

Alpha Natural Resources, Inc.
Form 425
August 04, 2008

INVESTOR PRESENTATION

AUGUST 2008

Filed by Cleveland-Cliffs Inc

Commission File No. 1-8944

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Alpha Natural Resources, Inc.

Commission File No. 1-32423

CLIFFS NATURAL RESOURCES

Safe Harbor
Statement under the Private
Securities Litigation Reform Act of 1995

A number of the matters discussed in this document that are not historical or current facts deal with potential future circumstances and developments, in particular, information regarding expected synergies resulting from the merger of Cleveland-Cliffs and Alpha, combined operating and financial data, the combined company's plans, objectives, expectations and intentions and

whether
and
when
the
transactions
contemplated
by
the
merger
agreement
will
be
consummated.

The discussion of such matters is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from actual future experience involving any one or more of such matters. Such risks and uncertainties

include:

the
risk
that
the
businesses
will
not
be
integrated
successfully;
the
risk
that
the
cost
savings
and
any

other synergies from the transaction may not be fully realized or may take longer to realize than expected; changes in demand for iron ore pellets by North American integrated steel producers, or changes in Asian iron ore demand due to changes in steel utilization rates, operational factors, electric furnace production or imports into the United States and Canada of semi-finished steel or pig iron; the impact of consolidation and rationalization in the steel industry; timing of changes in customer coal inventories; changes in, renewal of and acquiring new long-term coal supply arrangements; inherent risks of coal mining beyond the combined company's control; environmental laws, including those directly affecting coal mining production, and those affecting customers' coal usage; competition in coal markets; railroad, barge, truck and other transportation performance and costs; the geological characteristics of Central and Northern Appalachian coal reserves; availability of mining and processing equipment and parts; the combined company's assumptions concerning economically recoverable coal reserve estimates; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the failure to obtain governmental approvals of the transaction on the proposed terms and schedule, and any conditions imposed on the combined company in connection with consummation of the merger; the failure to obtain approval of the merger by the stockholders of Cleveland-Cliffs and Alpha and the failure to satisfy various other conditions to the closing of the merger contemplated

by
the
merger
agreement;
and
the
risks
that
are
described
from
time
to
time
in
Cleveland-Cliffs
and
Alpha's
respective
reports
filed
with
the
SEC,
including
each
of
Cleveland-Cliffs
and
Alpha's
annual
report
on
Form
10-K
for
the
year
ended December 31, 2007 and quarterly report on Form 10-Q for the quarter ended March 31, 2008, as such reports may have
been amended. This document speaks only as of its date, and Cleveland-Cliffs and Alpha each disclaims any duty to update the
information herein.

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Additional Information and Where to Find It

In connection with the proposed transaction, a registration statement on Form S-4 will be filed with the SEC. CLEVELAND-CLIFFS AND ALPHA SHAREHOLDERS ARE ENCOURAGED TO READ THE REGISTRATION STATEMENT AND ALL RELEVANT DOCUMENTS FILED WITH

THE
SEC,
INCLUDING
THE
JOINT
PROXY
STATEMENT/PROSPECTUS
THAT
WILL
BE

PART OF THE REGISTRATION STATEMENT, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN
INFORMATION ABOUT THE PROPOSED MERGER. The final joint proxy statement/prospectus will be mailed to shareholders

Cleveland-Cliffs and shareholders of Alpha. Investors and security holders will be able to obtain the documents free of charge
at

the
SEC's
web
site,

www.sec.gov,
from
Cleveland-Cliffs

Inc.,
Investor
Relations,
1100
Superior
Avenue,
Cleveland,
Ohio

44114-2544, or call (216) 694-5700, or from Alpha Natural Resources, Inc., One Alpha Place, P.O. Box 2345, Abingdon,
Virginia 24212, attention: Investor Relations, or call (276) 619-4410.

