UNITED STATES STEEL CORP
Form 10-K
February 29, 2016
2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2015
Commission file number 1-16811
(Exact name of registrant as specified in its charter)

Delaware	25-1897152
(State of Incorporation)	(I.R.S. Employer Identification No.)

600 Grant Street, Pittsburgh, PA 15219-2800
(Address of principal executive offices)
Tel. No. (412) 433-1121
Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Exchange on which Registered
United States Steel Corporation Common Stock, par value $1.00	New York Stock Exchange, Chicago Stock Exchange

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for at least the past 90 days. Yes þ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No þ
Aggregate market value of Common Stock held by non-affiliates as of June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter): $3.0 billion. The amount shown is based on the closing price of the registrant's Common Stock on the New York Stock Exchange composite tape on that date. Shares of

Common Stock held by executive officers and directors of the registrant are not included in the computation. However, the registrant has made no determination that such individuals are “affiliates” within the meaning of Rule 405 under the Securities Act of 1933.

There were 146,284,894 shares of United States Steel Corporation Common Stock outstanding as of February 25, 2016.

Documents Incorporated By Reference:

Portions of the Proxy Statement for the 2016 Annual Meeting of Stockholders are incorporated into Part III.

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FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements” within the meaning of Section 27 of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in those sections. Generally, we have identified such forward-looking statements by using the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “target,” “forecast,” “aim,” “will” and similar expressions or by using future dates connection with any discussion of, among other things, operating performance, trends, events or developments that we expect or anticipate will occur in the future, statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements are not historical facts, but instead represent only the Company’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company’s control. It is possible that the Company’s actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Management believes that these forward-looking statements are reasonable as of the time made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to the risks and uncertainties described in this report in “Item 1A. Risk Factors” and those described from time to time in our future reports filed with the Securities and Exchange Commission.

References in this Annual Report on Form 10-K to "U. S. Steel," "the Company," "we," "us," and "our" refer to United States Steel Corporation and its consolidated subsidiaries unless otherwise indicated by the context.

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10-K SUMMARY

Our Vision is to become the Iconic Corporation, returning to our stature as a leading business in the United States. This vision is about more than U. S. Steel; it is about having a strong manufacturing presence in the United States of America.

During 2015, we continued to transform U. S. Steel through the two phases of a focused execution on our stockholder value creation strategy: (1) earn the right to grow, and (2) drive and sustain profitable growth. Our long-term success depends on our ability to execute these phases and earn an economic profit across the business cycle. Through a disciplined approach we refer to as “The Carnegie Way,” we continue working toward strengthening our balance sheet, with a strong focus on cash flow, liquidity, and financial flexibility.

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Based on the Carnegie Way philosophy, we have launched a series of initiatives that we believe will enable us to add value, re-shape the Company, and improve our performance across our core business processes, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support. We are on a mission to become an iconic industry leader, as we create a sustainable competitive advantage with a relentless focus on economic profit, our customers, cost structure and innovation. In pursuing our financial goals, we will not sacrifice our commitment to safety and environmental stewardship. We recognize that achieving this goal requires exemplary leadership and collaboration of all employees.

In 2015 and 2014, our earnings (loss) before interest and income taxes (EBIT) was $(1,202) million and $413 million, respectively, compared to adjusted EBITDA in 2015 and 2014 of $202 million and $1,698 million, respectively.

2015 vs. 2014 Consolidated Adjusted EBITDA[(a)]
($ in millions)

[(a)] Earnings (loss) before interest, income taxes, depreciation and amortization (EBITDA). Adjusted EBITDA is a non-GAAP measure, which is used as an additional measurement to enhance the understanding of our operating performance and facilitate a comparison with that of our competitors. The adjustments to EBITDA primarily consist of losses associated with U. S. Steel Canada, Inc., restructuring and impairment charges. See reconciliation to EBIT, as reported, on page 17.

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KEY PERFORMANCE INDICATORS

This section provides an overview of select key performance indicators for U. S. Steel which management and investors use to assess the Company's financial performance. It does not contain all of the information you should consider. Fluctuations for year to year changes are explained in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, the results do not include U. S. Steel Canada Inc. (USSC) subsequent to USSC's filing for CCAA protection on September 16, 2014. Please read the entire Annual Report on Form 10-K.

- The $815 million of Carnegie Way benefits realized in 2015 show that we continue to make significant progress toward our goal of achieving economic profit across the business cycle. Our progress is real and it is substantial, but our 2015 results show that it is not yet enough to fully overcome some of the worst market and business conditions we have seen.

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- Decrease in net sales in 2015 is primarily due to decreased shipment volumes and lower average realized prices as a result of challenging market conditions, including high import levels, much of which we believe are unfairly traded, which have served to reduce shipment volumes and drastically depress both spot and contract prices.

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- We reported positive adjusted EBITDA in 2015 under difficult market conditions and the lowest utilization of our steelmaking production facilities since 2009.
- See reconciliation to EBIT, as reported, on page 17.

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- Our efforts towards achieving economic profit across the business cycle, guided by the Carnegie Way, continue, but in 2015, they were not enough to overcome some of the worst market and business conditions we have seen.
- See reconciliation to net (loss) earnings attributable to United States Steel Corporation on page 15.

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• See reconciliation to diluted net loss per share on page 16.

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- Positive cash from operations due to efficient working capital management in 2015.

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- Maintaining strong cash and liquidity is a strategic priority.

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- Decrease in expense is primarily due to the natural maturation of the plans, partially offset by a lower discount rate and a lower expected return on asset assumption.
- 2016 Pension and OPEB expense is expected to be approximately $93 million.
- For further details, see Note 17 to the Consolidated Financial Statements.

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- An increase in the discount rate lowered pension and OPEB obligations and was partially offset by a decrease in the fair value of plan assets.
- As we maintain focus on strengthening the balance sheet, the unfunded status of our benefit plans is improving. This is partially attributable to the decision to freeze benefit accruals in the defined benefit pension plan and changes made to the OPEB plans.
- For further details, see Note 17 to the Consolidated Financial Statements.

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NON-GAAP FINANCIAL MEASURES

We present EBITDA, adjusted EBITDA, adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share, which are non-GAAP measures, as an additional measurement to enhance the understanding of our operating performance and facilitate a comparison with that of our competitors. EBITDA is defined as earnings (loss) before interest, income taxes, depreciation and amortization. Adjusted EBITDA and adjusted net earnings (loss) are not, however, intended as alternative measures of operating results or cash flow from operations as determined in accordance with GAAP and are not necessarily comparable to similarly titled measures used by other companies.

RECONCILIATION OF ADJUSTED NET (LOSS) EARNINGS [a]

	Year Ended December 31,		
(Dollars in millions)	2015	2014	2013
Reconciliation to net (loss) earnings attributable to United States Steel Corporation			
Adjusted net (loss) earnings attributable to United States Steel Corporation	$(262)	$676	$(110)
Losses associated with U. S. Steel Canada Inc.	(266)	(385)	—
Loss on shutdown of Fairfield Flat-Rolled operations [b] [c]	(53)	—	—
Loss on shutdown of coke production facilities [c]	(65)	—	—
Restructuring and other charges [c] [d]	(64)	—	(258)
Granite City Works temporary idling charges	(99)	—	—
Postemployment benefit actuarial adjustment	(26)	—	—
Impairment of equity investment	(18)	—	—
Loss on retirement of senior convertible notes	(36)	—	—
Deferred tax asset valuation allowance	(753)	—	—
Impairment of carbon alloy facilities [c]	—	(161)	—
Litigation reserves	—	(46)	—
Write-off of pre-engineering costs at Keetac [c]	—	(30)	—
Loss on assets held for sale	—	(9)	—
Gain on sale of real estate assets [e]	—	45	—
Curtailment gain	—	12	—
Impairment of goodwill	—	—	(1,795)
Repurchase premium charge [f]	—	—	(22)
Environmental remediation charge	—	—	(21)
Write-off of equity investment	—	—	(15)
Tax benefits [g]	—	—	561
Supplier contract dispute settlement	—	—	15
Total Adjustments	(1,380)	(574)	(1,535)
Net (loss) earnings attributable to United States Steel Corporation, as reported	$(1,642)	$102	$(1,645)

[a] The adjustments included in this table have been tax affected at the quarterly effective tax rate with the exception of the fourth quarter of 2015 items which have been tax affected at a 0% tax rate due to the recognition of a full valuation allowance in the fourth quarter of 2015.

[b] Fairfield Flat-Rolled Operations includes the blast furnace and associated steelmaking operations, along with most of the flat-rolled finishing operations at Fairfield Works. The slab and rounds casters remain operational and the #5 coating line continues to operate.

[c] Included in restructuring and other charges on the Consolidated Statement of Operations.

[d] The 2015 amount consists primarily of employee related costs, including costs for severance, supplemental unemployment benefits and continuation of health care benefits. The 2013 amount is related primarily to the shut down of the iron and steelmaking facilities at Hamilton Works.

(e) Gain on sale of surface rights and mineral royalty revenue streams in the state of Alabama.
(f) Related to the repurchases of $542 million principal amount of our 2014 Senior Convertible Notes.
(g) Related to a tax restructuring and other items.

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RECONCILIATION OF ADJUSTED NET (LOSS) EARNINGS PER SHARE

	Year Ended December 31,		
	2015	2014	2013
Reconciliation to diluted net (loss) earnings per share			
Adjusted diluted net (loss) earnings per share	$(1.79)	$4.47	$(0.76)
Losses associated with U. S. Steel Canada Inc.	(1.82)	(2.52)	—
Loss on shutdown of Fairfield Flat-Rolled operations [a] [b]	(0.37)	—	—
Loss on shutdown of coke production facilities [b]	(0.44)	—	—
Restructuring and other charges [b][c]	(0.44)	—	(1.79)
Granite City Works temporary idling charges	(0.68)	—	—
Postemployment benefit actuarial adjustment	(0.18)		
Impairment of equity investment	(0.12)	—	—
Loss on retirement of senior convertible notes	(0.25)	—	—
Deferred tax asset valuation allowance	(5.15)	—	—
Impairment of carbon alloy facilities [b]	—	(1.06)	—
Litigation reserves	—	(0.31)	—
Write-off of pre-engineering costs at Keetac [b]	—	(0.21)	—
Loss on assets held for sale	—	(0.06)	—
Gain on sale of real estate assets [d]	—	0.30	—
Curtailment gain	—	0.08	—
Impairment of goodwill	—	—	(12.41)
Repurchase premium charge [e]	—	—	(0.15)
Environmental remediation charge	—	—	(0.14)
Write-off of equity investment	—	—	(0.10)
Tax benefits [f]	—	—	3.88
Supplier contract dispute settlement	—	—	0.10
Total adjustments	(9.45)	(3.78)	(10.61)
Diluted net loss per share, as reported	$(11.24)	$0.69	$(11.37)

[a] Fairfield Flat-Rolled Operations includes the blast furnace and associated steelmaking operations, along with most of the flat-rolled finishing operations at Fairfield Works. The slab and rounds casters remain operational and the #5 coating line continues to operate.

[b] Included in restructuring and other charges on the Consolidated Statement of Operations.

[c] The 2015 amount consists primarily of employee related costs, including costs for severance, supplemental unemployment benefits and continuation of health care benefits. The 2013 amount is related primarily to the shut down of the iron and steelmaking facilities at Hamilton Works.

[d] Gain on sale of surface rights and mineral royalty revenue streams in the state of Alabama.

[e] Related to the repurchases of $542 million principal amount of our 2014 Senior Convertible Notes.

[f] Related to a tax restructuring and other items.

