

UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2003

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----- to -----

UNITED STATES STEEL CORPORATION

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

Delaware	1-16811	25-1897152
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

600 Grant Street, Pittsburgh, PA	15219-2800
-----	-----
(Address of principal executive offices)	(Zip Code)

(412) 433-1121  
ty ) c-gn-s)g-----  
(Registrant's telephone number,  
including area code)

-----  
Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 25-M( De 5-M Ses f-- frer d M -- r r on nn -- n r



STATEMENT OF OPERATIONS (Continued) (Unaudited)  
COMMON STOCK DATA

	Third Quarter Ended		Nine Months Ended	
	September 30 2003	2002	September 30 2003	2002
(Dollars in millions, except per share amounts)				
-----				
COMMON STOCK DATA:				
Per share - basic and diluted:				
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	\$(3.47)	\$ 1.04	\$(3.84)	\$ .52
Extraordinary loss, net of tax	-	-	(.50)	-
Cumulative effect of change in accounting principle, net of tax	-	-	(.05)	-
	-----	-----	-----	-----
Net income (loss)	\$(3.47)	\$ 1.04	\$(4.39)	\$ .52
	=====	=====	=====	=====
Weighted average shares, in thousands				
- Basic	103,321	101,926	103,096	95,767
- Diluted	103,321	101,926	103,096	95,769
Dividends paid per share	\$ .05	\$ .05	\$ .15	\$ .15
PRO FORMA AMOUNTS ASSUMING CHANGE IN ACCOUNTING PRINCIPLE WAS APPLIED RETROACTIVELY:				
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle, as reported	\$(354)	\$ 106	\$(384)	\$ 50
SFAS No. 143 pro forma effect	-	(1)	5	(2)
	-----	-----	-----	-----
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle, adjusted	\$(354)	\$ 105	\$(379)	\$ 48
Per share adjusted - basic and diluted	(3.47)	1.03	(3.80)	.50
Net income (loss) adjusted	(354)	105	(431)	48
Per share adjusted - basic and diluted	(3.47)	1.03	(4.30)	.50

Selected notes to financial statements appear on page 14

- r0,92

Other intangible assets, net	39	-
Deferred income tax benefits	366	-
Other noncurrent assets	202	144
	-----	-----
Total assets	\$ 9,241	\$ 7,977
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 940	\$ 677
Accounts payable to related parties	72	90
Payroll and benefits payable	420	254
Accrued taxes	344	281
Accrued interest	49	44
Long-term debt due within one year	28	26
	-----	-----
Total current liabilities	1,853	1,372
Long-term debt, less unamortized discount	1,853	1,408
Deferred income taxes	2	223
Employee benefits	3,539	2,601
Deferred credits and other liabilities	349	346
	-----	-----
Total liabilities	7,596	5,950
	-----	-----
Contingencies and commitments (See Note 23)	-	-
STOCKHOLDERS' EQUITY		
Preferred stock -		
7% Series B Mandatory Convertible		
Preferred issued - 5,000,000 shares		
and -0- shares (no par value, liquidation		
preference \$50 per share)	231	-
Common stock issued - 103,296,600 shares and		
102,485,246 shares	103	102
Additional paid-in capital	2,679	2,689
Retained earnings (deficit)	(399)	42
Accumulated other comprehensive loss	(968)	(803)
Deferred compensation	(1)	(3)
	-----	-----
Total stockholders' equity	1,645	2,027
	-----	-----
Total liabilities and stockholders' equity	\$ 9,241	\$ 7,977
	=====	=====

Selected notes to financial statements appear on pages 7-32.

UNITED STATES STEEL CORPORATION  
STATEMENT OF CASH FLOWS (Unaudited)

(Dollars in millions)	Nine Months Ended	
	September 30 2003	2002
-----		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING ACTIVITIES:		
Net income (loss)	\$ (441)	\$ 50
Adjustments to reconcile to net cash provided from operating activities:		
Extraordinary loss, net of tax	52	-
Cumulative effect of change in accounting principle, net of tax	5	-
Depreciation, depletion and amortization	317	266
Pensions and other postretirement benefits	638	(35)
Deferred income taxes	(408)	(12)
Net gains on disposal of assets	(27)	(7)
Income from sale of coal seam gas interests	(34)	-
Loss (income) from equity investees and distributions received	35	-
Changes in:		
Current receivables		
- sold	190	320
- repurchased	(190)	(320)
- operating turnover	(74)	(228)
Inventories	123	(97)
Current accounts payable and accrued expenses	266	193
All other - net	(120)	(54)
	-----	-----
Net cash provided from operating activities	332	76
	-----	-----
INVESTING ACTIVITIES:		
Capital expenditures	(205)	(150)
Acquisition - National Steel Corporation assets	(873)	-
- U. S. Steel Balkan	(6)	-
- U. S. Steel Kosice	(37)	(38)
Disposal of assets	76	12
Sale of coal seam gas interests	34	-



new labor agreement with the United Steelworkers of America (USWA). The new labor agreement and these liabilities are discussed in more detail below.

UNITED STATES STEEL CORPORATION  
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

-----  
(Unaudited)

3. (Continued)

In connection with the acquisition of National's assets, U. S. Steel reached a new labor agreement with the USWA, which covers employees at the U. S. Steel facilities and the acquired National facilities. The agreement was ratified by the USWA membership in May 2003, expires in 2008 and provides for a workforce restructuring through a Transition Assistance Program (TAP). U. S. Steel calculated the estimated fair value of the obligations recorded for benefits granted under the labor agreement to former active National employees represented by the USWA and hired by U. S. Steel. The liabilities included \$145 million for future retiree medical and retiree life costs, \$17 million related to future payments for employees who participate in the TAP, and \$24 million for accrued vacation benefits. U. S. Steel also recognized a \$17 million liability related to two irrevocable cash contributions to be made to the Steelworkers Pension Trust (SPT) in 2003 and 2004 based on the number of National's represented employees as of the date of the acquisition, less the number of these employees estimated to participate in the TAP. The SPT is a multiemployer pension plan to which U. S. Steel will make contributions for all former National represented employees who join U. S. Steel and, after July 1, 2003, for all new U. S. Steel employees represented by the USWA.

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed or recognized based on their fair market values. Appraisals were obtained for inventory; property, plant and equipment; intangible assets and other noncurrent assets. Based on the appraisals, the fair value of the net assets acquired were in excess of the purchase price, resulting in negative goodwill. In accordance with Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations," the negative goodwill was allocated as a pro rata reduction to the amounts that would have otherwise been assigned to the acquired noncurrent assets, based on their relative fair values.

	Allocated Purchase Price
	-----
	(In millions)
Acquired assets:	
Accounts receivable	\$ 222
Inventory	500
Other current assets	22
Property, plant & equipment	480
Intangible assets	42
Other noncurrent assets	3
	-----
Total assets	1,269
	-----
Acquired liabilities:	
Accounts payable	157
Payroll and benefits payable	57
Other current liabilities	30
Employee benefits	150
Other noncurrent liabilities	36
	-----
Total liabilities	430
	-----
Purchase price-cash	\$ 839
	=====

UNITED STATES STEEL CORPORATION  
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

-----  
(Unaudited)

3. (Continued)

Referred to the allocated purchase price are exp'Purlllocated li Xp

related to these intt

been assigned to the acquired noncurrent assets based on their relative fair values.

	Allocated Purchase Price
	-----
Acquired assets:	(In millions)
Accounts receivable	\$ 1
Inventory	6
Property, plant & equipment	26
	-----
Total assets	33
	-----
Acquired liabilities:	
Employee benefits	4
	-----
Total liabilities	... H









the Delray Connecting Railroad, which were acquired from National.

UNITED STATES STEEL CORPORATION  
SELECTED NODal.







factors such as prices, shipments, product mix, plant operating performance and cost estimates, including pension and other postretirement benefits. To the extent that actual pretax results for domestic and foreign income in 2003 vary from forecast estimates applied at the end of the most recent interim period, the actual tax benefit recognized in 2003 could be materially different from the forecasted annual tax benefit as of the end of the third quarter.

The income tax benefit in the nine months of 2002 reflected an estimated annual effective tax benefit rate for 2002 of approximately 31% and included a \$4 million deferred tax charge related to a newly enacted state tax law.

UNITED STATES STEEL CORPORATION  
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

-----  
(Unaudited)

16. (Continued)

As of September 30, 2003, U. S. Steel had net federal and state deferred tax assets of \$470 million and \$92 million, respectively, which are expected to increase during the fourth quarter. Although U. S. Steel has experienced domestic losses in the current and prior year, management believes that it is more likely than not that tax planning strategies generating future taxable income can be utilized to realize the deferred tax assets recorded at September 30, 2003. Tax planning strategies include the implementation of the previously announced plan to dispose of non-strategic assets, as well as the ability to elect alternative tax accounting methods to provide future taxable income to assure realization of the anticipated deferred tax assets. During the fourth quarter, U. S. Steel intends to merge two of its defined benefit pension plans. Depending on the discount rate in effect on the measurement date and the growth in plan assets during the fourth quarter, the additional minimum pension liability determination at year end may increase federal and state deferred tax assets substantially or may result in a net deferred tax liability if a significant reversal of federal and state deferred tax assets occurs. The amount of the realizable deferred tax assets at September 30, 2003, and those expected to be recognized in the fourth quarter of the year could be adversely affected to the extent that losses continue in the future, if future events affect the ability to implement tax planning strategies or if further charges result from an increase in the minimum pension liability. Management will reassess the need for a valuation allowance at December 31, 2003.