Participants In Solicitation

Cleveland-Cliffs and Alpha and their respective directors and executive officers and other members of management and
employees may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. Information
concerning

Cleveland-Cliffs
participants

is
set
forth
in
the
proxy
statement
dated
March

26,
2008,
for
Cleveland-Cliffs

2008
annual
meeting
of
shareholders
as
filed
with
the
SEC
on
Schedule
14A.
Information
concerning
Alpha
participants
is
set
forth

in the proxy statement, dated April 2, 2008, for Alpha's 2008 annual meeting of stockholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of Cleveland-Cliffs and Alpha in the solicitation of proxies in respect of the proposed merger will be included in the registration statement and joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

Important Information for Investors
and Shareholders

4

Creates a leading independent supplier of critical raw materials
to the robust North
American steel industry and a major global player

Core iron ore and met coal businesses strongly correlated
Capitalizes on strong outlook for iron ore, metallurgical and thermal coal
Shared culture and core values of both companies, including a focus on safety

Strong financial outlook positions company for ongoing growth opportunities

Pro forma 2008E EBITDA of
\$1.9bn

1
, increasing to \$4.7bn

1
in 2009E

Pro forma leverage (Debt/2008E EBITDA) of
1.2x

1
Compelling value creation for Cleveland-Cliffs and Alpha Natural Resources shareholders

Transaction Highlights
1

Management estimates

~
~
~
~
~
~

5
Largest US met coal supplier
Strong management team with 20+ years of industry experience
Supply/demand metrics in coal market
Unique blending and coal optimization capabilities drive meaningful synergy potential
Meaningfully increases exposure to export market given infrastructure and sales network
Well diversified production profile with 8 business units and met/steam sales mix
Why Alpha?

6

Overview:

Cleveland-Cliffs (CLF) to acquire 100% of Alpha Natural Resources (ANR) for cash and stock

Purchase Price:

Equity purchase price of approximately \$10 billion

1

Premium:

Based on Cliffs

closing price on July 15, 2008, Alpha
stockholders would receive a premium of 35%

Consideration:

Alpha stockholders would receive 0.95 Cleveland-Cliffs common shares
plus \$22.23 in cash for each share of Alpha stock they owned

Ownership:

Upon completion of the transaction, Alpha stockholders would own
approximately 40% of the combined company, and Cliffs shareholders
would own approximately 60% percent on a fully-diluted basis

Key Conditions:

The transaction is subject to approval by Cliffs and Alpha
shareholders, as well as the satisfaction of customary closing
conditions and regulatory approvals

Timing:

The transaction is expected to close by the end of 2008

Transaction Summary

1

Based on Cliffs closing price on July 15, 2008

7

Shared core values

Best-in-class safety standards and practices

Both companies recognize that the processing of the earth's mineral resources must be accomplished in a socially responsible manner

Integrated Management and Board structure

Following

the

close

of

the

transaction,

Cleveland-Cliffs

Board

of

Directors

will

be

expanded

by

two seats to be filled by two current Alpha Natural Resources directors, Michael Quillen and Glenn

Eisenberg

Joseph Carrabba will serve as Chairman and Chief Executive Officer

Michael Quillen will serve as non-executive Vice Chairman

Kevin Crutchfield will become President of the combined company's Coal division

Donald Gallagher will become President of the combined company's Iron Ore division

Laurie Brlas will serve as Executive Vice President and Chief Financial Officer

Shared Cultural Commitment to Integrity,

Safety & Environment

8
The Right Platform
Supplier to the Steel Industry

9
Steel is a Large, Growing, Global Business
UK
1200
1000
800
600
400

200

0

Purchasing Power Parity GDP/Capita

0

10

20

30

40

50

Germany

Canada

US

Australia

Japan

Korea

Russia

China

Overall, China's steel consumption is three times that of the US

On a per capita basis, however, China only consumes half as much as the US

The US remains a net importer of steel

Approx. 50mm tonnes

Note: Size of bubbles represent size of absolute steel consumption 2007 in each respective country

BRIC economic growth is substantial and appears inevitable

Brazil

India

Steel consumption potential (2007)

10
Robust Steel Demand Drives this Combination
Global steel demand (millions of tonnes)
0
500
1,000
1,500
2,000

1950

1955

1960

1965

1970

1975

1980

1985

1990

1995

2000

2005

2010E

2015E

Post World War II reconstruction
and Japanese industrialization

CAGR 1950-1973: 5.9%

Post-oil crisis slow down

CAGR 1973-1995: 0.4%

BRIC cycle

CAGR 1995-2015: 4.4%

Source: IISI, Metal Strategies

11

US Steel Industry is Particularly Well-Positioned

Source: FactSet, Metal Strategies, AME

Dollar vs. Euro (\$/)

Market share of top 3 US producers (%)

0.50

0.75

1.00

1.25
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008

US steel consumption (millions of tonnes)

0
25
50
75
100
125
150
2000
2002
2004
2006
2008E

US steel consumption

US steel imports

HRC prices (\$/tonne)