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RECONCILIATION OF EBITDA AND ADJUSTED EBITDA

(Dollars in millions)	Year Ended December 31, 2015	2014	2013
Reconciliation to (loss) earnings before interest and income taxes (EBIT)			
Adjusted EBITDA	$202	$1,698	$863
Losses associated with U. S. Steel Canada Inc.	(392)	(416)	—
Loss on shutdown of Fairfield Flat-Rolled operations [a] [b]	(91)	—	—
Loss on shutdown of coke production facilities [b]	(153)	—	—
Restructuring and other charges [b][c]	(78)	—	(248)
Granite City Works temporary idling charges	(99)	—	—
Postemployment benefit actuarial adjustment	(26)	—	—
Impairment of equity investment	(18)	—	—
Impairment of carbon alloy facilities [b]	—	(195)	—
Litigation reserves	—	(70)	—
Write-off of pre-engineering costs at Keetac [b]	—	(37)	—
Loss on assets held for sale	—	(14)	—
Gain on sale of real estate assets [d]	—	55	—
Curtailment gain	—	19	—
Impairment of goodwill	—	—	(1,806)
Environmental remediation charge	—	—	(32)
Write-off of equity investment	—	—	(16)
Supplier contract dispute settlement	—	—	23
EBITDA	(655)	1,040	(1,216)
Depreciation, depletion and amortization expense	(547)	(627)	(684)
EBIT, as reported [e]	$(1,202)	$413	$(1,900)

[a] Fairfield Flat-Rolled Operations includes the blast furnace and associated steelmaking operations, along with most of the flat-rolled finishing operations at Fairfield Works. The slab and rounds casters remain operational and the #5 coating line continues to operate.

[b] Included in restructuring and other charges on the Consolidated Statement of Operations.

[c] The 2015 amount consists primarily of employee related costs, including costs for severance, supplemental unemployment benefits and continuation of health care benefits. The 2013 amount is related primarily to the shut down of the iron and steelmaking facilities at Hamilton Works.

[d] Gain on sale of surface rights and mineral royalty revenue streams in the state of Alabama.

[e] Adjustments to reconcile to net (loss) earnings are derived from the face of the Consolidated Statements of Operations and include net interest and other financial costs, and income tax provision (benefit).

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PART I

Item 1. BUSINESS

United States Steel Corporation (U. S. Steel) is an integrated steel producer of flat-rolled and tubular products with major production operations in North America and Europe. An integrated steel producer uses iron ore and coke as primary raw materials for steel production. U. S. Steel has annual raw steel production capability of 22.0 million net tons (17.0 million tons in the United States and 5.0 million tons in Europe), which reflects a reduction of 2.4 million tons as a result of the permanent shutdown of the blast furnace and associated steelmaking operations, along with most of the flat-rolled finishing operations at Fairfield Works, during the third quarter of 2015. According to worldsteel Association's latest published statistics, U. S. Steel was the fifteenth largest steel producer in the world in 2014. U. S. Steel is also engaged in other business activities consisting primarily of railroad services and real estate operations.

During 2015, we continued to transform U. S. Steel through the two phases of a focused execution on our stockholder value creation strategy: (1) earn the right to grow, and (2) drive and sustain profitable growth. Through a disciplined approach we refer to as "The Carnegie Way," we continue working toward strengthening our balance sheet, with a strong focus on cash flow, liquidity, and financial flexibility. Based on this philosophy, we have launched a series of initiatives that we believe will enable us to add value, re-shape the Company, and improve our performance across our core business processes, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support. We are on a mission to become an iconic industry leader, as we create a sustainable competitive advantage with a relentless focus on economic profit, our customers, cost structure and innovation. In pursuing our financial goals, we will not sacrifice our commitment to safety and environmental stewardship. We recognize that achieving this goal requires exemplary leadership and collaboration of all employees, and we are committed to attracting, developing and retaining a workforce with the talent and skills needed for our long-term success.

The Company had a net loss of $1.6 billion in 2015, and faced significant price and volume headwinds, particularly in the second half of the year, but finished 2015 with adjusted EBITDA of $202 million despite a nearly $6 billion decrease in revenues from 2014.

We made several difficult decisions in 2015 in response to the conditions in the markets we serve, including the permanent shut down of our steelmaking operations at Fairfield Works and the temporary idling of Granite City Works and our Keetac mining operations. We also had a significant number of lay-offs at other facilities that are operating at reduced rates.

We continued to generate cash flow throughout 2015, finishing the year with $359 million of operating cash flow and repaid $379 million of debt in 2015.

Our structured approach, using the Carnegie Way value creation methodology, gives us the confidence that we can continue to make progress and create value for our customers, and when we create value for our customers, we create value for all of our stakeholders - our stockholders, our suppliers, our employees and the communities where we do business.

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Segments

U. S. Steel has three reportable operating segments: Flat-Rolled Products (Flat-Rolled), U. S. Steel Europe (USSE) and Tubular Products (Tubular). The results of our railroad and real estate businesses that do not constitute reportable segments are combined and disclosed in the Other Businesses category.

The Flat-Rolled segment includes the operating results of U. S. Steel's integrated steel plants and equity investees in the United States involved in the production of slabs, rounds, strip mill plates, sheets and tin mill products, as well as all iron ore and coke production facilities in the United States. These operations primarily serve North American customers in the service center, conversion, transportation (including automotive), construction, container, and appliance and electrical markets. Flat-Rolled also supplies steel rounds and hot-rolled bands to Tubular. In the third quarter of 2015, the blast furnace and associated steelmaking operations along with most of the flat-rolled finishing operations at Fairfield Works were shutdown. Therefore, Flat-Rolled is currently not supplying rounds to Tubular.

On September 16, 2014, U. S. Steel Canada, Inc. (USSC), a wholly owned subsidiary of U. S. Steel, applied for relief from its creditors pursuant to Canada's Companies' Creditors Arrangement Act (CCAA). As a result of USSC filing for CCAA protection (CCAA filing), U. S. Steel determined that USSC and its subsidiaries would be deconsolidated from U. S. Steel's financial statements on a prospective basis effective as of the date of the CCAA filing. We recorded total non-cash charges of $392 million related to the write down of our retained interest and other charges in 2015 and $416 million in 2014 related to the deconsolidation of USSC. Subsequent to USSC's CCAA filing on September 16, 2014, the Flat-Rolled segment information does not include USSC, but transactions between U. S. Steel and USSC are considered related party transactions.

Effective January 1, 2015, the Flat-Rolled segment was realigned to better service customer needs through the creation of five commercial entities to specifically address customers in the automotive, consumer, industrial, service center and mining market sectors.

Beginning January 1, 2016, the Flat-Rolled segment has been further streamlined and consolidated to consist of three commercial entities: automotive, consumer, which includes the packaging, appliance and construction industries, and the combined industrial, service center and mining commercial entities. This realignment will not affect the Company's reportable segments as they currently exist. For further information, see Item 1. "Business Strategy."

Flat-Rolled has annual raw steel production capability of 17.0 million tons. Prior to the permanent shut down of the Fairfield Flat-Rolled operations beginning in August 2015, the CCAA filing and the deconsolidation of USSC in September 2014, and the permanent shut down of the iron and steelmaking facilities at Hamilton Works in December 2013, annual raw steel production capability for Flat-Rolled was 19.4 million tons, 22.0 million tons and 24.3 million tons, respectively. Raw steel production was 11.3 million tons in 2015, 17.0 million tons in 2014 and 17.9 million tons in 2013. Raw steel production averaged 60 percent of capability in 2015, 80 percent of capability in 2014 and 74 percent of capability in 2013.

The USSE segment includes the operating results of U. S. Steel Košice (USSK), U. S. Steel's integrated steel plant and coke production facilities in Slovakia. USSE primarily serves customers in the European construction, service center, conversion, container, transportation (including automotive), appliance and electrical, and oil, gas and petrochemical markets. USSE produces and sells slabs, sheet, strip mill plate, tin mill products and spiral welded pipe, as well as heating radiators and refractory ceramic materials.

USSE has annual raw steel production capability of 5.0 million tons. USSE's raw steel production was 4.7 million tons in 2015, 4.8 million tons in 2014, and 4.6 million tons in 2013. USSE's raw steel production averaged 93 percent of capability in 2015, 96 percent of capability in 2014 and 92 percent of capability in 2013.

The Tubular segment includes the operating results of U. S. Steel’s tubular production facilities, primarily in the United States, and equity investees in the United States and Brazil. These operations produce and sell seamless and electric resistance welded (ERW) steel casing and tubing (commonly known as oil country tubular goods or OCTG), standard and line pipe and mechanical tubing and primarily serve customers in the oil, gas and petrochemical markets. Tubular’s annual production capability is 2.8 million tons and U. S. Steel is the largest domestic supplier of OCTG. U. S. Steel Tubular Products, Inc. (USSTP) is designing and developing a range of premium and semi-premium connections to address the growing needs for technical solutions to our end users' well site production challenges. USSTP also offers rig site services, which provides the technical expertise for proper installation of our tubular products and proprietary connections at the well site.

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For further information, see Note 3 to the Consolidated Financial Statements.

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Financial and Operational Highlights

Steel Shipments by Product and Segment

The following table shows steel shipments to end customers, joint ventures and equity investees of U. S. Steel.

(Thousands of Tons)	Flat-Rolled	USSE	Tubular	Total
Product—2015				
Hot-rolled Sheets	3,283	1,165	—	4,448
Cold-rolled Sheets	3,507	470	—	3,977
Coated Sheets	2,511	865	—	3,376
Tin Mill Products	927	428	—	1,355
Oil country tubular goods (OCTG)	—	—	345	345
Standard and line pipe	—	55	248	303
Semi-finished and Plates	47	1,374	—	1,421
Other	320	—	—	320
TOTAL	10,595	4,357	593	15,545
Memo: Intersegment Shipments from Flat-Rolled to Tubular				
Hot-rolled sheets	219			
Rounds	197			
Product—2014				
Hot-rolled Sheets	4,909	1,374	—	6,283
Cold-rolled Sheets	4,207	518	—	4,725
Coated Sheets	3,316	775	—	4,091
Tin Mill Products	1,180	411	—	1,591
Oil country tubular goods (OCTG)	—	—	1,308	1,308
Standard and line pipe	—	62	314	376
Semi-finished and Plates	165	1,039	—	1,204
Other	131	—	122	253
TOTAL	13,908	4,179	1,744	19,831
Memo: Intersegment Shipments from Flat-Rolled to Tubular				
Hot-rolled sheets	863			
Rounds	849			
Product—2013				
Hot-rolled Sheets	5,028	1,426	—	6,454
Cold-rolled Sheets	4,347	553	—	4,900
Coated Sheets	3,599	762	—	4,361
Tin Mill Products	1,204	385	—	1,589
Oil country tubular goods (OCTG)	—	—	1,370	1,370
Standard and line pipe	—	69	264	333
Semi-finished and Plates	466	805	—	1,271
Other	—	—	123	123
TOTAL	14,644	4,000	1,757	20,401
Memo: Intersegment Shipments from Flat-Rolled to Tubular				
Hot-rolled sheets	923			
Rounds	776			

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Steel Shipments by Market and Segment

The following table does not include shipments to end customers by joint ventures and other equity investees of U. S. Steel. Shipments of materials to these entities are included in the "Further Conversion – Joint Ventures" market classification. No single customer accounted for more than 10 percent of gross annual revenues.