The Slovak Income Tax Act provides an income tax credit which is available to USSK if certain conditions are met. In order to claim the tax credit in any year, 60% of USSK's sales must be export sales and USSK must reinvest the tax credits claimed in qualifying capital expenditures during the five years following the year in which the tax credit is claimed. The provisions of the Slovak Income Tax Act permit USSK to claim a tax credit of 100% of USSK's tax liability for years 2000 through 2004 and 50% for the years 2005 through 2009. Management believes that USSK fulfilled all of the necessary conditions for claiming the tax credit for the years for which it was claimed and anticipates meeting such requirements in 2003. As a result of claiming these tax credits and management's intent to reinvest earnings in foreign operations, virtually no income tax provision is recorded for USSK income.

In ...oñe U



-----  
(Unaudited)

17. In February 2003, U. S. Steel sold 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (no par value, liquidation preference \$50 per share) (Series B Preferred) for net proceeds of \$242 million. The Series B Preferred have a dividend yield of 7%, a 20% conversion premium (for an equivalent conversion price of \$15.66 per common share) and will mandatorily convert into shares of U. S. Steel common stock upon conversion of the 5 million shares of Series B Preferred shares. The number of common shares that could be issued upon conversion of the 5 million shares of Series B Preferred ranges from approximately 16.0 million shares to 19.2 million shares, based upon the timing of the conversion and the average market price of common shares. The number of common shares that could be issued upon conversion of the 5 million shares of Series B Preferred ranges from approximately 16.0 million shares to 19.2 million shares, based upon the timing of the conversion and the average market price of common shares. The number of common shares that could be issued upon conversion of the 5 million shares of Series B Preferred ranges from approximately 16.0 million shares to 19.2 million shares, based upon the timing of the conversion and the average market price of common shares.



accounts receivable under the Receivables Purchase Agreement. During the nine months ended September 30, 2002, USSR sold to conduits and subsequently repurchased \$320 million of revolving interest in accounts receivable. As of September 30, 2003, \$489 million was available to be sold under this facility.

USSR pays the conduits a discount based on the conduits' borrowing costs plus incremental fees. During the nine months ended September 30, 2003 and 2002, U. S. Steel incurred costs on the sale of its receivables of \$1 million and \$2 million, respectively.

UNITED STATES STEEL CORPORATION  
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

-----  
(Unaudited)

22. (Continued)

While the facility expires in November 2006, the facility also terminates on the occurrence and failure to cure certain events, including, among others, certain defaults with respect to the Inventory Facility and other debt obligations, any failure of USSR to maintain certain ratios related to the collectibility of the receivables, and failure to extend the commitments of the commercial paper conduits' liquidity providers which currently terminate on November 26, 2003. U. S. Steel is negotiating a renewal of the 364-day commitments of the liquidity providers in accordance with the terms of the facility.

23. U. S. Steel is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment. Certain of these matters are discussed below. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the consolidated financial statements. However, management believes that U. S. Steel will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably.

U. S. Steel accrues for estimated costs related to existing lawsuits, claims and proceedings when it is probable that it will incur these costs in the future.

Asbestos matters - U. S. Steel is a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Almost all these cases involve multiple plaintiffs and multiple defendants. These claims fall into three major groups: (1) claims made under certain federal and general maritime laws by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who performed work at U. S. Steel facilities (referred to as "premises claims"); and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. While U. S. Steel has excess casualty insurance, these policies have multi-million dollar self insured retentions and, to date, U. S. Steel has not received any payments under these policies relating to asbestos claims. In most cases, this excess casualty insurance is the only insurance applicable to asbestos claims.

These cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos contained in a U. S. Steel electric cable product or to asbestos on U. S. Steel's premises; approximately 200 plaintiffs allege they are suffering from mesothelioma. In many cases, the plaintiffs cannot demonstrate that they have suffered any compensable loss as a result of such exposure or that any injuries they have incurred did in fact result from such exposure. Virtually all asbestos cases seek monetary damages from multiple defendants. U. S. Steel is unable to provide meaningful disclosure about the total amount of such damages alleged in these cases for the following reasons: (1) many cases do not claim a specific demand for damages, or contain a demand that is stated only as being in excess of the minimum jurisdictional limit of the relevant court; (2) even where there are specific demands for damages, there is no meaningful way to determine what amount of the damages would or could be assessed against any particular defendant; (3) plaintiffs' lawyers often allege the same amount of damages irrespective of the specific harm that has been alleged, even though the ultimate outcome of any claim may depend upon the actual disease, if any, that the plaintiff is able to prove and the actual exposure, if any, to the U. S. Steel product or the duration of exposure, if any, on U. S. Steel's premises. U. S. Steel believes the amount of any damages alleged in the complaints initially filed in these cases is not relevant in assessing its potential liability.

UNITED STATES STEEL CORPORATION  
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

-----  
(Unaudited)

23. (Continued)

Until March 2003, U. S. Steel was successful in all asbestos cases that it

tried to final judgment. On March 28, 2003, a jury in Madison County, Illinois returned a verdict against U. S. Steel for \$50 million in compensatory damages and \$200 million in punitive damages. The plaintiff, an Indiana resident, alleged he was exposed to asbestos while working as a U. S. Steel employee at Gary Works in Gary, Indiana from 1950 to 1981 and that he suffers from mesothelioma as a result. U. S. Steel believes the plaintiff's exclusive remedy was provided by the Indiana workers' compensation law and that this issue and other errors at trial would have enabled U. S. Steel to succeed on appeal. However, in order to avoid the delay and uncertainties of further litigation and having to post an appeal bond equal to the amount of the verdict and to allow U. S. Steel to actively pursue its acquisition activities and other strategic initiatives, U. S. Steel settled this case and the settlement was reflected in financial results for the first quarter of 2003.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this and although our results of operations or cash flows for a given period could be adversely affected by asbestos-related lawsuits, claims and proceedings, the Company believes the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition.

Property taxes - U. S. Steel is a party to several property tax disputes involving its Gary Works property in Indiana, including claims for refunds totaling approximately \$65 million pertaining to tax years 1994-96 and 1999, and assessments totaling approximately \$133 million in excess of amounts paid for the 2000, 2001 and 2002 tax years. In addition, interest may be imposed upon any final assessment. The disputes involve property values and tax rates and are in various stages of administrative appeal. U. S. Steel is vigorously defending against the assessments and pursuing its claims for refunds.

Environmental matters - U. S. Steel is subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. Accrued liabilities for remediation totaled \$125 million and \$135 million at September 30, 2003 and December 31, 2002, respectively. Remediation liabilities at September 30, 2003, included liabilities recorded for asset retirement obligations under SFAS No. 143. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred. Penalties have not been recorded for these matters.



operating cash shortfalls of the partnership of up to \$150 million.  
Additionally, U. S. Steel, ughortfalls









average realized prices for sheet products and favorable effects resulting from the National Acquisition.

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

Segment results for Tubular

The segment loss for Tubular was \$10 million in the third quarter of 2003, compared with income of \$3 million in the same quarter last year. The decrease was mainly due to a less favorable mix of seamless products, increased employee benefit costs, and higher natural gas prices. Tubular reported a loss of \$20 million for the first nine months of 2003, compared with income of \$10 million in the first nine months of 2002. The declines resulted primarily from increased employee benefit costs, lower average realized prices for seamless products and higher natural gas prices, partially offset by income from the sale of U. S. Steel's interest in Delta in May 2003.