0
200
400
600
800
1,000
1996
2000
2004
2008E

0%
20%
40%
60%
80%
100%

HRC

Plate

CRC

Tin Mill

2000
2006

Mitigates imports and strengthens exports

US is a net importer

US is becoming a low cost producer

US steel industry continues to attract foreign investment

12
All others
32%
Consol
6%
Patriot Coal
10%
Jim Walter

Resources

11%

Massey

Energy

16%

Cliffs Natural

Resources

25%

U.S. Steel

24%

Iron Ore

Company of

Canada

16%

Arcelor

Mittal

15%

Cliffs Natural

Resources

Managed

45%

CNR will be the Leading Supplier to the Robust

North American Steel Industry

Source: Company data, EIA

1

2007

coal

production

of

US

companies

with

meaningful

met

coal

production

Cliffs Natural Resources will be well-positioned to optimize operations from the

combined company's asset base

NA iron ore pellet production

Coal

production

mix

1

(million

of

tons)

US met coal production (%)

3

9

13

5
6
31
40
6
22
66
Pro forma
Cliffs
Massey
Walter
Patriot
CONSOL
Met Coal
Steam Coal
13
9
6
5
3

13

More Than 80% of Revenue Driven by Steel Industry

~\$6bn

Met coal

34.0%

Iron ore

46.7%

Brokered coal

6.7%
Steam coal
12.5%
Pro
forma
revenue
1
&
production
(2008E)
Source: Company data
1
Excludes revenue from freight & other
2
Per
Alpha
Natural
Resources
latest
annual
filing,
steam/met
mix
related
to
mine
geology
Iron ore
52.3%
Steam coal
8.6%
Steam / Met coal²
23.6%
Iron ore: 1bn tons
Coal: 915mm tons
Pro forma global reserves (2007)
Met coal
15.5%
Hibbing Taconite
United Taconite
Northshore Mining
Empire
Mine
Tilden
Mine
Oak Grove Mine
Cliffs Corporate
Headquarters
Pinnacle Complex
Pinnacle Mine

Green Ridge Mine
AMFIRE
Kingwood
Brooks Run
Welch
Enterprise
Paramont
Dickenson-Russell
Callaway
Cliffs North America
Wabush Mine
Iron ore assets
Coal assets
~72mm tons
Met coal
23.4%
Iron ore
50.6%
Brokered coal
7.8%
Steam coal
18.2%

14
Strong Iron Ore Trends
0
25
50
75
100
125

150
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008E
Pellets
Lump
Fines
Iron ore prices (\$/tonne)
Source: Tex Reports
Recently
announced
iron
ore
pellet
contracts
at
\$140/tonne
~
~

15
The Right Time
Coal Fundamentals are Attractive

16
Strong Coal Pricing Trends
0
20
40
60
80
100

120
140
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008E

Note:
CAPP
steam
coal
index

CSX,
12,500
Btu,
1#
Rail

Source: Bloomberg, Platts
Met coal prices (\$/tonne)
Steam coal prices (\$/ton)

0
50
100
150
200
250
300
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008E

Source: Metal Strategies, equity research
Alpha
recently
announced
met
coal
contracts

for
between
\$300-
\$305/tonne at the port
These
contracts
are
for
3
mt
and
equate
to
\$250/ton
at
the
mine
Steel producers are currently seeking to negotiate 2009 met coal
contracts early
Alpha
recently
announced
2.7
mt
of
steam
coal
contracts
for
2008/2009
delivery
at
\$102/ton
~
~
~
~
~
~
~
~
~
~
~

17

Favorable Met Coal Outlook

Demand driven by strong expected continued growth in global steel production both domestically and abroad

Weak dollar and availability of iron and met coal favorable for US production outlook

US is swing supplier for export met coal markets to meet global demand

Greater
than
50%
growth
in
met
export
supply
YTD
Meaningful
port
capacity

Hampton
Roads,
DTA,
etc.
Supply constraints increasingly challenging

Specific events, such as floods in Australia, highlight tight market

China export limitations

Long capital equipment lead times

Aging workforce and availability of new labor

Difficulty in obtaining permits

Identified additional sizable reserves limited

Recent accidents at major coking coal mines in Eastern Europe have raised concerns about the safety/security of indigenous supply (Ukraine, Russia, Kazakhstan, Poland)

18

Favorable Met Coal Outlook

Global seaborne met coal supply / demand
(millions of tonnes)

