ended December 31, 2016 - No loss related to Discontinued Operations, Year Ended December 31, 2015 - Loss of \$7.7 million and Year Ended December 31, 2014 - Loss of \$1,113.3 million related to Discontinued Operations)	(25.2)	(0.9)	1,087.4
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 174.1	\$ (749.3)	\$ (7,224.2)
PREFERRED STOCK DIVIDENDS	—	(38.4)	(51.2)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ 174.1	\$ (787.7)	\$ (7,275.4)
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC			
Continuing operations	\$ 0.98	\$ 0.63	\$ (0.14)
Discontinued operations	(0.10)	(5.77)	(47.38)
	<u>\$ 0.88</u>	<u>\$ (5.14)</u>	<u>\$ (47.52)</u>
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED			
Continuing operations	\$ 0.97	\$ 0.63	\$ (0.14)
Discontinued operations	(0.10)	(5.76)	(47.38)
	<u>\$ 0.87</u>	<u>\$ (5.13)</u>	<u>\$ (47.52)</u>
AVERAGE NUMBER OF SHARES (IN THOUSANDS)			
Basic	197,659	153,230	153,098
Diluted	200,145	153,605	153,098

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

Statements of Consolidated Comprehensive Income (Loss)

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)		
	Year Ended December 31,		
	2016	2015	2014
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 174.1	\$ (749.3)	\$ (7,224.2)
OTHER COMPREHENSIVE INCOME (LOSS)			
Pension and OPEB liability, net of tax	(19.8)	45.2	(91.0)
Unrealized net gain (loss) on marketable securities, net of tax	—	1.7	(7.2)
Unrealized net gain (loss) on foreign currency translation	18.6	155.6	(42.3)
Unrealized net gain (loss) on derivative financial instruments, net of tax	(2.6)	20.7	2.8
OTHER COMPREHENSIVE INCOME (LOSS)	(3.8)	223.2	(137.7)
OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	0.5	4.6	4.8
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 170.8	\$ (521.5)	\$ (7,357.1)

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

Statements of Consolidated Cash Flows

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)		
	Year Ended December 31,		
	2016	2015	2014
OPERATING ACTIVITIES			
Net income (loss)	\$ 199.3	\$ (748.4)	\$ (8,311.6)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation, depletion and amortization	115.4	134.0	504.0
Impairment of goodwill and other long-lived assets	—	76.6	9,029.9
Deferred income taxes	—	159.8	(1,153.9)
Changes in deferred revenue and below-market sales contracts	(20.5)	(42.6)	(18.0)
Gain on extinguishment/restructuring of debt	(166.3)	(392.9)	(16.2)
Loss on deconsolidation, net of cash deconsolidated	17.5	668.3	—
Loss (gain) on sale of North American Coal mines	(2.1)	(9.3)	419.6
Other	32.6	113.0	(11.6)
Changes in operating assets and liabilities:			
Receivables and other assets	43.2	369.1	(82.8)
Product inventories	157.8	(62.0)	37.8
Payables and accrued expenses	(73.9)	(227.7)	(38.3)
Net cash provided by operating activities	303.0	37.9	358.9
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(69.1)	(80.8)	(284.1)
Investments in DIP and pre-petition financing	(1.5)	(14.0)	—
Proceeds from DIP and pre-petition financing	8.3	—	—
Proceeds (uses) from sale of North American Coal mines	3.6	(15.2)	155.0
Other investing activities	0.8	6.8	25.5
Net cash used in investing activities	(57.9)	(103.2)	(103.6)
FINANCING ACTIVITIES			
Net proceeds from issuance of common shares	287.4	—	—
Proceeds from first lien notes offering	—	503.5	—
Debt issuance costs	(5.2)	(33.6)	(9.0)
Borrowings under credit facilities	105.0	309.8	1,219.5
Repayment under credit facilities	(105.0)	(309.8)	(1,219.5)
Repayments of equipment loans	(95.6)	(45.4)	(20.9)
Repurchase of debt	(305.4)	(225.9)	(28.8)
Contributions (to)/by joint ventures, net	(3.2)	0.1	(25.7)
Distributions of partnership equity	(59.9)	(40.6)	—
Common stock dividends	—	—	(92.5)
Preferred stock dividends	—	(51.2)	(51.2)
Other financing activities	(24.5)	(45.9)	(60.2)
Net cash provided (used) by financing activities	(206.4)	61.0	(288.3)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.5)	(1.4)	(11.6)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38.2	(5.7)	(44.6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	285.2	290.9	335.5
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 323.4	\$ 285.2	\$ 290.9

The accompanying notes are an integral part of these consolidated financial statements .
See NOTE 17 - CASH FLOW INFORMATION .