(Thousands of Tons)	Flat-Rolled	USSE	Tubular	Total
Major Market – 2015				
Steel Service Centers	1,702	718	—	2,420
Further Conversion – Trade Customers	3,039	304	—	3,343
– Joint Ventures	1,254	—	—	1,254
Transportation (Including Automotive)	2,011	705	—	2,716
Construction and Construction Products	649	1,703	55	2,407
Containers	692	424	—	1,116
Appliances and Electrical Equipment	429	236	—	665
Oil, Gas and Petrochemicals	—	—	513	513
Exports from the United States	234	—	25	259
All Other	585	267	—	852
TOTAL	10,595	4,357	593	15,545
Major Market – 2014				
Steel Service Centers	2,578	682	—	3,260
Further Conversion – Trade Customers	4,013	299	—	4,312
– Joint Ventures	1,519	—	—	1,519
Transportation (Including Automotive)	2,445	674	—	3,119
Construction and Construction Products	775	1,584	122	2,481
Containers	1,287	403	—	1,690
Appliances and Electrical Equipment	616	267	—	883
Oil, Gas and Petrochemicals	—	3	1,545	1,548
Exports from the United States	263	—	77	340
All Other	412	267	—	679
TOTAL	13,908	4,179	1,744	19,831
Major Market – 2013				
Steel Service Centers	2,721	560	—	3,281
Further Conversion – Trade Customers	4,409	286	—	4,695
– Joint Ventures	1,664	—	—	1,664
Transportation (Including Automotive)	2,480	709	—	3,189
Construction and Construction Products	773	1,501	132	2,406
Containers	1,259	393	—	1,652
Appliances and Electrical Equipment	666	275	—	941
Oil, Gas and Petrochemicals	—	15	1,540	1,555
Exports from the United States	365	—	85	450
All Other	307	261	—	568
TOTAL	14,644	4,000	1,757	20,401

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Business Strategy

During 2015, we have continued to transform U. S. Steel through the two phases of a focused execution on our stockholder value creation strategy: (1) earn the right to grow, and (2) drive and sustain profitable growth. Through a disciplined approach we refer to as “The Carnegie Way,” we continue working toward strengthening our balance sheet, with a strong focus on cash flow, liquidity, and financial flexibility and have launched a series of initiatives that we believe will enable us to add value, re-shape the Company, and improve our performance across our core business processes, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support. We are on a mission to become an iconic industry leader, as we create a sustainable competitive advantage with a relentless focus on economic profit, customers, cost structure and innovation. In pursuing our financial goals, we will not sacrifice our commitment to safety and environmental stewardship. We recognize that achieving this goal requires exemplary leadership and collaboration of all employees, and we are committed to attracting, developing and retaining a workforce with the talent and skills needed for our long-term success.

As part of the Carnegie Way transformation process, during 2015, the Company's Flat-Rolled, USSE and Tubular reportable segments were realigned to target achieving the following strategic goals:

- collaborate better with our customers to create and deliver smarter, more innovative relationships in order to be a more customer-centric global solutions provider;
- provide focus to Carnegie Way projects within the operating units including reliability centered maintenance and quality, with a continued commitment to safety; and
- continue earning the right to grow by creating clearer and more focused and effective accountability.

During the fourth quarter of 2015, we completed a strategic review of our business. As a result of that review, we realigned certain portions of our business to strengthen customer intimacy, operational excellence, and personal and professional accountability, streamlining our executive management team, reducing costs, and integrating innovation within our accountable commercial entity structure. U. S. Steel continuously evaluates potential strategic and organizational opportunities, which may include the acquisition, divestiture or consolidation of assets. The Company will pursue opportunities based on the financial condition of the Company, its long-term strategy, and what the Board of Directors determines to be in the best interests of the Company's stockholders.

Beginning January 1, 2016, the Company's Flat-Rolled facilities report through three streamlined and consolidated commercial entities: automotive, consumer, and the combined industrial, service center and mining commercial entities.

The commercial entities have worked, and continue to work, to position the Company to be best-in-class in innovation, quality and providing customer service and solutions to our customers. The strategic move to position operations within the streamlined commercial entities enhances our ability to better hear the voice of the customer, ensuring that we deliver superior value and drive results in the markets we serve.

This realignment will not affect the Company's reportable segments as they currently exist.

Automotive Solutions is based at the Company's Automotive Center in Troy, Michigan, where the Company works jointly with customers to develop solutions using its expertise as well as the next generation of advanced high-strength steel to address challenges facing the automotive industry, including increased fuel economy standards and enhanced safety requirements.

Consumer Solutions partners with customers in the appliance, packaging, container and construction markets. Consumer Solutions has a robust presence with our tin customers, who represent more than one quarter of this market

category. Additional product lines within the market category include the Company's COR-TEN AZP®, ACRYLUME®, GALVALUME® and Weathered Metals Series®.

Industrial, Service Center and Mining Solutions focuses on the Company's customers in the pipe and tube manufacturing market, the agricultural and industrial equipment markets, as well as operations relating to the Company's Minnesota Ore Operations facilities - Minntac in Mt. Iron, MN, and Keetac in Keewatin, MN, and the Company's iron ore equity joint ventures. U. S. Steel's integrated steel plants are the primary customers of Mining Solutions.

USSE's customer focus has accelerated to further conform with the Company's Carnegie Way transformation efforts.

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The Tubular segment's commercial and manufacturing operations have been aligned to include customer solutions for the oil and gas industry, focusing on the end user customer from the Company's production facilities to rig well sites.

We believe this enhanced commercial concentration will put U. S. Steel in a stronger position to be best-in-class in product innovation, quality and providing service and solutions to our customers, as well as steel manufacturing.

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Safety

U. S. Steel has a long standing commitment to the safety of our employees, and we have prioritized safety and improving safety performance as one of our core values. We also recognize that ensuring a safe workplace also improves productivity, quality, reliability and financial performance. A "safety first" mindset is essential to our success as a business. Through 2015 the ten year trends for our global key safety measurements: recordable injuries, days away from work rate and severity rate showed improvement of 52 percent, 63 percent and 94 percent respectively, as shown in the following graphs.

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Environmental Stewardship

Throughout its history, U. S. Steel has either led the industry or used methods consistent with prevailing industry practices in its commitment to environmental stewardship. We have implemented and continue to develop business practices that are environmentally efficient. We believe part of being a good corporate citizen requires a dedicated focus on how our industry affects the environment, and have taken the actions described below in furtherance of that goal.

The Executive Environmental Committee, which is comprised of U. S. Steel officers and other key leaders, meets regularly to review environmental issues and compliance. Also, U. S. Steel, largely through the American Iron and Steel Institute (AISI), the worldsteel Association and the European Confederation of Iron and Steel Industries (Eurofer), is involved in the promotion of cost effective environmental strategies through the development of appropriate air, water, waste and climate change laws and regulations at the local, state, national and international levels.

We are committed to reducing emissions as well as our carbon footprint. We have investigated, created and implemented innovative, best practice solutions throughout U. S. Steel to manage and reduce energy consumption and greenhouse gas (GHG) emissions. We are also committed to investing in technologies to further improve the environmental performance of our steelmaking process. In addition, we continue to focus on implementing energy reduction strategies, use of efficient energy sources, waste reduction management and the utilization of by-product fuels.

According to the American Iron and Steel Institute, relative to competing materials, steel has approximately one-fifth the carbon footprint of aluminum, one-twelfth the footprint of magnesium, and about one-ninth the footprint of carbon fiber composites. Our Advanced High Strength Steels used in today’s vehicles affords significant light-weighting opportunities. When comparing steel to aluminum in terms of sustainability, steel has a smaller carbon footprint and costs less.

U. S. Steel has historically recycled between 4 and 5 million tons of purchased and produced steel scrap every year. Because of steel’s physical properties, our products can be recycled at the end of their useful life without loss of quality, contributing to steel’s high recycling rate and affordability. Comparatively, due to limitations in aluminum processing, very little recycled aluminum is included in aluminum sheet goods used for automotive or aircraft applications. This means that any increased use of aluminum sheet for high-end applications must come from greenhouse gas (GHG) intensive primary aluminum, which generates significantly more GHG emissions than steel.

All of our major production facilities have Environmental Management Systems that are certified to the ISO 14001 Standard. This standard, published by the International Organization for Standardization, provides the framework for the measurement and improvement of environmental impacts of the certified facility.

Commercial Strategy

Our commercial strategy is focused on providing customer focused solutions with value-added steel products, including advanced high strength steels and coated sheets for the automotive and appliance industries, electrical steel sheets for the manufacture of motors and electrical equipment, galvanized and Galvalume® sheets for construction, tin mill products for the container industry and OCTG and premium connections for the oil and gas industry, including steel for the North American shale oil and gas markets.

We are committed to anticipating our customers' changing needs by developing new steel products and uses for steel that meet the evolving regulatory requirements imposed on them. In connection with this commitment, we have

research centers in Pittsburgh, Pennsylvania, and Košice, Slovakia, an automotive center in Troy, Michigan and an innovation and technology center for Tubular products in Houston, Texas. The focus of these centers is to develop new products and work with our customers to better serve their needs. Examples of our customer focused product innovation include the development of advanced high strength steels, including Dual-Ten® and Transformation Induced Plasticity (TRIP) steels, that provide high strength to meet automobile passenger safety requirements while significantly reducing weight to meet vehicle fuel efficiency requirements; and a line of premium and semi-premium tubular connections to meet our customers' increasingly complex needs for offshore and horizontal drilling. Designed and developed at the Innovation and Technology Center in Houston, USS- Liberty TC™ is the first domestically made threaded and coupled premium connection with a metal-to-metal seal that has been tested to the 2014 version of API 5C5 CAL IV. USS- Liberty TC™ was successfully installed by a subsidiary of Range Resources Corporation and is available to other energy producers. This work in premium connection development is supported by our investment in a new full scale

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tubular connection test frame located at Offshore Operations in Houston, Texas. Please refer to Item I. Business Strategy for further details of our commercial entities and related strategies.

Capital Projects and Other Investments

We are currently developing projects within our Flat-Rolled, USSE and Tubular segments, such as facility enhancements, advanced high strength steels and additional premium connections, that will further improve our ability to support our customers' evolving needs and increase our value-added product capabilities. We are nearing the completion of our efforts to implement an Enterprise Resource Planning (ERP) system to replace our existing information technology systems, which will enable us to operate more efficiently, and we anticipate this implementation will be completed in 2016. The completion of the ERP system is expected to provide further opportunities to streamline, standardize and centralize business processes in order to maximize cost effectiveness, efficiency and control across our global operations.
With reduced pricing for iron ore, management is considering its options with respect to the Company's iron ore position in the United States. The Company is also exploring opportunities related to the availability of reasonably priced natural gas as an alternative to coke in the iron reduction process to improve our cost competitiveness, while reducing our dependence on coal and coke. After receiving the necessary authorizations from the Jefferson County Department of Health and the Alabama Department of Environmental Management for the Fairfield electric arc furnace (EAF) project, construction began in the second quarter of 2015, but due to challenging market conditions resulting from depressed oil prices and reduced oil rig counts, the construction of the Fairfield EAF has been delayed until market conditions improve.

Workforce

At U. S. Steel, we are committed to attracting, developing, and retaining a workforce of talented, diverse people — all working together to deliver superior results for our Company, stockholders, customers and communities. We regularly review our human capital needs and focus on the selection, development and retention of employees in order to sustain and enhance our competitive position in the markets we serve.

Capital Structure and Liquidity

Our primary financial goal is to enhance our capital structure, liquidity, and financial flexibility by deploying cash strategically as we earn the right to grow. Our cash deployment strategy includes maintaining a healthy pension plan; delivering operational excellence with a focus on safety, quality and reliability; and improving the outcomes of capital investments. In 2015, we implemented a program called "Quick Wins," to focus on low complexity, low dollar, high return capital projects, while at the same time, putting more focus and discipline around the business outcomes of larger, strategic projects.

During 2015, U. S. Steel repaid $379 million of debt. We ended 2015 with $755 million of cash and cash equivalents on hand and total liquidity of approximately $2.4 billion.

Steel Industry Background and Competition

U. S. Steel's competitive position may be affected by, among other things, differences among U. S. Steel's and its competitors' cost structure, labor costs, environmental remediation and compliance costs and the existence and magnitude of government subsidies.