US met coal exports (**millions of tonnes**)

Few substitutes for coking coal

Scarcity of high quality met coal

Limitations on use of PCI & semi-soft coal in blast furnaces

Large international steel companies securing sources of supply

POSCO and ArcelorMittal acquire meaningful position in Macarthur

ArcelorMittal acquired privately-held met coal producers Mid Vol and Concept Coal

Several other met coal M&A situations drawing attention of international steel producers

+3

+12

-3

-2

-10

Source: Equity research, EIA

2006

2007

2008E

2009E

2010E

Import Demand

Export Supply

2006

2007

2008E

2009E

2010E

182

193

204

219

225

185

205

201

217

215

Import Demand

Export Supply

24.3

26.0

24.9

29.2

41.7

19

Demand Shifted as China Became Net Importer of
Met Coal in 2007

As China grew, its met coal exports and imports shifted by nearly 17 million tonnes

2007 net

imports:

3.7

2002 net

exports:

13.0

Source: McCloskey s

0

2

4

6

8

10

12

14

2002

2003

2004

2005

2006

2007

Exports

Imports

AME Mineral Economics: net imports will increase further
to at least 10 million tonnes

by 2013

Imports/exports

balance

(millions

of

tonnes)

20

Strong Demand for Met Coal is Expected to
Continue

New battery construction outside of China creating 52 million tonnes of incremental met coal demand

Note: Metric tonnes in millions

Source: Alpha management estimates from various studies & published sources

2.9

9.5

1.4
14.7
11.2
6.6
5.7
0
2
4
6
8
10
12
14
16
2004
2005
2006
2007
2008
2009
2010
+ 25
+27
Estimated
new
met
coal
demand
from
announced
coke
batteries
(ex-China)
(million
of
tonnes)

21
Coal is Well Positioned in US Energy Market
Natural
gas
prices
near
historic
highs

1
(\$/mm
Btu)
Crude oil prices near historical highs¹
(\$/barrel)
US coal production²
(mm short tons)
Electricity
generated
by
coal
is
growing
3

YTD 2008, US coal production is up 0.7%

YTD 2008, coal fired electricity generation is up 1.8%

1,128
1,094
1,072
1,112
1,133
1,163
1,147
1,150
900
950
1,000
1,050
1,100
1,150
1,200
2001
2002
2003
2004
2005
2006
2007
LTM

1
Source: Bloomberg. From 01/01/03 through 07/25/08

2
Source: EIA. Data through June 2008 as of 07/24/08 report

3
Source: EIA. Data through February 2008 as of 07/10/08 report

\$124.65

\$9.33

Average: \$59.85

Average: \$7.07

Coal

51%

Nuclear

20%

Natural Gas

19%

Hydroelectric

6%

Other

4%

2003

2004

2005

2007

2008

2006

2003

2004

2005

2007

2008

2006

\$3

\$6

\$9

\$12

\$15

\$0

\$30

\$60

\$90

\$120

\$150

\$180

22

Attractive Steam Coal Fundamentals

Global seaborne steam coal supply / demand
(millions of tonnes)

US

steam

coal

exports

(millions
of
tonnes)
China factor

Power supplies tight

Domestic prices capped

Export volumes limited by quotas
Country-specific export impediments

Australian infrastructure expansion delays

Power rationing in South Africa
Strong import demand from India, Japan, Korea
U.S. fundamentals sound

Production growth ~1% YTD

Thermal export growth greater than 50% YTD

Utility stockpiles are stable

+31

+14

-14

-22

-7

Source: Equity research, EIA

2006

2007

2008E

2009E

2010E

Import Demand

Export Supply

2006

2007

2008E

2009E

2010E

442

465

484

507

502

473

479

471

485

495

Import Demand

Export Supply

19.2

19.3

20.0

24.5

35.7

23
Value Creation

24

History of Successful and Well-Timed Investments

Cleveland-Cliffs share price performance (\$)

Source: FactSet, company data. Adjusted for 2-for-1 stock split on May 16, 2008

March 31, 2005

Acquires 68.7% of

Portman for \$372mm

April 19, 2005

Raises stake in
Portman to 80.4%
for \$62mm
March 5, 2007
Acquires 30% interest in
Amapa Project for \$133mm
April 18, 2007
Invests \$120mm in
Sonoma Coal Project
September 1, 2006
Joe Carrabba named
President and CEO
of Cleveland-Cliffs
+783%
CAGR: 85%
\$0
\$25
\$50
\$75
\$100
\$125
\$150
Jan 2005
Jul 2005
Jan 2006
Jul 2006
Jan 2007
Jul 2007
Jan 2008
Jul 2008
Portman Ltd Acquisition