Segment results for USSE

Segment income for USSE was \$35 million in the third quarter of 2003, compared with income of \$40 million in the third quarter of 2002. The third quarter change reflected increased costs mainly due to the unfavorable effect of changes in foreign exchange rates, as well as costs associated with conversion and ~~and~~ ~~and~~ ~~any~~ management agreements with Sartid due mainly to operating and maintenance expenses required under such agreements. These were offset by ~~higher~~ ~~div~~ ~~er~~ ~~per~~ ~~ex~~ ~~er~~ ~~ch~~ ~~is~~ ~~ed~~ ~~sp~~ ~~ot~~ ~~ch~~ ~~as~~ ~~du~~ ~~e~~ ~~ve~~ ~~re~~ ~~d~~ ~~6~~ ~~6~~ ~~0~~ ~~m~~ ~~l~~ ~~t~~ ~~h~~ ~~e~~ ~~e~~ ~~x~~ ~~c~~ ~~h~~ ~~a~~ ~~n~~ ~~g~~ ~~e~~ ~~r~~ ~~a~~ ~~b~~ ~~e~~ ~~e~~ ~~f~~ ~~a~~ ~~c~~ ~~t~~ ~~s~~ ~~a~~ ~~n~~ ~~d~~ ~~p~~ ~~a~~ ~~r~~ ~~t~~ ~~i~~ ~~a~~ ~~l~~ ~~c~~ ~~o~~ ~~l~~ ~~l~~ ~~e~~ ~~c~~ ~~t~~ ~~i~~ ~~o~~ ~~n~~ ~~o~~ ~~f~~ ~~a~~ ~~n~~ ~~n~~ ~~o~~ ~~u~~ ~~n~~ ~~c~~ ~~e~~ ~~d~~ ~~p~~ ~~r~~ ~~i~~ ~~c~~ ~~e~~ ~~i~~ ~~n~~ ~~c~~ ~~r~~ ~~e~~ ~~a~~ ~~s~~ ~~e~~ ~~s~~ ~~.~~ ~~T~~ ~~h~~ ~~e~~ ~~a~~ ~~g~~ ~~r~~ ~~e~~ ~~e~~ ~~m~~ ~~e~~ ~~n~~ ~~t~~ ~~s~~ ~~w~~ ~~i~~ ~~t~~ ~~h~~ ~~S~~ ~~a~~ ~~r~~ ~~t~~ ~~i~~ ~~d~~ ~~w~~ ~~e~~ ~~r~~ ~~e~~ ~~t~~ ~~e~~ ~~r~~ ~~m~~ ~~i~~ ~~n~~ ~~a~~ ~~t~~ ~~e~~ ~~d~~ ~~i~~ ~~n~~ ~~S~~ ~~e~~ ~~p~~ ~~t~~ ~~e~~ ~~m~~ ~~b~~ ~~e~~ ~~r~~ ~~2~~ ~~0~~ ~~0~~ ~~3~~, ~~i~~ ~~n~~ ~~c~~ ~~o~~ ~~n~~ ~~j~~ ~~u~~ ~~n~~ ~~c~~ ~~t~~ ~~i~~ ~~o~~ ~~n~~ ~~w~~ ~~i~~ ~~t~~ ~~h~~ ~~t~~ ~~e~~ ~~p~~ ~~u~~ ~~r~~ ~~c~~ ~~h~~ ~~a~~ ~~s~~ ~~e~~ ~~o~~ ~~f~~ ~~t~~ ~~h~~ ~~e~~ ~~a~~ ~~s~~ ~~s~~ ~~e~~ ~~t~~ ~~s~~ ~~c~~ ~~o~~ ~~v~~ ~~e~~ ~~r~~ ~~e~~ ~~d~~ ~~b~~ ~~y~~ ~~t~~ ~~h~~ ~~e~~ ~~s~~ ~~e~~ ~~a~~ ~~g~~ ~~r~~ ~~e~~ ~~e~~ ~~m~~ ~~e~~ ~~n~~ ~~t~~ ~~s~~ ~~.~~ ~~F~~ ~~o~~ ~~r~~ ~~t~~ ~~h~~ ~~e~~ ~~f~~ ~~i~~ ~~r~~ ~~s~~ ~~t~~ ~~n~~ ~~i~~ ~~n~~ ~~e~~ ~~m~~ ~~o~~ ~~n~~ ~~t~~ ~~h~~ ~~e~~ ~~q~~ ~~u~~ ~~a~~ ~~r~~ ~~t~~ ~~e~~ ~~r~~ ~~2~~ ~~0~~ ~~0~~ ~~3~~, ~~U~~ ~~S~~ ~~S~~ ~~E~~ ~~r~~ ~~e~~ ~~c~~ ~~o~~ ~~r~~ ~~d~~ ~~e~~ ~~d~~ ~~i~~ ~~n~~ ~~c~~ ~~o~~ ~~m~~ ~~e~~ ~~s~~ ~~o~~ ~~f~~ ~~\$~~ ~~1~~ ~~6~~ ~~6~~ ~~m~~ ~~i~~ ~~l~~ ~~l~~ ~~i~~ ~~o~~ ~~n~~, ~~c~~ ~~o~~ ~~m~~ ~~p~~ ~~a~~ ~~r~~ ~~e~~ ~~d~~ ~~w~~ ~~i~~ ~~t~~ ~~h~~ ~~i~~ ~~n~~ ~~c~~ ~~o~~ ~~m~~ ~~e~~ ~~s~~ ~~o~~ ~~f~~ ~~\$~~ ~~6~~ ~~5~~ ~~m~~ ~~i~~ ~~l~~ ~~l~~ ~~i~~ ~~o~~ ~~n~~ ~~i~~ ~~n~~ ~~t~~ ~~h~~ ~~e~~ ~~q~~ ~~u~~ ~~a~~ ~~r~~ ~~t~~ ~~e~~ ~~r~~.



UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

Net interest and other financial costs were \$26 million in the third quarter of 2003, compared with \$32 million during the same period in 2002. Net interest and other financial costs in the first nine months of 2003 were \$106 million, compared with \$85 million in the same period in 2002. The 2003 periods included a favorable adjustment of \$13 million related to interest accrued for prior years' income taxes. The decrease in the third quarter primarily reflected the \$13 million favorable adjustment and more favorable changes in foreign currency effects, partially offset by interest on the new 9-3/4% senior notes that were issued in May 2003. The increase in the nine month period was primarily due to interest on the new 9-3/4% senior notes, an increase in interest for tax deficiencies and less favorable changes in foreign currency effects, partially offset by the favorable \$13 million adjustment. The foreign currency effects were primarily due to remeasurement of USSK and USSB net monetary assets into the U.S. dollar, which is their functional currency, and resulted in net gains of \$8 million and \$1 million in the third quarters of 2003 and 2002, respectively, and net gains of \$5 million and \$14 million in the first nine months of 2003 and 2002, respectively.

The benefit for income taxes in the third quarter of 2003 was \$366 million, compared with a provision of \$2 million in the third quarter last year. The benefit for income taxes in the first nine months of 2003 was \$418 million, compared with a benefit of \$9 million in the first nine months of 2002.

The income tax benefit in the nine months of 2003 reflected an estimated annual effective tax rate of 49%. The first nine months of 2003 included a \$14 million favorable effect relating to an adjustment of prior years' taxes, in addition to a \$4 million deferred tax benefit relating to the reversal of a state valuation allowance.

The income tax benefit in the nine months of 2002 reflected an estimated annual effective tax rate of 31%. The tax benefit also included a \$4 million deferred tax charge related to a newly enacted state tax law.

The tax benefit in the nine months of 2003 is based on an estimated annual effective rate, which requires management to make its best estimate of annual forecasted pretax income (loss) for the year. During the year, management regularly updates forecast estimates based on changes in various factors such as prices, shipments, product mix, plant operating performance and cost estimates, including pension and other postretirement benefits. An annual forecasted pretax loss from domestic operations and pretax income from USSE have been included in the development of U. S. Steel's estimated annual effective tax rate for 2003 as of September 30, 2003. To the extent that actual pretax results for domestic and foreign income in 2003 vary from forecast estimates applied at the end of the most recent interim period, the actual tax benefit recognized in 2003 could be materially different from the forecasted annual tax benefit as of the end of the third quarter.

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

As of September 30, 2003, U. S. Steel had net federal and state deferred tax assets of \$470 million and \$92 million, respectively, which are expected to increase during the fourth quarter. Although U. S. Steel has experienced domestic losses in the current and prior year, management believes that it is more likely than not that tax planning strategies generating future taxable income can be utilized to realize the deferred tax assets recorded at September 30, 2003. Tax planning strategies include the implementation of the previously announced plan to dispose of non-strategic assets, as well as the ability to elect alternative tax accounting methods to provide future taxable income to assure realization of the anticipated deferred tax assets. During the fourth quarter, U. S. Steel intends to merge its two defined benefit pension plans. Depending upon the discount rate in effect on the measurement date and the growth in plan assets during the fourth quarter, the additional minimum pension liability determination at year end may increase federal an eHand



third quarter of 2003 averaged 89.9 percent and 83.5 percent, respectively, compared with 93.7 percent and 90.8 percent in the third quarter of 2002 and 84.5 percent and 96.5 percent in the second quarter of 2003. Raw steel capability utilization for domestic facilities and USSE in the first nine months of 2003 averaged 88.6 percent and 92.1 percent, respectively, compared with 93.2 percent and 87.0 percent in the first nine months of 2002. Capability utilization for domestic facilities in the first nine months of 2003 was negatively affected by a scheduled repair outage at Gary Works for U. S. Steel's largest blast furnace. USSE's capability utilization in the third quarter and first nine months of 2003 was negatively affected by a blast furnace outage at USSK and the partial period inclusion of USSB as only about a third of its annual raw steel design production capability of 2.4 million tons is currently operational. USSE's capability utilization in the first nine months of 2002 was negatively affected by the blast furnace outage mentioned in the preceding paragraph.

#### Balance Sheet

Cash and cash equivalents of \$160 million at September 30, 2003, decreased \$83 million from year-end 2002. For details, see cash flow discussion.

Receivables, less allowance for doubtful accounts increased \$330 million from year-end 2002, primarily due to the effects of the National Acquisition and higher prices and shipment volumes for USSE. The increase also reflects a \$34 million receivable from National as a result of the working capital adjustment determination associated with the National Acquisition.

Inventories increased \$364 million from December 31, 2002, due mainly to the addition of the National facilities.

Property, plant and equipment, less accumulated depreciation, depletion and amortization increased \$389 million from December 31, 2002, mainly reflecting the addition of the National facilities.

The pension asset declined \$136 million compared to year-end 2002, primarily as a result of the settlement losses and curtailment charges related to the pension plan for non-union employees.

The intangible pension asset decreased by \$40 million from year-end 2002 as a result of the additional minimum liability adjustments that were recorded for the union pension plan.

Other intangible assets, net of \$39 million were acquired from National and were comprised primarily of proprietary software.

Deferred income tax benefits increased by \$366 million from December 31, 2002, from the establishment of federal and state deferred tax assets primarily related to employee benefits, including the adjustment to the additional minimum liability for the union pension plan, and also as a result of net operating losses generated in 2003.

#### UNITED STATES STEEL CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Accounts payable of \$940 million at September 30, 2003, increased \$263 million from year-end 2002, mainly due to the addition of the National facilities.

Payroll and benefits payable increased \$166 million from December 31, 2002, mainly due to payables related to the Transition Assistance Program for union employees and obligations related to active employees at the acquired National facilities.