U. S. Steel competes with many North American and international steel producers. Competitors include integrated producers, which, like U. S. Steel, use iron ore and coke as the primary raw materials for steel production, as well as

electric arc furnace (EAF) producers, which primarily use steel scrap and other iron-bearing feedstocks as raw materials. Global steel capacity has continued to increase, with some published sources estimating that steel capacity in China alone is at or is nearing one billion metric tons per year. In addition, other products, such as aluminum, plastics and composites, compete with steel in some applications.

EAF producers typically require lower capital expenditures for construction of facilities and may have lower total employment costs; however, these competitive advantages may be minimized or eliminated by the cost of scrap when scrap prices are high. Some mini-mills utilize thin slab casting technology to produce flat-rolled products and are increasingly able to compete directly with integrated producers in a number of flat-rolled product applications previously produced only by integrated steelmakers.

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U. S. Steel provides defined benefit pension and/or other postretirement benefits to approximately 105,000 current employees, retirees and their beneficiaries. Most of our other competitors do not have comparable retiree obligations. Effective December 31, 2015, the Company froze the defined benefit pension plans for non-union participants.

The global steel industry is cyclical, highly competitive and has historically been characterized by overcapacity.

U. S. Steel believes that our major North American and many European integrated steel competitors are confronted with substantially similar environmental regulatory conditions and thus does not believe that its relative position with regard to such competitors will be materially affected by the impact of environmental laws and regulations. However, if the final regulations do not recognize the fact that the integrated steel process involves a series of chemical reactions involving carbon that create CO_2 emissions, our competitive position relative to mini-mills will be adversely impacted. Our competitive position compared to producers in developing nations such as China, Russia, Ukraine and India, will be harmed unless such nations require commensurate reductions in CO_2 emissions. Competing materials such as plastics may not be similarly impacted. The specific impact on each competitor will vary depending on a number of factors, including the age and location of its operating facilities and its production methods. U. S. Steel is also responsible for remediation costs related to former and present operating locations and disposal of environmentally sensitive materials. Many of our competitors, including North American producers, or their successors, that have been the subject of bankruptcy relief have no or substantially lower liabilities for such environmental remediation matters.

U. S. Steel faces competition from foreign steel producers, many of which are heavily subsidized by their governments and dump steel into the U.S. market. Trade-distorting policies and practices, coupled with global steel overcapacity, impact pricing in the U.S. market and influence the Company's ability to compete on a level playing field. For a detailed discussion of international trade issues impacting the Company and the actions the Company has taken to address them see Part II, "Item 7. - Management's Discussion and Analysis" for further details regarding U.S. Steel's international trade and global public policy.

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Facilities and Locations

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Flat-Rolled

During 2015, U. S. Steel adjusted its operating levels at several of its Flat-Rolled operations as a result of unfavorable market conditions, primarily driven by dramatically lower oil prices, lower steel prices, and the impact of the stronger U.S. dollar, global overcapacity and imports on our operations. Customer order rates will determine the size and duration of any adjustments that we make at our Flat-Rolled operations during 2016.

Except for the Fairfield pipe facility, the operating results of all facilities within U. S. Steel’s integrated steel plants in the U.S. are included in Flat-Rolled. These facilities include Gary Works, Great Lakes Works, Mon Valley Works, Granite City Works and Fairfield Works. The operating results of U. S. Steel’s coke and iron ore pellet operations and many equity investees in the United States are also included in Flat-Rolled. The Flat-Rolled segment information subsequent to September 16, 2014 does not include USSC, which applied for relief from its creditors pursuant to CCAA on that date.

Gary Works, located in Gary, Indiana, has annual raw steel production capability of 7.5 million tons. Gary Works has four blast furnaces, six steelmaking vessels, a vacuum degassing unit and four slab casters. Finishing facilities include a hot strip mill, two pickling lines, two cold reduction mills, three temper mills, a double cold reduction line, four annealing facilities and two tin coating lines. Principal products include hot-rolled, cold-rolled, and coated sheets and tin mill products. Gary Works also produces strip mill plate in coil. In May 2015, Gary Works one remaining coke battery was shut down. The Midwest Plant and East Chicago Tin are operated as part of Gary Works.

The Midwest Plant, located in Portage, Indiana, processes hot-rolled and cold rolled bands and produces tin mill products, hot dip galvanized, cold-rolled and electrical lamination sheets. Midwest facilities include a pickling line, two cold reduction mills, two temper mills, a double cold reduction mill, two annealing facilities, two hot dip galvanizing lines, a tin coating line and a tin-free steel line.

East Chicago Tin is located in East Chicago, Indiana and produces tin mill products. Facilities include a pickling line, a cold reduction mill, two annealing facilities, a temper mill, a tin coating line and a tin-free steel line.

Great Lakes Works, located in Ecorse and River Rouge, Michigan, has annual raw steel production capability of 3.8 million tons. Great Lakes facilities include three blast furnaces, two steelmaking vessels, a vacuum degassing unit, two slab casters, a hot strip mill, a pickling line, a tandem cold reduction mill, three annealing facilities, a temper mill, a recoil and inspection line, an electrolytic galvanizing line and a hot dip galvanizing line. Principal products include hot-rolled, cold-rolled and coated sheets.

On May 29, 2015, the Company purchased the 50 percent joint venture interest in Double Eagle Steel Coating Company (DESCO) that it did not previously own for $25 million. The facility coats sheet steel with free zinc or zinc alloy coatings, primarily for use in the automotive industry. DESCO’s annual production capability is approximately 720,000 tons. DESCO's electrolytic galvanizing line (EGL) has become part of the larger operational footprint of U. S. Steel's Great Lakes Works within the Flat-Rolled segment. The EGL is increasing our ability to provide industry-leading advanced high strength steels, including Gen 3 grades under development, as well as to provide high quality exposed steel for automotive body and closure applications.

Mon Valley Works consists of the Edgar Thomson Plant, located in Braddock, Pennsylvania; the Irvin Plant, located in West Mifflin, Pennsylvania; the Fairless Plant, located in Fairless Hills, Pennsylvania; and the Clairton Plant, located in Clairton, Pennsylvania. Mon Valley Works has annual raw steel production capability of 2.9 million tons. Facilities at the Edgar Thomson Plant include two blast furnaces, two steelmaking vessels, a vacuum degassing unit and a slab caster. Irvin Plant facilities include a hot strip mill, two pickling lines, a cold reduction mill, three annealing facilities, a temper mill and two hot dip galvanizing lines. The Fairless Plant operates a hot dip galvanizing line.

Principal products from Mon Valley Works include hot-rolled, cold-rolled and coated sheets, as well as coke and coke by-products produced at the Clairton Plant.

The Clairton Plant is comprised of ten coke batteries with an annual coke production capacity of 4.3 million tons. Almost all of the coke we produce is consumed by U. S. Steel facilities, or swapped with other domestic steel producers. Coke by-products are sold to the chemicals and raw materials industries.

Granite City Works, located in Granite City, Illinois, has annual raw steel production capability of 2.8 million tons. Granite City's facilities includes two blast furnaces, two steelmaking vessels, two slab casters, a hot strip mill, a pickling line, a tandem cold reduction mill, a hot dip galvanizing line and a hot dip galvanizing/Galvalume® line. Principal products include hot-rolled and coated sheets. In April 2015, U. S. Steel permanently closed the coke making operations at

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Granite City Works. In December 2015, U. S. Steel temporarily idled Granite City Works. Gateway Energy and Coke Company LLC (Gateway) constructed a coke plant, which began operating in October 2009 to supply Granite City Works under a 15 year agreement with Suncoke. U. S. Steel owns and operates a cogeneration facility that utilizes by-products from the Gateway coke plant to generate heat and power.

Fairfield Works, located in Fairfield, Alabama, had annual raw steel production capability of 2.4 million tons which included a blast furnace, three steelmaking vessels, a vacuum degassing unit, a slab caster, a rounds caster, a hot strip mill, a pickling line, a cold reduction mill, two temper/skin pass mills, a hot dip galvanizing line and a hot dip galvanizing/Galvalume® line. Principal products included hot-rolled, cold-rolled and coated sheets, and steel rounds for Tubular. In August 2015, the Company permanently shutdown the majority of Fairfield Flat-Rolled operations. The slab and rounds casters remain operational and the #5 coating line continues to operate.

U. S. Steel owns a Research and Technology Center located in Munhall, Pennsylvania (near Pittsburgh) where we carry out a wide range of applied research, development and technical support functions.

U. S. Steel also owns an automotive technical center in Troy, Michigan. This facility brings automotive sales, service, distribution and logistics services, product technology and applications research into one location. Much of U. S. Steel’s work in developing new grades of steel to meet the demands of automakers for high-strength, light-weight and formable materials is carried out at this location.

U. S. Steel has iron ore pellet operations located at Mt. Iron (Minntac) and Keewatin (Keetac), Minnesota with annual iron ore pellet production capability of 22.4 million tons. During 2015, 2014 and 2013, these operations produced 15.5 million, 22.2 million and 21.7 million tons of iron ore pellets, respectively. In May 2015, Keetac was idled as a result of significantly lower steel production.

U. S. Steel participates in a number of additional joint ventures that are included in Flat-Rolled, most of which are conducted through subsidiaries or other separate legal entities. All of these joint ventures are accounted for under the equity method. The significant joint ventures and other investments are described below. For information regarding joint ventures and other investments, see Note 11 to the Consolidated Financial Statements.

U. S. Steel has a 14.7 percent ownership interest in Hibbing Taconite Company (Hibbing), which is based in Hibbing, Minnesota. Hibbing’s rated annual production capability is 9.1 million tons of iron ore pellets, of which our share is about 1.3 million tons.

U. S. Steel has a 15 percent ownership interest in Tilden Mining Company (Tilden), which is based in Ishpeming, Michigan. Tilden’s rated annual production capability is 8.7 million tons of iron ore pellets, of which our share is about 1.3 million tons.

U. S. Steel and POSCO of South Korea participate in a 50-50 joint venture, USS-POSCO Industries (UPI), located in Pittsburg, California. The joint venture markets sheet and tin mill products, principally in the western United States. UPI produces cold-rolled sheets, galvanized sheets, tin plate and tin-free steel from hot bands principally provided by POSCO and U. S. Steel. UPI’s annual production capability is approximately 1.5 million tons.

U. S. Steel and Kobe Steel, Ltd. of Japan participate in a 50-50 joint venture, PRO-TEC Coating Company (PRO-TEC). PRO-TEC owns and operates two hot dip galvanizing lines and a continuous annealing line (CAL) in Leipsic, Ohio, which primarily serve the automotive industry. PRO-TEC’s annual production capability is approximately 1.7 million tons. U. S. Steel's domestic production facilities supply PRO-TEC with cold-rolled sheets and U. S. Steel markets all of its products. PRO-TEC constructed and financed the CAL that began operations during the first quarter of 2013. The CAL produces high strength, lightweight steels that are an integral component in

automotive manufacturing as vehicle emission and safety requirements become increasingly stringent.

U. S. Steel and ArcelorMittal participate in the Double G Coatings Company, L.P. a 50-50 joint venture (Double G), which operates a hot dip galvanizing and Galvalume® facility located near Jackson, Mississippi and primarily serves the construction industry. Double G processes steel supplied by each partner and each partner markets the steel it has processed by Double G. Double G's annual production capability is approximately 315,000 tons.

U. S. Steel and Worthington Industries, Inc. participate in Worthington Specialty Processing (Worthington), a joint venture with locations in Jackson, Canton, and Taylor, Michigan, in which U. S. Steel has a 49 percent interest. Worthington slits, cuts to length, and presses blanks from steel coils to desired specifications. Worthington's annual production capability is approximately 890,000 tons.

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Chrome Deposit Corporation (CDC), a 50-50 joint venture between U. S. Steel and Court Holdings, reconditions finishing work rolls, which require grinding, chrome plating and/or texturing. The rolls are used on rolling mills to provide superior finishes on steel sheets. CDC has seven locations across the United States, with all locations near major steel plants.