January
11,
2005]
Launched
all-cash
offer
for
Portman
Ltd, a Western Australia-based iron ore producer & a key
supplier to Chinese and Japanese steel producers

By April 2005, Cleveland-Cliffs had acquired 80.4% of
Portman for A\$3.85 per share

Current share price of A\$17.50 represents an increase
of 355%
PinnOak Resources Acquisition

July

31,

2007]

Acquired

PinnOak

Resources, a US-based met coal producer
with operations in West Virginia & Alabama

Total acquisition cost of \$610mm

Key supplier of metallurgical coal for North
American steel industry

25
Successful and Well-Timed International
Investments in Fast Growing Regions
Source: Company data
Amapa Project
Iron ore assets
Coal assets
Portman Koolyanobbing

Portman Cockatoo Island

Sonoma

Cliffs Asia Pacific

Cliffs Latin America

International highlights

Portman stake provides crucial
access to the Asian market

Production expected to reach 8 million
tonnes in 2008 and has over 90
million tonnes of reserves

45% interest in the Sonoma Coal
Project in Queensland, Australia

Production is expected to reach 2
million tonnes of coal in 2008 and 3-4
in 2009 and beyond and has 27
million tonnes of reserves

30% interest in the Amapa Project
in northern Brazil

Production of iron ore is predicted to
reach 3 million tonnes of iron ore in
2008 and 6.5 million in the following
years

26

Alpha's Pro Forma Contribution Accelerates in '09
and Beyond with the Strong Met Coal Outlook

Pro forma EBITDA

1,2

(\$ billion)

Source: FactSet, company data, management estimates

1

2007A based on company filings

2

Approximate midpoints of management estimates

3

Based on stock prices as of close on July 15, 2008

Financial multiples

2

Cleveland-Cliffs

2009E

EBITDA

\$2.75bn

EV/2009E

EBITDA³

4.6x

Alpha Natural Resources

2009E

EBITDA

\$1.95bn

EV/2009E

EBITDA³

5.0x

Cleveland-Cliffs

60%

Alpha Natural

40%

Pro forma EBITDA

2

(2009E)

0

1

2

3

4

5

2007A

2008E

2009E

~

~

~

~

~

~

~

~

~

~
~
~

27

Undervalued Relative to Large-Cap Iron Ore, Coal
and Diversified Peers

Firm Value / 2009E EBITDA vs. Peers

Source: FactSet, company data, approximate midpoints of management guidance

Note:Based

on stock prices as of close on July 15, 2008;Forward data per Wall Street consensus estimates except for Cliffs which is per ma
Pro

forma
Cliffs
Natural
Resources
calculated

as

Cliffs

price

as

of

07/15/08

times

pro

forma

fully

diluted

shares

outstanding

plus

net

debt

and

other

firm

value

adjustments (excluding transaction costs) divided by the approximate midpoint of management guidance for 2009E EBITDA

4.8x

5.2x

5.3x

5.4x

6.5x

7.3x

7.7x

8.6x

8.7x

0x

2x

4x

6x

8x

10x

Peabody

Fortescue

CONSOL

Arch Coal

Rio Tinto

Xstrata

BHP

Vale

Pro forma

Cliffs
Natural
Resources
Iron Ore / Diversified
Coal

28
Strong Financial Position
Financials
Revenue
\$6.5bn
\$10.2bn
EBITDA
\$1.9bn

29
Creates
a
leading
independent
supplier
of
critical

raw
materials
to
the
robust
North
American steel industry and a major global player

Core iron ore and met coal businesses strongly correlated
Capitalizes on strong outlook for iron ore, metallurgical and thermal coal
Shared culture and core values of both companies, including a focus on safety
Strong financial outlook positions company for ongoing growth opportunities

Pro forma 2008E EBITDA of \$1.9bn

1
, increasing to \$4.7bn
1
in 2009E

Pro
forma
leverage
(Debt/2008E
EBITDA)

of
1.2x

1
Compelling value creation for Cleveland-Cliffs and Alpha Natural Resources shareholders

Transaction Highlights

1
Management estimates

~
~
~
~
~
~

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AUGUST 2008
CLIFFS NATURAL RESOURCES