Long-term debt, less unamortized discount increased by \$445 million from year-end 2002 primarily due to the issuance of \$450 million of 9-3/4% senior notes in May 2003. For discussion, see "Liquidity."

Deferred income taxes decreased by \$221 million from December 31, 2002, as a result of the establishment of the deferred tax assets described above.

Employee benefits increased \$938 million from year-end 2002, mainly as the result of the remeasurement of pension and other postretirement benefit liabilities, the resulting additional minimum liability recorded for the union pension plan and liabilities related to active employees at the acquired National facilities.

Preferred stock increased by \$231 million from December 31, 2002, due to an offering of 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (Series B Preferred) that was completed in February 2003 for \$242 million, partially offset by preferred stock dividend payments which were applied against the Series B Preferred paid-in capital because of the retained deficit.



~~LIQUIDITY~~ proceeds from the offering of 5 million shares of Series B Preferred.

Common stock issued in the first nine months of 2003 and 2002 reflected proceeds from stock sales to the U. S. Steel Corporation Savings Fund Plan for Salaried Employees and sales through the Dividend Reinvestment and Stock Purchase Plan. Common stock issued in the first nine months of 2002 also reflected \$192 million of net proceeds from U. S. Steel's equity offering completed in May 2002.

Dividends paid in the first nine months of 2003 were \$26 million, compared with \$14 million in the same period in 2002. Payments in both periods reflected the quarterly dividend rate of five cents per common share established by U. S. Steel after the separation from Marathon. Dividends paid in 2003 also included an initial dividend of \$1.206 per share for the Series B Preferred, which was paid on June 16, 2003, and a quarterly dividend of 87.5 cents per share, which was paid on September 15, 2003.

For discussion of restrictions on future dividend payments, see "Liquidity."

#### Liquidity

- - - - -

In November 2001, U. S. Steel entered into a five-year Receivables Purchase Agreement with financial institutions. U. S. Steel established a wholly owned subsidiary, U. S. Steel Receivables LLC (USSR), which is a consolidated special-purpose, bankruptcy-remote entity that acquires, on a daily basis, eligible receivables originated by US Steel and certain of its subsidiaries. USSR can sell an ...nHi



million.

In May 2003, U. S. Steel sold \$450 million of new senior notes due May 15, 2010 (9-3/4% Senior Notes). These notes have an interest rate of 9-3/4% per annum payable semi-annually on May 15 and November 15, commencing November 15, 2003. The 9-3/4% Senior Notes were issued under U. S. Steel's outstanding universal shelf registration statement and are not listed on any national securities exchange. Proceeds from the sale of the 9-3/4% Senior Notes were used to finance a portion of the purchase price for the National Acquisition. As of September 30, 2003, the aggregate principal amount of 9-3/4% Senior Notes outstanding was \$450 million.

In conjunction with issuing the 9-3/4% Senior Notes, U. S. Steel solicited the consent of the 10-3/4% Senior Note holders to conform certain terms of the 10-3/4% Senior Notes to the terms of the 9-3/4% Senior Notes. Those conforming changes modified the definitions of Consolidated Net Income, EBITDA and Like-Kind Exchange, permitted dividend payments on the Series B Preferred shares and expanded permitted investments to include loans made for the purpose of facilitating like-kind exchange transactions. U. S. Steel received the consent from holders of more than 90% of the principal amount of the 10-3/4% Senior Notes and the amendments were effective May 20, 2003.

The 10-3/4% Senior Notes and the 9-3/4% Senior Notes (together the Senior Notes) impose very similar limitations on U. S. Steel's ability to make restricted payments. Restricted payments under the indentures include the declaration or payment of dividends on capital stock; the purchase, redemption or other acquisition or retirement for value of capital stock; the retirement of any subordinated obligations prior to their scheduled maturity; and the making of any investments other than those specifically permitted under the indentures. In order to make restricted payments, U. S. Steel must satisfy certain requirements, which include a consolidated coverage ratio based on EBITDA and consolidated interest expense for

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

the four most recent quarters. In addition, the total of all restricted payments made since the 10-3/4% Senior Notes were issued (excluding up to \$50 million of dividends paid on common stock through the end of 2003) cannot exceed the cumulative cash proceeds from the sale of capital stock and certain investments plus 50% of consolidated net income from October 1, 2001, through the most recent quarter-end treated as one accounting period, or, if there is a consolidated net loss for the period, less 100% of such consolidated net loss. A complete description of the requirements and defined terms such as restricted payments, EBITDA and consolidated net income can be found in the indenture for the 10-3/4% Senior Notes that was filed as Exhibit 4(f) to U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2001. The amended indenture for the 10-3/4% Senior Notes and the Officer's Certificate for the 9-3/4% Senior Notes were filed as Exhibit 4.2 and Exhibit 4.1, respectively, to U. S. Steel's Current Report on Form 8-K dated May 20, 2003.

As of September 30, 2003, U. S. Steel met the consolidated coverage ratio and had approximately \$340 million of availability to make restricted payments under the calculation described in the preceding paragraph. Also, exclusive of any limitations imposed, U. S. Steel can declare and (i) make payment of dividends on the Series B Preferred and (ii) make aggregate dividend payments on common stock of up to \$12 million from July 1, 2003 through the end of 2003. In addition, U. S. Steel has the ability to make other restricted payments of up to \$28 million as of September 30, 2003, which could also be used for future dividend payments. U. S. Steel's ability to declare and pay dividends or make other restricted payments in the future is subject to U. S. Steel's ability to continue to meet the consolidated coverage ratio and have amounts available under the calculation or one of the exclusions just discussed.

The Senior Notes also impose other significant restrictions on U. S. Steel such as the following: limits on additional borrowings, including limiting the amount of borrowings secured by inventories or accounts receivable; limits on sale/leasebacks; limits on the use of funds from asset sales and sale of the stock of subsidiaries; and restrictions on U. S. Steel's ability to invest in joint ventures or make certain acquisitions.

If these covenants are breached or if U. S. Steel fails to make payments under its material debt obligations or the Receivables Purchase Agreement, creditors would be able to terminate their commitments to make further loans, declare their outstanding obligations immediately due and payable and foreclose on any collateral. This may also cause termination events to occur under the Receivables Purchase Agreement and a default under the Senior Notes. Additional indebtedness that U. S. Steel may incur in the future may also contain similar covenants, as well as other restrictive provisions. Cross-default and cross-acceleration clauses in the Receivables Purchase Agreement, the Inventory Facility, the Senior Notes and any future additional indebtedness could have an adverse effect upon U. S. Steel's financial position and liquidity.

U. S. Steel was in compliance with all of its debt covenants at September 30, 2003.

On May 6, 2003, Moody's Investors Service reduced its ratings assigned to U. S. Steel's senior unsecured debt from Ba3 to B1 and assigned a stable outlook, and Fitch Ratings reduced its ratings from BB to BB- and assigned a negative

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

outlook. On May 7, 2003, Standard & Poor's Ratings Services reduced its ratings assigned to U. S. Steel's senior unsecured debt from BB to BB- and assigned a negative outlook.

U. S. Steel has utilized surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. U. S. Steel has replaced some surety bonds with other forms of financial assurance. The use of other forms of financial assurance and collateral have a negative impact on liquidity. U. S. Steel has used \$48 million of liquidity sources for financial assurance purposes during the first nine months of 2003, and expects gr's son of liqugatician p03tanfngquidity



Commercial Commitments	Scheduled Reductions by Period				
	Total	Fourth	2004	2006	Beyond
		Quarter	through	through	
		2003	2005	2007	2007
Standby letters of credit(a)	\$ 96	\$ -	\$ 89	\$ -	\$ 7
Surety bonds(a)	26	-	8	-	18
Funded Trusts(a)	è-				

USSK is subject to the laws of the Slovak Republic. The environmental laws of the Slovak Republic generally follow the requirements of the European Union (EU), which are comparable to domestic standards. USSK has also entered into an agreement with the Slovak government to bring, over time, its facilities into EU environmental compliance.

USSB is subject to the laws of the Union of Serbia and Montenegro, which are currently more lenient than either the EU or U.S. standards, but this is expected to change over the next several years in anticipation of possible EU accession. An environmental baseline study will be conducted at USSB's facilities during the next six months. Under the terms of the acquisition, USSB will be responsible for only those costs and liabilities associated with environmental events occurring subsequent to the completion of that study. A portion of the \$157 million USSB committed to spend in connection with the acquisition of Sartid is expected to be used for environmental controls and upgrades.

U.S. Steel has been notified that it is a potentially responsible party under CERCLA terms of the

Management Unit (CAMU) to contain the dredged material on company property and construction was completed in February 2003. The water treatment plant, specific to this project, was completed in November 2002, and placed into operation in March 2003. Phase 1 removal of PCB-contaminated sediment was completed in December 2002. Dredging resumed in February 2003 and will continue until dredging on the river is concluded, which is expected to occur in December 2003. Closure costs for the CAMU are estimated to be an additional \$4.9 million.

On March 11, 2003, Gary Works received a notice of violation from the EPA alleging construction of two desulfurization facilities without proper installation permitting. Negotiations began April 24, 2003, and the cost of settlement of this matter is currently indeterminable.