U. S. Steel holds a 49% interest in Feralloy Processing Company (FPC), a joint venture between U. S. Steel and Feralloy Corporation, which converts coiled hot strip mill plate into sheared and flattened plates. The plant, located in Portage, Indiana, has annual production capability of approximately 275,000 tons.

U. S. Steel and Feralloy Corporation, participate in a joint venture, Acero Prime, S.R.L. de CV (Acero Prime). U. S. Steel has a 40 percent interest. Acero Prime has facilities in San Luis Potosi, Ramos Arizpe, and Toluca, Mexico. Acero Prime provides slitting, warehousing and logistical services. Acero Prime’s annual slitting capability is approximately 385,000 tons.

USSE

USSE consists of USSK and its subsidiaries.

USSK operates an integrated facility in Košice, Slovakia, which has annual raw steel production capability of 5.0 million tons. This facility has two coke batteries, four sintering strands, three blast furnaces, four steelmaking vessels, a vacuum degassing unit, two dual strand casters, a hot strip mill, two pickling lines, two cold reduction mills, three annealing facilities, a temper mill, a temper/double cold reduction mill, three hot dip galvanizing lines, two tin coating lines, three dynamo lines, a color coating line and two spiral welded pipe mills. USSK also has multiple slitting, cutting and other finishing lines for flat products. Principal products include hot-rolled, cold-rolled and coated sheets, tin mill products and spiral welded pipe. USSK also has facilities for manufacturing heating radiators, refractory ceramic materials and has a power plant for internal steam and electricity generation.

In addition, USSK has a research laboratory, which, in conjunction with our Research and Technology Center, supports efforts in cokemaking, electrical steels, design and instrumentation, and ecology.

Tubular

Tubular manufactures seamless and welded OCTG, standard pipe, line pipe and mechanical tubing. During 2015, U. S. Steel adjusted operating levels at several of its tubular operations as declining oil prices and rig counts have significantly reduced demand for OCTG products. Customer order rates will determine the size and duration of any adjustments that we may make at our tubular operations during 2016.

Seamless products are produced at a facility located at Fairfield Works in Fairfield, Alabama, and at two facilities located in Lorain, Ohio. The Fairfield plant has annual production capability of 750,000 tons and has historically been supplied with steel rounds from Flat-Rolled’s Fairfield Works. Subsequent to the shutdown of the hot end at the Fairfield Works, the facility is currently purchasing rounds from third parties. The Fairfield plant has the capability to produce outer diameter (O.D.) sizes from 4.5 to 9.875 inches and has quench and temper, hydrotester, threading and coupling and inspection capabilities. The Lorain facilities have combined annual production capability of 780,000 tons and have historically consumed steel rounds supplied by Fairfield Works and external sources. Subsequent to the shutdown of the hot end at the Fairfield Works, the Company preserved the ability to source rounds from third parties. Lorain #3 facility has the capability to produce O.D. sizes from 10.125 to 26 inches and has quench and temper, hydrotester, cutoff and inspection capabilities. Lorain #4 facility has the capability to produce O.D. sizes from 1.9 to 4.5 inches and has quench and temper, hydrotester, threading and coupling and inspection capabilities for OCTG 6.0

casing and uses Tubular Processing in Houston for oil field production tubing finishing.

Lone Star Tubular, located in Lone Star, Texas, manufactures welded OCTG, standard pipe, line pipe and mechanical tubing products. Lone Star Tubular #1 facility has the capability to produce O.D. sizes from 7 to 16 inches. Lone Star Tubular #2 facility has the capability to produce O.D. sizes from 1.088 to 7.15 inches. Both facilities have quench and temper, hydrotester, threading and coupling and inspection capabilities. Bellville Tubular Operations, in Bellville, Texas, manufactures welded tubular products primarily for OCTG with the capability to produce O.D. sizes from 2.375 to 4.5 inches and uses Tubular Processing in Houston for oil field production tubing finishing. Lone Star Tubular and Bellville Tubular Operations have combined annual production capability of 1.0 million tons and consume hot-rolled bands from Flat-Rolled’s facilities. As of August 3, 2014, the Bellville Tubular operations were indefinitely idled.

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Welded products are also produced at a facility located in McKeesport, Pennsylvania. McKeesport Tubular Operations has annual production capability of 315,000 tons and consumes hot-rolled bands from Flat-Rolled locations. This facility has the capability to produce, hydrotest, cut to length and inspect O.D. sizes from 8.625 to 20 inches. As of August 31, 2014, the McKeesport Tubular operations were indefinitely idled.

Wheeling Machine Products manufactures couplings used to connect individual sections of oilfield casing and tubing. It produces sizes ranging from 2.375 to 20 inches at two locations: Pine Bluff, Arkansas, and Hughes Springs, Texas.

Tubular Processing, located in Houston, Texas, provides quench and temper and end-finishing services for oilfield production tubing. Offshore Operations, also located in Houston, Texas, provides threading, inspection, accessories and storage services to the OCTG market.

U. S. Steel and Butch Gilliam Enterprises LLC participate in a 50-50 joint venture, Patriot Premium Threading Services located in Midland, Texas, which provides oil country threading, accessory threading, repair services and rig site services to exploration and production companies located principally in the Permian Basin. USSTP is negotiating with our partner, Butch Gilliam Enterprises LLC to amend the joint venture terms.

U. S. Steel also has a 50 percent ownership interest in Apolo Tubulars S.A. (Apolo), a Brazilian supplier of welded casing, tubing, line pipe and other tubular products. Apolo’s annual production capability is approximately 150,000 tons.

U. S. Steel, POSCO and SeAH Steel Corporation, a Korean manufacturer of tubular products, participated in United Spiral Pipe LLC (USP) which owned and operated a spiral weld pipe manufacturing facility in Pittsburg, California. On February 2, 2015, the pipe making assets of USP were sold to a third party.

We have an Innovation & Technology Center in Houston, Texas designed to serve as a training and education center for both internal and external audiences. Research and development for tubular premium connections are performed at this facility.

Other Businesses

U. S. Steel’s Other Businesses include railroad services and real estate operations.

U. S. Steel owns the Gary Railway Company in Indiana; Lake Terminal Railroad Company and Lorain Northern Company in Ohio; Union Railroad Company in Pennsylvania; Fairfield Southern Company, Inc. located in Alabama; Delray Connecting Railroad Company in Michigan and Texas & Northern Railroad Company in Texas; all of which comprise U. S. Steel’s transportation business.

U. S. Steel owns, develops and manages various real estate assets, which include approximately 50,000 acres of surface rights primarily in Alabama, Illinois, Maryland, Michigan, Minnesota and Pennsylvania. In addition, U. S. Steel holds ownership interests in joint ventures that are developing real estate projects in Alabama, Maryland and Illinois. In 2014, U. S. Steel sold land and mineral rights in Alabama for approximately $55 million.

Raw Materials and Energy

As an integrated producer, U. S. Steel’s primary raw materials are iron units in the form of iron ore pellets and sinter ore, carbon units in the form of coal and coke (which is produced from coking coal) and steel scrap. U. S. Steel’s raw materials supply strategy consists of acquiring and expanding captive sources of certain primary raw materials and entering into flexible supply contracts for certain other raw materials at competitive market prices which are subject to

fluctuations based on market conditions at the time.

The amounts of such raw materials needed to produce a ton of steel will fluctuate based upon the specifications of the final steel products, the quality of raw materials and, to a lesser extent, differences among steel producing equipment. In broad terms, U. S. Steel consumes approximately 1.4 tons of coal to produce one ton of coke and then it consumes approximately 0.4 tons of coke, 0.3 tons of steel scrap (40 percent of which is internally generated) and 1.3 tons of iron ore pellets to produce one ton of raw steel. At normal operating levels, we also consume approximately 6 mmbtu’s of natural gas per ton produced. While we believe that these estimated consumption amounts are useful for planning purposes, and are presented to give a general sense of raw material and energy consumption related to steel production, substantial variations may occur.

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Iron Ore

Iron Ore Production[(a)]

[(a)] Includes our share of production from Hibbing and Tilden. The decrease in iron ore production from 2014 is primarily related to the temporary idling of our Keetac facility.

The iron ore facilities at Minntac and Keetac contain an estimated 897 million short tons of recoverable reserves and our share of recoverable reserves at the Hibbing and Tilden joint ventures is 35 million short tons. Recoverable reserves are defined as the tons of product that can be used internally or delivered to a customer after considering mining and beneficiation or preparation losses. Minntac and Keetac's annual capability and our share of annual capability for the Hibbing and Tilden joint ventures total approximately 25 million tons. Through our wholly owned operations and our share of joint ventures, we have iron ore pellet production capability that exceeds our steelmaking capability in the U.S.

We sold iron ore pellets in 2015, 2014 and 2013 to third parties. Depending on our production requirements, inventory levels and other factors we may sell additional pellets in the future.

Substantially all of USSE's iron ore requirements are purchased from outside sources, primarily Russian and Ukrainian mining companies. However, in 2014, 2013 and prior years, USSE also received iron ore from U. S. Steel's iron ore facilities in North America. We believe that supplies of iron ore adequate to meet USSE's needs are available at competitive market prices.

Coking Coal

All of U. S. Steel's coal requirements for our cokemaking facilities are purchased from outside sources. U. S. Steel has entered into multi-year contracts for a portion of Flat-Rolled's coking coal requirements. Prices for these North American contracts for 2016 are set at what we believe are competitive market prices. Prices in subsequent years will be negotiated in accordance with contractual provisions on an annual basis at prevailing market prices or have fixed prices for a set time frame.

Prices for European contracts are negotiated at defined intervals, usually quarterly.

We believe that supplies of coking coal adequate to meet our needs are available from outside sources at competitive market prices. The main source of coking coal for Flat-Rolled is the United States, and sources for USSE include Poland, the Czech Republic, the United States, Russia, and Ukraine.

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Coke
Coke Production[(a)]
[(a)] The decrease in 2015 coke production from 2014 is due to the permanent shutdown of coke operations at Gary Works and Granite City Works. The decrease in 2014 coke production from 2013 is primarily due to the deconsolidation of USSC and the permanent shut down of two coke batteries at Gary Works.

In North America, the Flat-Rolled segment operates a cokemaking facility at the Clairton Plant of Mon Valley Works. In May 2015, U. S. Steel closed the coke making operations at Gary Works and Granite City Works. See Note 24 to the Consolidated Financial Statements for further details. At our Granite City Works, we also have a 15-year coke supply agreement with Gateway which began in 2009. North American coke production also included USSC prior to the CCAA filing on September 16, 2014. Effective December 4, 2014, the Company entered into an arrangement with USSC for the conversion of U. S. Steel's coal into coke at USSC's Hamilton coke battery. This arrangement was terminated as of December 31, 2015. In Europe, the USSE segment operates cokemaking facilities at USSK. Blast furnace injection of coal, natural gas and self-generated coke oven gas is also used to reduce coke usage.

With Flat-Rolled’s cokemaking facilities and the Gateway long-term supply agreement, it has the capability to be self-sufficient with respect to its annual coke requirements at normal operating levels. Coke is purchased from, sold to, or swapped with suppliers and other end-users to adjust for production needs and reduce transportation costs.

USSE is self-sufficient for coke at normal operating levels.

Steel Scrap and Other Materials

We believe supplies of steel scrap and other alloy and coating materials required to fulfill the requirements for Flat-Rolled and USSE are available from outside sources at competitive market prices. Generally, approximately 40 percent of our steel scrap requirements are internally generated through normal operations.

Limestone

All of Flat-Rolled’s and USSE's limestone requirements are purchased from outside sources. We believe that supplies of limestone adequate to meet our needs are readily available from outside sources at competitive market prices.

Zinc and Tin

We believe that supplies of zinc and tin required to fulfill the requirements for Flat-Rolled and USSE are available from outside sources at competitive market prices. We routinely execute fixed-price forward physical purchase contracts for a portion of our expected business needs in order to partially manage our exposure to the volatility of the zinc and tin markets.