In December 1995, U. S. Steel reached an agreement in principle with the EPA and the U.S. Department of Justice (DOJ) with respect to alleged Resource Conservation and Recovery Act (RCRA) violations at Fairfield Works. A consent decree was signed by U. S. Steel, the EPA and the DOJ and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) on December 11, 1997, under which U. S. Steel will pay a civil penalty of \$1.0 million, implement two Supplemental Environmental Projects (SEPs) costing a total of \$1.75 million and implement a RCRA corrective action at the facility. One SEP was completed during 1998. The second SEP was completed in 2003. As of February 22, 2000, the Alabama Department of Environmental Management assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works, with the approval of the EPA. The first Phase I RCRA Facility Investigation (RFI) work plan was approved for the site on September 16, 2002. Field sampling for the work plan commenced immediately after approval and will continue through the end of 2003. The cost to complete this study is estimated to be \$770,000.

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

On October 23, 1998, a final Administrative Order on Consent was issued by the EPA addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires U. S. Steel to perform an RFI and a Corrective Measure Study at Gary Works. The Current Conditions Report, U. S. Steel's first deliverable, was submitted to the EPA in January 1997 and was approved by the EPA in 1998. Phase I RFI work plans have been approved for the Coke Plant, the Process Sewers, and Background Soils at the site, along with the approval of one self-implementing interim stabilization measure and a corrective measure. Another eight Phase I RFI work plans have been submitted for EPA approval, thereby completing the Phase I requirement, along with two Phase II RFI work plans and one further self-implementing interim stabilization measure. The costs to complete these studies and corrective measures are estimated to be \$4.8 million. Until the studies are completed, it is impossible to assess what additional expenditures will be necessary.

On February 12, 1987, U. S. Steel and the PADER entered into a Consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pa. That Consent Order required U. S. Steel to pay a penalty of \$50,000 and a monthly payment of \$2,500 for five years. In 1990, U. S. Steel and the PADER reached agreement to amend the Consent Order. Under the amended Order, U. S. Steel agreed to remediate the Peters Creek Lagoon (a former coke plant waste disposal site); to pay a penalty of \$300,000; and to pay a monthly penalty of up to \$1,500 each month until the former disposal site is closed. Remediation costs have amounted to \$11.0 million with another \$0.6 million presently estimated to complete the project.

In 1997, USS/Kobe, a joint venture between U. S. Steel and Kobe Steel, Ltd. (Kobe), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC (Lorain Tubular), which operated as a joint venture between U. S. Steel and Kobe until December 31, 2003, at which time the operations were transferred to Republic Company, LLC (Compareet Comp



approximately 4.7 million net tons. USSE is expecting a slight increase in the fourth quarter 2003 average realized price as compared to third quarter, and has announced a price increase of 20 euros per metric ton for all flat-rolled products effective January 1, 2004.

With recent increases in world demand for raw materials to support steelmaking, prices for these commodities are increasing. U. S. Steel purchases all of its domestic coal requirements and a portion of its domestic scrap, coke and iron ore requirements. In addition, U. S. Steel purchases all of USSE's coal and iron ore requirements and a portion of USSE's coke requirements. Future results will be impacted by market prices for these purchased commodities.

The National Acquisition and the new labor agreement with the United Steelworkers of America (USWA) covering all of U. S. Steel's domestic facilities provides U. S. Steel with an opportunity to achieve a major reduction in the cost structure of its domestic business. Near-term, U. S. Steel's operating focus is on achieving savings from its combined operating configuration, consolidating purchasing and raw materials sourcing, optimizing freight savings, and expanding U. S. Steel's comprehensive supply chain management system to support customers from the new facilities.

In total, savings from National operational synergies, workforce reductions at both U. S. Steel and former National plants, and administrative cost reduction programs are expected to exceed \$400 million in annual repeatable cost savings. U. S. Steel expects to realize significant savings in the fourth quarter of 2003 and expects full implementation by year-end 2004.

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

At the time of the National acquisition in May, domestic employees at U. S. Steel and National totaled 28,000. As a result of the implementation of the new labor agreement, the elimination of redundant personnel following the acquisition, efforts to reduce domestic administrative costs and the Mining Sale, U. S. Steel reduced domestic employment to 23,800 as of September 30, 2003. This number will decline further over the next several months as U. S. Steel completes the TAP reductions, continues to reduce administrative costs and completes the asset exchange with International Steel Group. This may result in additional workforce reduction charges.

U. S. Steel's underfunded benefit obligations for retiree medical and life insurance increased from \$1.8 billion at year-end 2001 to \$2.6 billion at year-end 2002. U. S. Steel estimates that its underfunded benefit obligation at year-end 2003 will be \$2.6 billion. As of September 30, 2003, a one percentage point increase in the discount rate would have decreased OPEB liabilities in the company's main plans by approximately \$250 million while a one percentage point decrease would have increased OPEB liabilities by approximately \$300 million. As of September 30, 2003, a one percentage point increase in the escalation rate would have increased OPEB liabilities in the company's main plans by approximately \$170 million while a one percentage point decrease would have decreased OPEB liabilities by approximately \$150 million. Other postretirement benefit expense is expected to be approximately \$40 million in the fourth quarter and \$180 million for full year 2003, excluding previously recorded charges of approximately \$65 million related to workforce reductions. Assuming a discount rate of 6.25 percent, other postretirement benefit expense is expected to be approximately \$160 million in 2004.

The funded status of the defined benefit pension plans declined from an overfunded position of \$1.2 billion at year-end 2001 to an underfunded position of \$0.4 billion at year-end 2002. With the expected workforce reduction and certain retirement rate assumption changes, the plan, after the merger discussed below, is expected to have a year-end 2003 underfunded position of approximately \$0.7 billion. As of September 30, 2003, a one percentage point increase in the discount rate would have decreased pension liabilities in the company's main domestic plans by approximately \$640 million while a one percentage point decrease would have increased pension liabilities by approximately \$670 million. Pension costs for domestic defined benefit plans are expected to be approximately \$50 million for the fourth quarter 2003 and \$100 million for full year 2003, excluding previously recorded charges of approximately \$440 million connected with workforce reductions. Assuming a discount rate of 6.25 percent, pension costs for domestic defined benefit plans are expected to be approximately \$210 million in 2004. These amounts do not include expenses for payments to the multi-employer Steelworkers Pension Trust for former National union employees who joined U. S. Steel and for union employees who join U. S. Steel after July 1, 2003. Nor do they include expenses for non-union employees who join U. S. Steel after July 1, 2003, including non-union employees formerly employed by National, who will participate in a defined contribution pension program.







of the measures. Slovakia's country-specific quotas for hot-rolled sheet, hot-rolled strip and/or cold-rolled flat products were not exceeded prior to September 28, 2003. On September 29, 2003, new annual quotas, set at 5% above the first year quotas, went into effect. The EU safeguard measures are scheduled to expire on March 28, 2005. However, these measures will cease to impact USSK at such time that Slovakia becomes a member of the EU. Slovakia has been accepted for membership in the EU and entry is expected to occur in May 2004.

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

Safeguard measures similar to those in effect in the EU were imposed by Poland (on March 8, 2003) and Hungary (on March 28, 2003). On April 30, 2003, the Czech Republic's Trade Ministry published its decision dismissing the safeguard proceedings commenced in that country, based upon its conclusion that the conditions for the imposition of such measures were not met. That decision is final and cannot be appealed. The impact on USSK of these trade actions in the EU and Central Europe cannot be predicted at this time. However, in light of market opportunities elsewhere; and USSK's experience operating under these safeguard measures, it appears unlikely that these matters will have a material adverse effect on USSK's operating profit in 2003.

Accounting Standards  
-----

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 established a new accounting model for the recognition and measurement of retirement obligations associated with tangible long-lived assets. SFAS No. 143 requires that an asset retirement obligation be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. U. S. Steel adopted this Statement effective January 1, 2003. See Note 8 to Selected Notes to Financial Statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The Interpretation elaborates on the disclosure to be made by a guarantor about obligations under certain guarantees that it has issued. It also clarifies that at the inception of a guarantee, the company must recognize liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements were adopted for the 2002 annual financial statements. U. S. Steel is applying the remaining provisions of the Interpretation prospectively as required.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends SFAS No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. U. S. Steel adopted the annual disclosure provisions of SFAS No. 148 for the annual financial statements and adopted the interim provisions effective with the second quarter of 2003. U. S. Steel is not changing to the fair value based method of accounting for stock-based employee compensation; therefore, the transition provisions are not applicable. See Note 6 to Selected Notes to Financial Statements.

UNITED STATES STEEL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
-----

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003 and addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack the characteristics of a controlling financial interest. The FASB delayed the application of this Interpretation until December 31, 2003. At this time, U. S. Steel has not completed its assessment of the effects of the application of this Interpretation on either its financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Accounting for Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The amendments set forth in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS

No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain outlined exceptions. This Statement was adopted with no initial impact.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring these instruments be classified as liabilities (or assets in some circumstances) in the balance sheet. Further, SFAS No. 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The guidance in the Statement is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This Statement was adopted with no initial impact.

UNITED STATES STEEL CORPORATION  
QUANTITATIVE AND QUALITATIVE  
DISCLOSURES ABOUT MARKET RISK

-----

Commodity Price Risk and Related Risks

Sensitivity analyses of the incremental effects on pretax income of hypothetical 10% and 25% decreases in commodity prices for open derivative commodity instruments as of September 30, 2003, are provided in the following table(a):

	Incremental Decrease in Income Before Income Taxes Assuming a Hypothetical Price Decrease of:	
(Dollars in millions)	10%	25%
-----		
Commodity-Based Derivative Instruments		
Zinc	1.2	3.0
Tin	0.2	0.4

(a) With the adoption of SFAS No. 133, the definition of a derivative instrument has been expanded to include certain fixed price physical commodity contracts. Such instruments are included in the above table. Amounts reflect the estimated incremental effects on pretax income of hypothetical 10% and 25% decreases in closing commodity prices for each commodity instrument as of September 30, 2003. Management evaluates the portfolio of derivative commodity instruments on an ongoing basis and adjusts strategies to reflect anticipated market conditions, changes in risk profiles and overall business objectives. Changes to the portfolio subsequent to September 30, 2003, may cause future pretax income effects to differ from those presented in the table.

UNITED STATES STEEL CORPORATION  
QUANTITATIVE AND QUALITATIVE  
DISCLOSURES ABOUT MARKET RISK

-----

Interest Rate Risk

U. S. Steel is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments.







(Kobe), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC (Lorain Tubular), which operated as a joint venture between U. S. Steel and Kobe until December 31, 1999, when U. S. Steel purchased all of Kobe's interest in Lorain Tubular. U. S. Steel is continuing negotiations with the EPA, and has made an offer of settlement that involves a cash penalty of \$100,025 and a supplemental environmental project to do PCB transformer replacement for a combined amount of \$774,025. Most of the matters raised by the EPA relate to Republic's facilities; however, air discharges from U. S. Steel's #3 seamless pipe mill have also been cited. U. S. Steel will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued. Issues related to Republic have been resolved in its bankruptcy proceedings.

Prior to U. S. Steel's acquisition of the Granite City, Great Lakes and Midwest facilities, the DOJ had filed against National Steel Corporation proofs of claim asserting noncompliance allegations under various environmental statutes, including the Clean Air Act, RCRA, the Clean Water Act, the Emergency Planning and Community Right to Know Act, CERCLA and the Toxic Substances Control Act at these three facilities. The EPA had conducted inspections of the facilities and entered into negotiations with National Steel Corporation toward resolving these allegations with a consent decree. U. S. Steel is currently engaged in discussions with the DOJ, the EPA and the State of Illinois related to the conditions previously noted at these facilities. At Granite City Works, the EPA had determined that ditches and dewatering beds currently in operation were allegedly not in compliance with applicable waste oil management standards. Dredging of the ditches and dewatering beds is expected to cost \$1.3 million. U. S. Steel is currently discussing with the EPA, the DOJ and the State of Illinois appropriate measures to investigate and remediate the ditches and dewatering beds. Air emissions from the steelmaking shop at Great Lakes are also under discussion. It has not been determined what, if any, corrective action may be necessary to address those emissions. Other, less significant issues are also under discussion, including Ferrous Chloride Solution handling at Granite City and Great Lakes, Spill Prevention Control and Countermeasures Plans at both facilities, RCRA training at Great Lakes and other waste handling issues.

Part II - Other Information (Continued):

-----  
Asbestos Litigation

U. S. Steel is a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Almost all these cases involve multiple plaintiffs and multiple defendants. These claims fall into three major groups: (1) claims made under certain federal and general maritime laws by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who performed work at U. S. Steel facilities (referred to as "premises claims"); and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. While U. S. Steel has excess casualty insurance, these policies have multi-million dollar self insured retentions and, to date, U. S. Steel has not received any payments under these policies relating to asbestos claims. In most cases, this excess casualty insurance is the only insurance applicable to asbestos claims.

These cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos contained in a U. S. Steel electric cable product or to asbestos on U. S. Steel's premises; approximately 200 plaintiffs allege they are suffering from mesothelioma. In many cases, the plaintiffs cannot demonstrate that they have suffered any compensable loss as a result of such exposure or that any injuries they have incurred did in fact result from such exposure. Virtually all asbestos cases seek monetary damages from multiple defendants. U. S. Steel is unable to provide meaningful disclosure about the total amount of such damages alleged in these cases for the following reasons: (1) many cases do not claim a specific demand for damages, or contain a demand that is stated only as being in excess of the minimum jurisdictional limit of the relevant court; (2) even where there are specific demands for damages, there is no meaningful way to determine what amount of the damages would or could be assessed against any particular defendant; (3) plaintiffs' lawyers often allege the same amount of damages irHätyhe





party thereto, the LC issuing banks party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender, and General Electric Capital Corporation, as Co-Collateral Agent and Co-Syndication Agent

- 12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
- 12.2 Computation of Ratio of Earnings to Fixed Charges
- 31.1 Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Part II - Other Information (Continued):

-----  
(b) REPORTS ON FORM 8-K

Form 8-K dated June 30, 2003, reporting under Item 2. Acquisition or Disposition of Assets, that U. S. Steel completed the sale of the mines and related assets of U. S. Steel Mining Company, LLC.

\* Form 8-K dated July 1, 2003, reporting under Item 9. Regulation FD Disclosure, that U. S. Steel is furnishing information for the July 1, 2003 press release titled "U. S. Steel Completes Sale of Mining Company Assets."

\* Form 8-K dated August 4, 2003, reporting under Item 12. Results of Operations and Financial Condition, that U. S. Steel is furnishing information for the August 4, 2003, U. S. Steel Earnings Release.

Form 8-K dated September 22, 2003, reporting under Item 5. Other Events that U. S. Steel Balkan d.o.o., an indirect wholly owned subsidiary of U. S. Steel, acquired out of bankruptcy Sartid a.d. (In Bankruptcy) and four of its subsidiaries.

\* Form 8-K dated October 10, 2003, reporting under Item 12. Results of Operations and Financial Condition, that U. S. Steel is furnishing information for the October 10, 2003 press release titled "U. S. Steel Reports on Pending Asset Swap and Third Quarter Charges."

\* Form 8-K dated October 28, 2003, reporting under Item 12. Results of Operations and Financial Condition, that U. S. Steel is furnishing information for the October 28, 2003, U. S. Steel Earnings Release.

-----  
\* Reports submitted to the Securities and Exchange Commission under Item 9 and Item 12. Pursuant to General Instruction B of Form 8-K, the reports submitted under Items 9 and 12 are not deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 and are not subject to the liabilities of that section. Unless it specifically does so, U. S. Steel is not incorporating, and does not intend to incorporate, by reference these reports into a filing under the Securities Act or the Exchange Act.

SIGNATURE

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

UNITED STATES STEEL CORPORATION

By /s/ Larry G. Schultz

-----  
Larry G. Schultz  
Vice President & Controller

November 7, 2003

Part II - Other Information (Continued):

-----

WEB SITE POSTING

This Form 10-Q will be posted on the U. S. Steel web site, [www.ussteel.com](http://www.ussteel.com), within a few days of its filing.

United States Steel Corporation

Restated  
Certificate of Incorporation

Filed in Office of Secretary of State  
State of Delaware

September 30, 2003

RESTATED CERTIFICATE OF INCORPORATION

OF

UNITED STATES STEEL CORPORATION

Originally formed as a Delaware limited liability company under the name "United States Steel LLC" on May 25, 2001 and converted to a Delaware corporation, pursuant to Section 265 of the Delaware General Corporation Law and Section 18-216 of the Delaware Limited Liability Company Act, on December 31, 2001 under the name first set forth below

FIRST: The name of the Corporation (which is hereinafter referred to as the "Corporation") is

~~9TH~~ ~~Bo~~ ~~met~~ ~~Ab~~ ~~THE~~ ~~Hgt~~ ~~Age~~ ~~UNITE~~ ~~Bo~~ ~~STATES~~ ~~STEEL~~ ~~CORPORATION~~ in .

SECOND: Its registered office and place of business in the State of Delaware is located at 9 East Loockerman Street, Suite 1B, City of Dover, County of Kent. The registered agent in charge thereof upon whom process against the ~~Corporation~~ ~~is~~ ~~National~~ ~~Registered~~ ~~Agents,~~ ~~Inc.~~

ts,  
srw; \$ \$

resolutions such designations and other terms not fixed by the Certificate of Incorporation, is as follows:

1. The Preferred Stock may be issued in one or more series, from time to time, with each such series to have such designation, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation, subject to the limitations prescribed by law and in accordance with the provisions hereof, the Board of Directors being hereby expressly vested with authority to adopt any such resolution or resolutions. The authority of the Board of Directors with respect to each such series shall include, but not be limited to, the determination or fixing of the following:

i. The distinctive designation and number of shares comprising such series, which number may (except where otherwise provided by the Board of Directors in creating such series) be increased or decreased (but not below the number of shares then outstanding) from time to time by like action of the Board of Directors;

ii. The dividend rate of such series, the conditions and times upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock or series thereof, or any other series of the same class, and whether dividends shall be cumulative or non-cumulative;

iii. The conditions upon which the shares of such series shall be subject to redemption by the Corporation and the times, prices and other terms and provisions upon which the shares of the series may be redeemed;

iv. Whether or not the shares of the series shall be subject to the operation of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if such retirement or sinking fund be established, the annual amount thereof and the terms and provisions relative to the operation thereof;

v. Whether or not the shares of the series shall be convertible into or exchangeable for shares of any other class or classes, with or without par value, or of any other series of the same class, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

vi. Whether or not the shares of the series shall have voting rights, in addition to the voting rights provided by law, and, if so, subject to the limitation hereinafter set forth, the terms of such voting rights;

vii. The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution, or upon the distribution of assets of the Corporation;

viii. Any other powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the shares of such series, as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of this Certificate of Incorporation.

2. The holders of shares of the Preferred Stock of each series shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, dividends at the rates fixed by the Board of Directors for such series, and no more, before any dividends, other than dividends payable in Common Stock, shall be declared and paid, or set apart for payment, on the Common Stock with respect to the same dividend period.