Natural Gas

All of U. S. Steel’s natural gas requirements are purchased from outside sources.

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We believe that adequate supplies to meet Flat-Rolled's and Tubular's needs are available at competitive market prices. We routinely execute fixed-price forward physical purchase contracts for natural gas to partially manage our exposure to natural gas price increases. During 2015, approximately 78 percent of our natural gas purchases in Flat-Rolled were based on bids solicited on a monthly basis from various vendors; the remainder was made daily or with term agreements or with fixed-price forward physical purchase contracts.

We believe that adequate natural gas supplies to meet USSE's needs are available at competitive market prices.

Both Flat-Rolled and USSE use self-generated coke oven and blast furnace gas to reduce consumption of natural gas. USSE also captures and consumes converter gas from its four steelmaking vessels.

Industrial Gases

U. S. Steel, with the exception of USSE, purchases industrial gas under long-term contracts with various suppliers. USSE owns and operates its own industrial gas facilities, but also may purchase industrial gases from time to time.

Commercial Sales of Product

U. S. Steel characterizes sales as contract sales if sold pursuant to an agreement with a defined volume and pricing and a duration of longer than three months, and as spot if sold without a defined volume and pricing agreement. In 2015, approximately 74 percent, 62 percent and 49 percent of sales by Flat-Rolled, USSE and Tubular, respectively, were contract sales. Some contract pricing agreements include fixed prices while others are adjusted periodically based upon published prices of steel products or cost components.

Environmental Matters

U. S. Steel has incurred and will continue to incur substantial capital, operating, and maintenance and remediation expenditures as a result of environmental laws and regulations, related to release of hazardous materials, which in recent years have been mainly for process changes to meet Clean Air Act (CAA) obligations and similar obligations in Europe.

Future compliance with carbon dioxide (CO_2) emission requirements may include substantial costs for emission allowances, restriction of production and higher prices for coking coal, natural gas and electricity generated by carbon based systems. Because we cannot predict what requirements ultimately will be imposed in the U.S. and Europe, it is difficult to estimate the likely impact on U. S. Steel, but it could be substantial. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of U. S. Steel's products and services, operating results will be reduced.

Our U.S. facilities are subject to environmental laws applicable in the U.S., including the CAA, the Clean Water Act (CWA), the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as well as state and local laws and regulations.

Air

The CAA imposes stringent limits on air emissions with a federally mandated operating permit program and civil and criminal enforcement sanctions. The CAA requires, among other things, the regulation of hazardous air pollutants through the development and promulgation of National Emission Standards for Hazardous Air Pollutants (NESHAP) and Maximum Achievable Control Technology (MACT) Standards. The EPA has developed various industry-specific MACT standards pursuant to this requirement. The CAA requires the EPA to promulgate regulations establishing

emission standards for each category of Hazardous Air Pollutants. The EPA also must conduct risk assessments on each source category that is already subject to MACT standards and determine if additional standards are needed to reduce residual risks.

While our operations are subject to several different categories of NESHAP and MACT standards, the principal impact of these standards on U. S. Steel operations includes those that are specific to cokemaking, ironmaking, steelmaking and iron ore processing.

In September 2011, the EPA sent domestic integrated steel facilities, including U. S. Steel, an Information Collection Request for future rulemaking activities pursuant to the CAA. U. S. Steel responded to the request, and the EPA, as part of a voluntary remand that was granted by the D.C. Court of Appeals, is currently performing a review of the

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existing Iron and Steel MACT regulations. U. S. Steel and other integrated steel companies are in communication with the EPA on the review.

Additionally, the EPA is required, pursuant to the CAA, to conduct a risk and technology review of the Coke Pushing, Quenching, and Battery Stack MACT. The EPA is currently working on developing an Information Collection Request to determine whether additional emissions reductions are necessary. Since the EPA has yet to determine if any changes to these MACTs are required, the impact, if any, on U. S. Steel cannot be reasonably estimated at this time.

The CAA also requires the EPA to develop and implement National Ambient Air Quality Standards (NAAQS) for criteria pollutants, which include, among others, particulate matter (PM) - consisting of PM10 and PM2.5, lead, carbon monoxide, nitrogen dioxide, sulfur dioxide, and ozone. Sulfur dioxide is the NAAQS criteria pollutant of most concern to the Company at this time.

In June 2010, the EPA significantly lowered the primary NAAQS for sulfur dioxide (SO_2) from 140 parts per billion (ppb) on a 24-hour basis to an hourly standard of 75 ppb. Subsequently, the EPA designated the areas in which Great Lakes Works and Mon Valley Works facilities are located as nonattainment with the 2010 for the SO_2 NAAQS. The non-attainment designation will require the facilities to implement operational and/or capital requirements to demonstrate attainment with the 2010 standard. In addition, the EPA is currently evaluating the attainment status for all other areas as required by a Consent Decree that the EPA entered with the Sierra Club and the Natural Resources Defense Counsel in March 2015 pursuant to a lawsuit filed by the non-governmental organizations. U. S. Steel is working with the affected regulatory agencies in completing the evaluation process as required by the Consent Decree. While U. S. Steel could face increased capital, operating and compliance costs, the operational and financial impact of the SO_2 NAAQS cannot be reasonably estimated at this time.

In October 2015, the EPA lowered the NAAQS for ozone from 75 ppb to 70 ppb. It is likely that EPA will designate some areas in which we operate as nonattainment with the 2015 standard, which could require reductions of nitrogen oxides and volatile organic compounds from our operations in such designated areas. In April 2012, the EPA designated certain areas in which we operate as nonattainment with the 2008 ozone NAAQS of 75 pbb. The EPA is expected to publish an ozone implementation rule in 2016 that will address the effect of the 2008 standard and area designations in light of the lowering of the NAAQS in 2015. At this time, the operational and financial impact of the ozone NAAQSs cannot be reasonably estimated.

On December 14, 2012, the EPA lowered the annual standard for PM2.5 from 15 micrograms per cubic meter (ug/m3) to 12 ug/m3, and retained the PM2.5 24-hour and PM10 NAAQS rules. In December 2014, the EPA designated some areas in which U. S. Steel operates as nonattainment with the 2012 annual PM2.5 standard. Because it is early in the State Implementation Plan (SIP) development stages, any impacts to U. S. Steel are not estimable at this time.

In 2010, the EPA retained the annual nitrogen dioxide NAAQS standard, but created a new 1-hour NAAQS and established new data reduction and monitoring requirements. While the EPA has classified all areas as being in attainment or unclassifiable, it is requiring implementation of a network of monitoring stations to assess air quality. Until the network is implemented and further designations are made, the impact on operations at U. S. Steel facilities cannot be estimated at this time.

For additional information regarding significant enforcement actions, capital expenditures and costs of compliance, see “Item 3. Legal Proceedings - Environmental Proceedings” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters, Litigation and Contingencies.”

Water

U. S. Steel maintains water discharge permits as required under the National Pollutant Discharge Elimination System (NPDES) program of the CWA, and under equivalent state laws, and conducts operations in compliance with such permits. For information regarding enforcement actions, capital expenditures and costs of compliance, see “Item 3. Legal Proceedings - Environmental Proceedings” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters, Litigation and Contingencies.”

Solid Waste

U. S. Steel facilities generate solid and hazardous wastes regulated by RCRA. In addition, each state and some local jurisdictions regulate solid and hazardous waste activities. In addition to regulating waste handling and disposal

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practices, these laws and regulations also govern the environmental remediation of some prior waste disposal operations (i.e., corrective actions), the recycling of wastes and the operation and maintenance of waste storage tanks. Corrective actions under these laws, are discussed below under “Remediation.” For additional information regarding significant remediation costs, enforcement actions, capital expenditures and costs of compliance, see “Item 3. Legal Proceedings - Environmental Proceedings” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters, Litigation and Contingencies.”

Remediation

U. S. Steel is involved in a number of environmental remediation projects under CERCLA, RCRA and other federal and state statutes, related to former and present locations as well as third party waste sites where material generated by U. S. Steel was discarded. A number of these locations either never were, or are no longer, owned or operated by U. S. Steel and are subject to cost sharing and remediation provisions. Projects include remediation of the former Geneva Works, the former Duluth Works, ground water issues at Gary Works and the closure of hazardous and non-hazardous waste landfills. It is possible that additional sites will be identified that require remediation. For additional information regarding remedial actions, capital expenditures and costs of compliance, see “Item 3. Legal Proceedings - Environmental Proceedings” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters, Litigation and Contingencies.”

United States Greenhouse Gas Emissions Regulation

The current and potential regulation of greenhouse gas (GHG) emissions remains a significant issue for the steel industry, particularly for integrated steel producers such as U. S. Steel, but also increasingly for electric arc furnace (EAF) producers due to regulatory actions impacting the power generation sector. The EPA has classified GHGs, such as CO_2, as harmful gases. Under this premise, it has implemented a GHG emission monitoring and reporting requirement for all facilities emitting 25,000 metric tons or more per year of CO_2, as well as equivalent CO_2 quantities of methane and nitrous oxide.

On August 3, 2015, the EPA issued three separate actions to address GHG emissions from fossil fuel fired power plants: 1) final rules for new, modified or reconstructed sources, 2) final rules for existing sources, and 3) a proposed Federal Implementation Plan. The rules for new, modified, or reconstructed sources impose separate intensity-based GHG limits for new coal fired and new natural gas fired power plants. The rules for existing fossil fuel fired power plants imposes a two-part goal structure for existing power generation in each state. The structure is composed of an interim goal for states to meet on average over the ten-year period from 2020-2029, and a final goal that a state must meet at the end of that period in 2030 and thereafter. The final goal is to achieve a 32 percent reduction of GHG emissions by 2030 from 2005 levels. States will be given flexibility in terms of how to achieve their goal and what measures to implement, but must submit plans no later than September 6, 2016. The proposed Federal Implementation Plan would apply to any state that does not submit an EPA approved plan. The impact these rules will have on the supply and cost of electricity to industrial consumers, especially energy intensive industries like ours, is being evaluated. We believe there will be increased operating costs, such as increased energy and maintenance costs, but we are currently unable to reliably estimate them.

For further information, see "Item 1A. Risk Factors," "Item 3. Legal Proceedings - Environmental Proceedings" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters" and Note 25 to the Consolidated Financial Statements, "Contingencies and Commitments - Environmental Matters - CO_2 Emissions."

Slovak Operations

USSK is subject to the environmental laws of Slovakia and the European Union (EU). An EU law commonly known as Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation 1907/2006 (REACH) requires the registration of certain substances produced in or imported into the EU, and applying for authorization to continue use where replacement of certain substances is not possible or feasible. In some cases replacements for substances currently used in our operations will have to be implemented. We are also beginning the process of seeking authorization for continued use of these substances until viable alternatives can be proved and implemented. March 21, 2016, is the deadline for filing an Application for Authorization to be permitted to continue using hexavalent chromium substances until suitable alternatives can be identified. The authorization will be for four years, after which time replacement substances must be employed. Efforts are ongoing to identify, test and prove the feasibility of replacement substances. Although USSK is currently compliant with REACH, efforts to remain compliant will require capital investment and

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increased operational costs. We cannot reliably estimate the potential cost of complying with these measures at this time. For further discussion of laws applicable in Slovakia and the EU and their impact on USSK, see Note 25 to the Consolidated Financial Statements, “Contingencies and Commitments - Environmental Matters, EU Environmental Requirements.”