3. Whenever, at any time, dividends on the then outstanding Preferred Stock as may be required with respect to any series outstanding shall have been paid or declared and set apart for payment on the then outstanding Preferred Stock, and after complying with respect to any retirement or sinking fund or funds for any series of Preferred Stock, the Board of Directors may, subject to the provisions of the resolution or resolutions creating any series of Preferred Stock, declare and pay dividends on the Common Stock, and the holders of shares of the Preferred Stock shall not be entitled to share therein.

4. The holders of shares of the Preferred Stock of each series shall be entitled upon liquidation or dissolution or upon the distribution of the assets of the Corporation to such preferences as provided in the resolution or resolutions creating such series of Preferred Stock, and no more, before any distribution of the assets of the Corporation shall be made to the holders of shares of the Common Stock.

5. Except as otherwise provided by a resolution or resolutions of the Board of Directors creating any series of Preferred Stock or by the General Corporation Law of Delaware, the holders of shares of the Common Stock issued





~~Common Stock~~ with respect to the same dividend period. If the Quarterly Dividend Payment Date is a Saturday, Sunday or legal holiday then such Quarterly Dividend Payment Date shall be the first immediately preceding calendar day which is not a Saturday, Sunday or legal holiday. In the event the Corporation shall at any time after December 31, 2001 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Junior Preferred Stock as provided in paragraph (a) above immediately prior to the time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall be declared on the Common Stock with respect to a particular dividend period, a dividend of \$5.00 per share on the Series A Junior Preferred Stock shall nevertheless be payable on such Quarterly Dividend Payment Date with respect to such quarterly period.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the quarterly dividend shares of Series A Junior Preferred Stock or the record date for the quarterly dividend shares of Series A Junior Preferred Stock.





cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series A Junior Preferred Stock shall be entitled to receive the greater of (a) \$100 per share, plus accrued dividends to the date of distribution, whether or not earned or declared, or (b) an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock (the "Series A Liquidation Preference"). In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Preferred Stock were entitled immediately prior to such event pursuant to clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

Section 7. Consolidation, Merger, etc.

In case the Corporation shall enter into any consolidation, merger, combination, or other transaction in which the assets of the Corporation are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Preferred Stock shall be deemed to be converted into shares of the same class and priority as the shares of the Corporation which are received in exchange therefor.



case may be, in preference or priority to the holders of shares of the Series A Junior Preferred Stock. Each holder of any share of the Series A Junior Preferred Stock, by his acceptance thereof, expressly covenants and agrees that the rights of the holders of any shares of any other series \*MM nd





may be removed at any time, either for or without cause by, and only by, the affirmative votes of the Holders of record of a majority of the outstanding shares of Electing Preferred Shares given at a special meeting of such stockholders called for such purpose, and any vacancy created by such removal may also be filled at such meeting. Any vacancy caused by the death or resignation of a director who shall have been elected by the Holders of Electing Preferred Shares as a class pursuant to this Section 5 may be filled only by the Holders of outstanding Electing Preferred Shares at a meeting called for such purpose.

Any meeting of the Holders of outstanding Electing Preferred Shares entitled to vote as a class for the election or removal of directors shall be held at the place at which the last annual meeting of stockholders was held. At such meeting, the presence in person or by proxy of the Holders of a majority of the outstanding shares of all outstanding Electing Preferred Shares shall be required to constitute a quorum; in the absence of a quorum, a majority of the Holders present in person or by proxy shall have the power to adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum shall be present.

(iv) So long as any shares of this Series is outstanding, the affirmative vote or consent of the Holders of at least 66-2/3% of the outstanding shares of this Series will be required for any amendment of the Certificate of Incorporation of the Corporation (or any certificate supplemental thereto, including any Certificate of Designation or any similar document relating to any series of Preferred Stock) that will adversely affect the powers, preferences, privileges or rights of this Series. The affirmative vote or consent of the Holders of at least 66-2/3% of the outstanding shares of this Series and any other series of the preferred stock of the Corporation ranking on a parity with this Series as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, voting as a single class without regard to series, will be required (a) to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any additional class or series of stock ranking prior to this Series as to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up or (b) to reclassify any authorized stock of the Corporation into any class or series of stock or any obligation or security convertible into or evidencing a right to purchase such stock ranking prior to this Series as to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up; provided that such vote will not be required for the Corporation to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any stock ranking on a parity with or junior to this Series as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up.

#### Section 6. Mandatory Conversion.

(i) Each share of this Series will automatically convert (unless previously converted at the option of the Holder in accordance with Section 7, or a Merger Early Settlement has occurred in accordance with Section 8) on June 15, 2006 or any New Conversion Date, if a Conversion Date Deferral has occurred in accordance with Section 6(ii)(the "Conversion Date"), into a number of newly issued shares of Common Stock equal to the Conversion Rate (as defined in Section 9 below). Dividends on the shares of this Series shall cease to accrue and such shares of this Series shall cease to be outstanding on the Conversion Date. The Corporation shall make such arrangements as it deems appropriate for the issuance of certificates, if any, representing Common Stock, and for the payment of cash in respect of accrued and unpaid dividends (whether or not earned or declared) on this Series, if any, or cash in lieu of fractional shares of Common Stock, if any, in exchange for and contingent upon surrender of certificates representing the shares of this Series (if such shares are held in certificated form). The Corporation may defer the payment of dividends on the Common Stock issuable upon conversion of shares of this Series and the voting thereof until, and make such payment and voting contingent upon, the surrender of the certificates representing the shares of this Series, provided that the Corporation shall give the Holders of the shares of this Series such notice of any such actions as the Corporation deems appropriate and upon such surrender such Holders shall be entitled to receive such dividends declared and paid on such Common Stock subsequent to the Conversion Date. Amounts payable in cash in respect of the shares of this Series or in respect of such Common Stock shall not bear thi in èt0â ithis Serie

... after any  
... Corporation in good faith that  
... and unpaid dividends on this  
... the terms of, ... constitute a default under, the  
... the Board of Directors ... declare a new conversion  
... Upon such declaration, the Corporation shall  
... to each Holder at least 30 days but  
... The New Conversion Date  
... at least 30 days after the  
... The Corporation shall also deliver a copy of such  
... Delivery of notice of a Conversion Date Deferral  
... Notwithstanding any Conversion Date  
... until conversion.

Section 7. Early Conversion at the Option of the Holder.

(i) Shares of this Series are convertible, in whole or in part, at the option of the Holders thereof ("Optional Conversion"), at any time prior to the Conversion Date, into shares of Common Stock at a rate of 3.1928 shares of Common Stock for each share of this Series, subject to adjustment as set forth in Section 9(ii) below.

(ii) Optional Conversion of shares of this Series may be effected by delivering certificates evidencing such shares (if such shares are held in certificated form), together with written notice of conversion and a proper assignment of such certificates to the Corporation or in blank (and, if applicable, payment of an amount equal to the dividend payable on such shares), to the office of the Transfer Agent (as defined below) for this Series or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with Optional Conversion procedures established by the Corporation. Each Optional Conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the foregoing requirements shall have been satisfied.

(iii) Holders of shares of this Series at the close of business on a Dividend Record Date shall be entitled to receive the dividend payable on such shares if the shares are converted prior to the Conversion Date. If the shares are converted on or after the Dividend Record Date, the dividend payable on such shares shall be determined as if the shares were converted on the Dividend Record Date.







the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (A) the numerator of which shall be equal to the Current Market Price per share of Common Stock on the date fixed for such determination less an amount equal to the quotient of (x) the combined amount distributed or payable in the transactions described in clauses (1), (2) and (3) of this paragraph (e) and (y) the number of shares of Common Stock outstanding on such date for determination and (B) the denominator of which shall be equal to the Current Market Price per share of Common Stock on such date for determination.

(f) Tender Offers. In case (1) a tender or exchange offer made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to holders (based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) that combined together with (2) the aggregate of such payment plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of such tender or exchange offer, of consideration payable in respect of any other tender or exchange offer by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock expiring within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 9(ii) or this paragraph (f) has been made and (3) the aggregate amount of any distributions to all Holders of the Corporation's Common Stock made exclusively in cash within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 9(ii) or this paragraph (f) has been made, exceeds 15% of the product of the Current Market Price per share of Common Stock as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender or exchange offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by dividing the Conversion Rate immediately prior to the close of business on the date of the Expiration Time by a fraction (A) the numerator of which shall be equal to (x) the product of (I) the Current Market Price per share of Common Stock on the date of the Expiration ) th n

Conversion Rate pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (i) of this Section 9(ii), an adjustment shall also be made to the Average Market Price solely to determine which of clauses (a), (b) or (c) of the definition of Conversion Rate will apply on the Conversion Date. Such adjustment shall be made by multiplying the Average Market Price by a fraction, the numerator of which shall be the Conversion Rate immediately after such adjustment pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (i) of this Section 9(ii) and the denominator of which shall be the Conversion Rate immediately before such adjustment; provided, that if such adjustment to the Conversion Rate is required to be made pursuant to the occurrence of any of the events contemplated by paragraph (a), (b), (c), (d), (e), (f) or (g) of this Section 9(ii) during the period taken into consideration for determining the Average Market Price, appropriate and customary adjustments shall be made to the Conversion Rate.

(i) Increase of Conversion Rate. The Corporation may make such increases in the Conversion Rate, in addition to those required by this Section 9(ii), as it considers to be advisable in order to avoid or diminish any income tax to any Holders of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons. The Corporation shall have the power to resolve any ambiguity or correct any error in this Section 9(ii) and its action in so doing, as evidenced by a resolution of the Board of Directors, shall be final and conclusive.

(j) Notice of Adjustment. Whenever the Conversion Rate is adjusted in accordance with Section 9(ii), the Corporation shall: (i) forthwith on van on p t d o i n g s C a f i M e r s c e n h B a M M i n n a c a b i d a n c e f w i t h U S e c t i o n 9 X i a n l , a n d p r e p a r e H o l d e R a t e and transmit to the Transfer Agent an Officer's Certificate setting forth the Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Rate ~~N h e p l u a n g f i l l h a d a f e c t e n a f o s e f f i n h e d h e f i g t h e n d e i p o s a e o n H e s i n o s a w a r e~~ aware of such occurrence, as soon as practicable after becoming so aware) provide a ~~R a t e e m n e t e c e~~ Rate to the Holders of this Series of the 're

securities, cash and other property receivable upon such Reorganization Event by each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares).

In the event of such a Reorganization Event, the person formed by such consolidation, merger or exchange or the person which acquires the assets of the Corporation shall execute and deliver to the Transfer Agent an agreement supplemental hereto providing that the Holder of each share of this Series shall have the rights provided by this Section 9(iii). Such supplemental agreement shall provide for adjustments which, for events subsequent to the effective date of such supplemental agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 9. The above provisions of this Section 9(iii) shall similarly apply to successive Reorganization Events.

#### Section 10. Definitions.

(i) "Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

(ii) "Authorized Newspaper" means a newspaper customarily published at least once a day for at least five days in each calendar week and of general circulation in New York City. Such publication (which may be in different newspapers) is expected to be made in the Eastern edition of The Wall Street Journal.

(iii) The "Average Market Price" means the average of the Closing Prices (as defined below) per share of the Common Stock on each of the 20 consecutive Trading Days (as defined below) ending on the third Trading Day immediately preceding (a) June 15, 2006 or, if earlier, the date immediately prior to a Reorganization Event with respect to a conversion pursuant to Section 6 or (b) the date immediately prior to a Cash Merger with respect to a conversion pursuant to Section 8.

(iv) "Business Day" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are authorized or required by law or executive order to close.

(v) The "Closing Price" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means the closing sale price (or, if no closing price is reported the last reported sale price) per share on the New York Stock Exchange ("NYSE") on such date or, if such security is not quoted for trading on NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed or quoted, or if such security is not so listed or quoted on a United States national or regional securities exchange, as reported by NYSE, or, if such security is not so reported, the last quoted bid price for the such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by the Corporation.

(vi) "Corporate Trust Office" means the principal corporate trust office of the Transfer Agent at which, at any particular time, its corporate trust business shall be administered.

(vii) "Current Market Price" means (a) on any day the average of the Closing Prices for the five consecutive Trading Days preceding the earlier of the day preceding the day in question and the day before the "ex date" with respect to the issuance or distribution requiring computation, (b) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the Closing Price of the Common Stock on the Trading Day on which the initial public offering price of the securities being distributed in the Spin-Off is determined, and (c) in the case of any other Spin-Off, the average of the Closing Prices of the Common Stock over the first 10 Trading Days after the effective date of such Spin-Off. For purposes of this paragraph, the term "ex date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(viii) "Fair Market Value" means (a) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of such securities, the initial public offering price of those securities, and (b) in the case of any other Spin-Off, the average of the Closing Prices of those securities over the first 10 Trading Days after the effective date of such Spin-Off.

(ix) "Holder" means the person in whose name any shares of this Series are registered in the books and records of the Corporation.

(x) "Initial Public Offering" means the first time securities of the same class or type as the securities being distributed in the Spin-Off are offered to the public for cash.

(xi) "Spin-Off" means a dividend or other distribution of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit of the Corporation.

(xii) "Trading Day" means a day on which the Common Stock (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

(xiii) "Transfer Agent" shall be the Shareholder Services Division of the Corporation unless and until a successor is selected by the Corporation, and then such successor.

#### Section 11. Fractional Shares.

No fractional Common Stock shall be issued upon the conversion of any shares of this Series. In lieu of any fraction of a share of Common Stock that would otherwise be issuable in respect of the aggregate number of shares of this Series surrendered by the same Holder upon a conversion as described in Sections 7(i), 8 or 9(i), such Holder shall have the right to receive an amount in cash (computed to the nearest cent) equal to the same fraction of (a) in the case of Section 9(i), the Current Market Price or (b) in the case of Sections 7(i) or 8, the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion.

#### Section 12. Miscellaneous.

(i) Procedures for conversion of shares of this Series, in accordance with Sections 6, 7 or 8, not held in certificated form will be governed by arrangements among the depositary, participants and persons that may hold beneficial interests through participants designed to permit conversion without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time.

(ii) The liquidation preference and the annual dividend rate set forth herein, each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving this Series. Such adjustments shall be determined in good faith by the Board of Directors and submitted by the Board of Directors to the Transfer Agent.

(iii) For the purposes of Section 9, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution with respect to shares held in treasury.

(iv) If the Corporation shall take any action affecting the Common Stock, other than action described in Section 9, that in the opinion of the Board of Directors would materially adversely affect the conversion rights of the Holders of the shares of this Series, then (x) the Conversion Rate, (y) the number of shares of Common Stock to be delivered on an early conversion as set forth in Sections 7 or 8 and/or (z) the number of shares of Common Stock to be delivered on mandatory conversion if there has been a Conversion Date Deferral as set forth in Section 6(ii) may each be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(v) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock for the purpose of effecting conversion of this Series, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of this Series not theretofore converted. For purposes of this Section 12(v), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of this Series shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(vi) The Corporation covenants that any shares of Common Stock issued upon conversion of shares of this Series shall be validly issued, fully paid and non-assessable.

(vii) The Corporation shall endeavor to list the shares of Common Stock required to be delivered upon conversion of shares of this Series, prior to such delivery, upon each national securities exchange or quotation system, if any, upon which the outstanding shares of Common Stock are listed at the time of such delivery.

(viii) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of



Transfer Agent. The Corporation is not required to issue any certificates representing shares of this Series on or after the Conversion Date. In place of the delivery of a replacement certificate following the Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, will deliver shares of Common Stock pursuant to the terms of this Series evidenced by the certificate.





THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ George Louis McKinley  
-----  
Title: Vice President

CITIZENS BANK

By: /s/ Dwayne R. Finney  
-----  
Title: Vice President

CONGRESS FINANCIAL CORPORATION (CENTRAL)

By: /s/ Laura Dixon  
-----  
Title: AVP

GMAC COMMERCIAL FINANCE LLC

By: /s/ Marline Alexander-Thomas  
-----  
Title: Vice President

GOLDMAN SACHS CREDIT PARTNERS LP

By: /s/ Stephen B. King  
-----  
Title: Authorized Signatory

MELLON BANK, N.A.

By: /s/ Robert J. Reichenbach  
-----  
Title: Vice President

MERRILL LYNCH CAPITAL

By: /s/ Tara Wrobel  
-----  
Title: Vice President

NATIONAL CITY COMMERCIAL FINANCE, INC.

By: /s/ James C. Ritchie  
-----  
Title: Vice President

THE BANK OF NEW YORK

By: /s/ Kenneth R. McDonnell  
-----  
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Craig L. Smith  
-----  
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ N. Bell  
-----

Title: Senior Manager

PNC BANK, NATIONAL ASSOCIATION

By: /s/ David B. Gookin

-----



after giving effect to any such transaction, the



WELLS FARGO FOOTHILL, LLC

By: /s/ Dennis King

-----  
Title: Assistant Vice President





UNITED STATES STEEL CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (Unaudited)

-----  
 (Dollars in Millions)

	Nine Months		Year Ended December 31				
	Ended		-----				
	September 30	September 30	2002	2001	2000	1999	1998
	2003	2002	2002	2001	2000	1999	1998
	----	----	----	----	----	----	----
Portion of rentals representing interest	\$ 27	\$ 25	\$ 34	\$ 45	\$ 48	\$ 46	\$ 52
Capitalized interest	6	4	6	1	3	7	6
Other interest and fixed charges	116	102	136	153	115	74	47
Total fixed charges (A)	\$ 149	\$ 131	\$ 176	\$ 199	\$ 166	\$ 127	\$ 105
	=====	=====	=====	=====	=====	=====	=====
Earnings-pretax income with applicable adjustments (B)	\$(618)	\$ 175	\$ 183	\$(387)	\$ 187	\$ 295	\$ 618
	=====	=====	=====	=====	=====	=====	=====
Ratio of (B) to (A)	(a)	1.34	1.04	(b)	1.13	2.33	5.89
	=====	=====	=====	=====	=====	=====	=====

(a) Earnings did not cover fixed charges by \$767 million.

(b) Earnings did not cover fixed charges by \$586 million.

CHIEF EXECUTIVE OFFICER  
CERTIFICATION REQUIRED BY ITEM 307 OF REGULATION S-K  
AS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
-----

I, Thomas J. Usher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Steel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's

CHIEF FINANCIAL OFFICER  
CERTIFICATION REQUIRED BY ITEM 307 OF REGULATION S-K  
AS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
-----

I, Gretchen R. Haggerty, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Steel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.



CHIEF FINANCIAL OFFICER  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
-----

In connection with the Quarterly Report of United States Steel Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gretchen R. Haggerty, Executive Vice President, Treasurer and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Gretchen R. Haggerty  
-----

Gretchen R. Haggerty  
Executive Vice President, Treasurer  
and Chief Financial Officer

November 7, 2003

A signed original of this written statement required by Section 906 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.