A Memorandum of Understanding (MOU) was signed in March of 2013 between U. S. Steel and the government of Slovakia. The MOU outlines areas in which the government and U. S. Steel will work together to help create a more competitive environment and conditions for USSK. Incentives the government of Slovakia agreed to provide include potential participation in a renewable energy program that provides the opportunity to reduce electricity costs, as well as the potential for government grants and other support concerning investments in environmental control technology. Although there are many conditions and uncertainties regarding the grants, including matters controlled by the EU, the value of these incentives as stated in the MOU could be as much as €75 million (approximately $82 million).
U. S. Steel also agreed to pay the government of Slovakia specified declining amounts should U. S. Steel sell USSK within five years of the date of the MOU. We continue to work closely with the government of Slovakia to monitor the progress of the respective commitments and to achieve the incentives described in the MOU.
Slovakia adopted a new waste code in March 2015 that became effective January 1, 2016. This legislation implements the EU Waste Framework Directive that strictly regulates waste disposal and encourages recycling, among other provisions, by increasing fees for waste disposed of in landfills, including privately owned landfills. We are currently analyzing the legislation in order to estimate the potential financial impact on USSK's operations.

The EU’s Industry Emission Directive will require implementation of EU determined best available techniques (BAT) to reduce environmental impacts as well as compliance with BAT associated emission levels. This directive includes operational requirements for air emissions, wastewater discharges, solid waste disposal and energy conservation, dictates certain operating practices and imposes stricter emission limits. Producers will be required to be in compliance with the iron and steel BAT by March 8, 2016, unless specific exceptions or extensions are granted by the Slovak environmental authority. We are currently updating our existing operating permits for different facilities involved in producing iron and steel in the plant in accordance with the new BAT requirements. Through this process for some facilities, we are applying for extensions from the 2016 compliance deadline in order to meet or exceed the BAT requirements. Compliance with stricter emission limits going beyond BAT requirements makes us eligible for EU funding support and prepares us for any further tightening of environmental protection standards. Our most recent broad estimate of likely capital expenditures for projects to comply with or go beyond the BAT requirements is approximately €165 million (approximately $180 million).

The EU has various programs under which funds are allocated to member states to implement broad public policies which are then awarded by the member states to public and private entities on a competitive basis. The funding intensity under these programs currently ranges from 55 percent of defined eligible costs on a project under the standard state scheme to 90 percent on a recently approved ad hoc scheme to improve the air quality in the Košice region of Slovakia. Based on our list of projects that comprise the approximate €165 million (approximately $180 million) of spending noted, we currently believe we will be eligible to receive up to €115 million (approximately $125 million) of incentive grants. This could potentially reduce our net cash expenditures to approximately €50 million (approximately $55 million). The actual amount of capital spending will be dependent upon, among other things, the actual amount of incentive grants received.

We also believe there will be increased operating costs associated with these projects, such as increased energy and maintenance costs. We are currently unable to reliably estimate what the increase in operating costs will be as many projects are still in the development stage.

For further discussion of laws applicable in Slovakia and the EU and their impact on USSK, see Note 25 to the Consolidated Financial Statements, “Contingencies and Commitments - Environmental Matters, EU Environmental

Requirements.”

European Greenhouse Gas Emission Regulations

The European Commission (EC) has created an Emissions Trading System (ETS) and starting in 2013, the ETS began to employ centralized allocation, rather than national allocation plans, that are more stringent than the previous requirements. The ETS also includes a cap designed to achieve an overall reduction of GHGs for the ETS sectors of 21% in 2020 compared to 2005 emissions and auctioning as the basic principle for allocating emissions allowances, with some transitional free allocation provided on the basis of benchmarks for manufacturing industries under risk of

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transferring their production to other countries with lesser constraints on GHG emissions, commonly referred to as carbon leakage. Manufacturing of sinter, coke oven products, basic iron and steel, ferro-alloys and cast iron tubes have all been recognized as exposing companies to a significant risk of carbon leakage, but the ETS is still expected to lead to additional costs for steel companies in Europe. The EU has imposed limitations under the ETS for the period 2013-2020 (Phase III) that are more stringent than those in the 2008 - 2012 period (NAP II), reducing the number of free allowances granted to companies to cover their CO_2 emissions.

The EU has established GHG regulations for the EU member states. International negotiations to supplement and eventually replace the 1997 Kyoto Protocol are ongoing. In December 2015, Paris held the Conference of Parties (COP21) summit on global warming. The summit proposed goals and protocols for global CO_2 reduction. To be binding, the proposal must be ratified and adopted by individual governments. The Paris agreement shall be open for signature at the United Nations (UN) Headquarters in New York City beginning on August 22, 2016. In October 2014, the European Council approved 2030 goals in the areas of GHG reduction, energy efficiency and the use of renewable resources. Those targets are expected to transfer into legislation by 2020. Until the full details of the program are made known through specific enacting legislation, we cannot reasonably forecast the costs and benefits which might result from the program.

For further information, see "Item 1A. Risk Factors," "Item 3. Legal Proceedings - Environmental Proceedings" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters" and Note 25 to the Consolidated Financial Statements, "Contingencies and Commitments - Environmental Matters - CO_2 Emissions."

Property, Plant and Equipment Additions

For property, plant and equipment additions, including capital leases, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Cash Flows and Liquidity – Cash Flows” and Note 12 to the Consolidated Financial Statements.

Employees

As of December 31, 2015, U. S. Steel had approximately 21,000 employees in North America and approximately 12,200 in Europe.

Most hourly employees of U. S. Steel’s flat-rolled, tubular, cokemaking and iron ore pellet facilities in the United States are covered by collective bargaining agreements with the United Steelworkers (USW) that were entered into effective September 1, 2015 and expire on September 1, 2018. Our North American collective bargaining agreements contain no-strike provisions which are applicable during the term of the respective agreements.

In Europe, most employees at USSK are represented by the OZ Metalurg union and are covered by an agreement that expires at the end of March 2016.

A small number of workers at some of our North American facilities and at our transportation operations are covered by agreements with the USW or other unions that have varying expiration dates.

Available Information

U. S. Steel’s Internet address is www.ussteel.com. We post our annual report on Form 10-K, our quarterly reports on Form 10-Q, our proxy statement and our interactive data files to our website as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission (SEC). We also post all press releases and

earnings releases to our website.

All other filings with the SEC are available via a direct link on the U. S. Steel website to the SEC's website, www.sec.gov.

Also available on the U. S. Steel website are U. S. Steel's Corporate Governance Principles, our Code of Ethical Business Conduct and the charters of the Audit Committee, the Compensation & Organization Committee and the Corporate Governance & Public Policy Committee of the Board of Directors. These documents and the Annual Report on Form 10-K and proxy statement are also available in print to any stockholder who requests them. Such requests should be sent to the Office of the Corporate Secretary, United States Steel Corporation, 600 Grant Street, Suite 1500, Pittsburgh, Pennsylvania 15219-2800 (telephone: 412-433-1121).

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U. S. Steel does not incorporate into this document the contents of any website or the documents referred to in the immediately preceding paragraph.

Other Information

Information on net sales, depreciation, capital expenditures and EBIT by reportable segment and for Other Businesses and on net sales and assets by geographic area are set forth in Note 3 to the Consolidated Financial Statements.

For significant operating data for U. S. Steel for each of the last five years, see “Five-Year Operating Summary (Unaudited)” on pages F-60 and F-61.

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Item 1A. RISK FACTORS

Risk Factors Concerning the Steel Industry

U. S. Steel has been and continues to be adversely affected by worldwide overcapacity and high levels of imports, which may negatively affect steel prices and demand levels, reducing profitability.

An increase in global capacity and new or expanded production capacity in the United States, China and other countries in recent years has resulted in capacity significantly in excess of global demand, as well as in the Company's primary markets in North America and Europe.

In the United States, worldwide overcapacity continues to result in a surge in dumped and subsidized steel products. Imports into the United States often violate domestic and international trade laws. While in some cases, U. S. Steel is successful in obtaining relief under U.S. and international trade laws, in other circumstances, relief has been denied. When received, such relief is generally subject to annual automatic or discretionary review, which can result in rescission or reduction. There can be no assurance that any relief will be obtained or continued in the future or that such relief will adequately combat the surge in imports. There is also a risk that international bodies such as the World Trade Organization or other judicial bodies in the United States or the EU may change their interpretations of their respective trade laws in ways that are unfavorable to U. S. Steel.

The steel industry is highly cyclical, which may have an adverse effect on our results of operations.

Steel consumption is highly cyclical and generally follows economic and industrial conditions both worldwide and in regional markets. This volatility makes it difficult to balance the procurement of raw materials and energy with our steel production and customer product demand. U. S. Steel has implemented strategic initiatives under the Carnegie Way transformation to create an environment of sustainability during periods of economic and market downturns, but this may not be enough to mitigate the effect that the volatility inherent in the steel industry has on our results of operations.

We face increased competition from alternative materials and risks concerning innovation, new technologies, products and increasing customer requirements.

As a result of increasingly stringent regulatory requirements, designers, engineers and industrial manufacturers, especially those in the automotive industry, are increasing their use of lighter weight and alternative materials, such as aluminum, composites, plastics, and carbon fiber. Use of such materials could reduce the demand for steel products which may reduce our profitability and cash flow.

Additionally, technologies such as direct iron reduction, EAF production, oxygen-coal injection and experimental technologies such as molten oxide electrolysis and hydrogen flash smelting may be more cost effective than our current production methods. However, we may not have sufficient capital to invest in such technologies and may incur difficulties adapting and fully integrating these technologies into our existing operations. We may also encounter control or production restrictions, or not realize the cost benefit from such capital intensive technology adaptations to our current production processes. Customers such as those in the automotive industry are demanding stronger and lighter products. Tubular customers are increasingly requesting pipe producers to supply connections and other ancillary parts as well as inspection and other services. We may not be successful in meeting these technological challenges. There may also be increased product liability exposures connected with the supply of new products and services.

Limited availability of raw materials and energy may constrain operating levels and reduce profit margins.

U. S. Steel and other steel producers have periodically been faced with problems in obtaining sufficient raw materials and energy in a timely manner due to delays, defaults, or force majeure events by suppliers, shortages or transportation problems (such as shortages of barges, ore vessels, rail cars or trucks, or disruption of rail lines, waterways, or natural gas transmission lines), resulting in production curtailments. As a result, we may be exposed to risks concerning pricing and availability of raw materials from third parties. USSE purchases substantially all of its iron ore and coking coal requirements from outside sources. USSE is also dependent upon availability of natural gas produced in Russia and transported through Ukraine. Any curtailments and escalated costs may further reduce profit margins.

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Compliance with existing and new environmental regulations, environmental permitting and approval requirements may result in delays or other adverse impacts on planned projects, our results of operations and cash flows.

Steel producers in the United States, along with their customers and suppliers, are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. Steel producers in the EU are subject to similar laws. These laws continue to evolve and are becoming increasingly stringent. The ultimate impact of complying with such laws and regulations is not always clearly known or determinable because regulations under some of these laws have not yet been promulgated or are undergoing revision. Compliance with environmental laws and regulations, such as the Clean Air Act, governing Green House Gas (GHG) and Sulfur Dioxide emissions could result in substantially increased capital requirements and operating costs. In addition, the integrated steel process involves a series of chemical reactions that create CO_2. Accordingly, we are subject to regulations adopted by the EPA, the EU and various state agencies regulating GHG emissions. Compliance with current or future regulations could entail substantial costs for emission based systems, and could have a negative impact on our results of operations and cash flows.

Construction and operation of new production facilities and modifications to existing facilities may require environmental permits and approvals from the appropriate regulatory agencies. Compliance with the environmental permitting and approval requirements may be costly and time consuming and could result in delays or other adverse impacts on planned projects, our results of operations and cash flows.

Other Risk Factors Applicable to U. S. Steel

We face substantial debt maturities.

Over the next five years, we have approximately $1.7 billion of debt maturing (see Note 16 to the Consolidated Financial Statements). If our cash flows and capital resources are insufficient to fund our debt services obligations, we may face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, or issue additional debt or equity. We may not be able to take such actions, if necessary, on commercially reasonable terms or at all. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results or operations.

Our business requires substantial expenditures for debt service obligations, capital investments, operating leases and maintenance that we may be unable to fund.

Our ability to service or refinance our debt or fund investments and capital expenditures required to maintain or expand our business operations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to satisfy our liquidity needs. In addition, the limitations under our Third Amended and Restated Credit Agreement, such as insufficient collateral or not being able to meet the fixed charge coverage ratio, may limit our availability to draw upon this facility. See the Liquidity section in "Management's Discussion and Analysis" for further details.

Changes in the global economic environment may lead to declines in the production levels of our customers.

We sell to the automotive, service center, converter, energy and appliance and construction-related industries. Some of these industries are cyclical and exhibit a great deal of sensitivity to general economic conditions. Low demand from

customers in these key industries may adversely impact our financial position, results of operations and cash flows.

Our Flat-Rolled and Tubular segments may be particularly impacted by unfavorable market conditions in the oil and gas industries. Declines in oil prices, and the correlating reduction in drilling activity, as well as high levels of inventory in the supply chain, may reduce demand for tubular products and could have adverse impacts on our results of operations and cash flows.

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We have significant retiree health care, retiree life insurance and pension plan costs, which may negatively affect our results of operations and cash flows.

We maintain retiree health care and life insurance and defined benefit pension plans covering many of our domestic employees and former employees upon their retirement. These benefit plans have significant liabilities that are not fully funded which will require additional cash funding in future years. Minimum contributions to domestic qualified pension plans (other than contributions to the Steelworkers Pension Trust (SPT) described below) are regulated under the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act of 2006 (PPA).

The level of cash funding for our defined benefit pension plans in future years depends upon various factors including voluntary contributions that we may make, future pension plan asset performance, actual interest rates under the law, and the impacts of business acquisitions or divestitures, union negotiated benefit changes and future government regulations, many of which are not within our control. In addition, assets held by the trusts for our pension plan and our trust for retiree health care and life insurance benefits are subject to the risks, uncertainties and variability of the financial markets. See Item 7 and Note 17 to the Consolidated Financial Statements for a discussion of assumptions and further information associated with these benefit plans.

U. S. Steel contributes to a domestic multiemployer defined benefit pension plan, the SPT, for USW-represented employees formerly employed by National Steel and represented employees hired after May 2003. We have legal requirements for future funding of this plan should the SPT become significantly underfunded or we decide to withdraw from the plan. Either of these scenarios may negatively impact our future cash flows. The P3Y year Collective Bargaining Agreements between the USW and U. S. Steel and its U. S. Steel Tubular Products, Inc. subsidiary ratified on February 1, 2016 (the 2015 Labor Agreements) require a contribution rate of $2.65 per hour for most steelworker employees. Collectively bargained company contributions to the plan could increase as a result of future changes agreed to by the Company and the USW.

We have significant environmental remediation costs that may negatively affect our results of operations and cash flows.

Some of U. S. Steel's current and former facilities were in operation before 1900. Hazardous materials associated with those facilities may have been released at current or former operating sites or delivered to sites operated by third parties.

U. S. Steel is involved in numerous remediation projects at currently operating facilities, facilities that have been closed or sold to unrelated parties and other sites where material generated by U. S. Steel was deposited. In addition, there are numerous other former operating or disposal sites that could become the subject of remediation, which may negatively affect our results of operations and cash flows.

Unplanned equipment outages and other unforeseen disruptions may reduce our results of operations.

Our steel production depends on the operation of critical structures and pieces of equipment, such as blast furnaces, casters, hot strip mills and various structures and operations that support them. While we are implementing a reliability centered maintenance initiative focusing on proactive maintenance of key machinery and equipment at our production facilities, it is possible that we could experience prolonged periods of reduced production and increased maintenance and repair costs due to equipment failures at our facilities or those of our key suppliers.

It is also possible that operations may be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, accidents and severe weather conditions. We are also exposed to similar risks involving

major customers and suppliers such as force majeure events of raw materials suppliers that have occurred and may occur in the future. Availability of raw materials and delivery of products to customers could be affected by logistical disruptions, such as shortages of barges, ocean vessels, rail cars or trucks, or unavailability of rail lines or of locks on the Great Lakes or other bodies of water. To the extent that lost production could not be compensated for at unaffected facilities and depending on the length of the outage, our sales and our unit production costs could be adversely affected.

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We may be adversely impacted by volatility in prices for raw materials, energy, and steel.

U. S. Steel may be faced with having agreed to purchase raw materials and energy at prices that are above the then current market price or in greater volumes than required. Additionally, recent decreases in iron ore, natural gas and oil prices have placed downward pressure on steel prices. If steel prices decline further, our profit margins on market-based indexed contracts and spot business will be reduced.

Product liability claims may have an adverse effect on our financial position, results of operations and cash flows.

Events such as well failures, line pipe leaks, blowouts, bursts, fires and product recalls could result in claims that our products or services were defective and caused death, personal injury, property damage or environmental pollution. The insurance we maintain may not be adequate, available to protect us in the event of a claim, or its coverage may be limited, canceled or otherwise terminated, or the amount of our insurance may be less than the related impact on our enterprise value after a loss.

Rating agencies have downgraded our credit ratings, which may make it more difficult for us to raise capital and may increase our financial costs.

Our credit ratings have been recently downgraded by all three major rating agencies. This may make raising capital more difficult, may increase the cost, affect the terms of future borrowings, and may adversely affect the terms under which we purchase goods and services and may limit our ability to take advantage of potential business opportunities.

Our operations expose us to uncertainties and risks in the countries in which we operate, which may negatively affect our results of operations, cash flows and liquidity.

Our U.S. operations are subject to economic conditions, including credit and capital market conditions, and political factors in the United States, which if changed could negatively affect our results of operations, cash flows and liquidity. Political factors include, but are not limited to, taxation, inflation, increased regulation, limitations on exports of energy and raw materials, and trade remedies. Actions taken by the U.S. government could affect our results of operations, cash flows and liquidity.

USSK is subject to economic conditions and political factors associated with the EU and the euro currency. Changes in any of these economic conditions or political factors could negatively affect our results of operations, cash flows and liquidity. Political factors include, but are not limited to, taxation, nationalization, inflation, government instability, civil unrest, increased regulation and quotas, tariffs and other protectionist measures.

Our operations are subject to complex regulatory and compliance frameworks.

Complex foreign and U.S. laws and regulations that apply to our international operations, including but not limited to U. S. laws such as the Foreign Corrupt Practices Act, regulations related to import-export controls, the Office of Foreign Assets Control sanctions program, antiboycott provisions, and changes in transportation and logistics regulations may increase our cost of doing business in international jurisdictions and expose the Company and its employees to elevated risk. The Company's subsidiaries and joint ventures face similar risks. Although we have implemented policies and processes designed to comply with these laws and regulations, failure by our employees, contractors, or agents to comply with these laws and regulations can result in possible administrative, civil, or criminal liability, as well as reputational harm to the Company and its employees.

U. S. Steel continues to incur certain costs when production capacity is idled, increased costs to resume production at idled facilities, or costs to idle facilities.

Our decisions concerning which facilities to operate and at what levels are made based upon our customers' orders for products as well as the capabilities and cost performance of our locations. During depressed market conditions, we may concentrate production operations at several plant locations and not operate others in response to customer demand and as a result we will incur idle facility costs.

When we restart idled facilities, we incur certain costs to replenish raw material inventories, prepare the previously idled facilities for operation, perform the required repair and maintenance activities and prepare employees to return to work safely and resume production responsibilities. The amount of any such costs can be material, depending on a variety of factors, such as the period of time during which the facilities remained idle, necessary repairs and available employees, and is difficult to project.

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Faced with overcapacity in various markets, we may seek to rationalize operations through asset sales, temporary shutdowns or closures of facilities.

We are subject to foreign currency risks, which may negatively impact our profitability and cash flows.

The financial condition and results of operations of USSK are reported in euros and then translated into U.S. dollars at the applicable exchange rate for inclusion in our financial statements. The appreciation of the U.S. dollar against the euro negatively affects our Consolidated Results of Operations.

In addition, international cash requirements have been and in the future may be funded by intercompany loans, creating intercompany monetary assets and liabilities in currencies other than the functional currencies of the entities involved, which can have a non-cash impact on income when they are remeasured at the end of each period.

Financial regulatory frameworks introduced by U.S. and EU regulators may limit our financial flexibility or increase our costs.

The Commodity Future Trading Commission's Dodd Frank and the EU's EMIR regulatory frameworks can limit the Company's ability to hedge interest rate, foreign exchange (FX), or commodity pricing exposures, which could expose us to increased economic risk. These frameworks may introduce additional compliance costs. Some counterparties may cease hedging as a result of increased regulatory cost burdens, which in turn may reduce U. S. Steel's ability to hedge its interest rate, FX, or commodity exposures. Legislative uncertainty exists regarding possible margin requirements and clearing practices that could economically impact U. S. Steel. If additional liquidity is required under regulatory frameworks to support new margin requirements, that could reduce U. S. Steel's liquidity available to invest in its core business operations.

The IRS may disallow all or part of a worthless stock loss and bad debt deduction taken in 2013.

U. S. Steel made an election effective December 31, 2013 to liquidate for U.S income tax purposes a foreign subsidiary that holds most of the Company's international operations. The tax liquidation allowed the Company to claim a worthless stock loss and bad debt deduction in its 2013 U.S. income tax return, resulting in a net income tax benefit in 2013 of $419 million. The worthless stock loss and bad debt deduction are subject to audit and possible adjustment by the IRS, which could result in the reversal of all or part of the income tax benefit. In 2015, the IRS began its audit of the worthless stock loss and bad debt deduction taken in 2013. We expect resolution in a future period. While we believe we have adequate legal and factual support for the tax position taken, the IRS could reject or reduce the amount of the income tax benefit related to the worthless stock loss and bad debt deduction. If this occurs, U. S. Steel would incur additional current tax expense which could result in additional income tax payments.

Our collective bargaining agreements may limit our flexibility.

Our collective bargaining agreements contain provisions that prohibit us from consummating any North American transaction involving steel or steel-related assets without the consent of the USW, grant the USW a right to bid on any sale of one or more facilities covered by the 2015 Labor Agreements, and require us to make reasonable and necessary capital expenditures to maintain the competitive status of our domestic facilities. These agreements also restrict our ability to trade, sell or use foreign-produced coke and iron ore in North America, and further require that the ratio of non-USW employees to USW employees at our domestic facilities not exceed one to five. These terms may limit our ability to acquire or sell steel or steel related assets at favorable prices, increase our operating costs and reduce our margins and otherwise adversely affect our competitiveness in the marketplace.

We may be subject to legal proceedings or investigations, the resolution of which could negatively affect our profitability and cash flows in a particular period.

We are involved in various litigation matters, including administrative and regulatory proceedings, governmental investigations, environmental matters, and commercial disputes. Our profitability and cash flows in a particular period could be negatively affected by an adverse ruling in any legal proceeding or investigation which may be pending against us or filed against us in the future. While we believe that we have taken appropriate actions to mitigate and reduce these risks, due to the nature of our operations, these risks will continue to exist and additional legal proceedings or investigations may arise from time to time.

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A failure of our information technology infrastructure and cybersecurity threats may adversely affect our business operations.

Increasingly sophisticated attacks against rapidly evolving computer technologies pose a risk to the security of our systems, networks and data. Despite efforts to protect confidential business information, personal data of employees and the control systems of manufacturing plants, U.S. Steel systems and those of our third-party service providers may be subject to system breaches. System breaches can lead to disclosure, modification and destruction of proprietary business data, personally identifiable information (PII), other sensitive information, defective products, production downtime and damage to production assets with a resulting impact to our reputation, competitiveness and operations.

Of special note is our risk when implementing new capabilities. As an organization implements new systems, many times both new and old systems run in parallel until all processes have successfully transferred to the new system and thorough testing has been performed. As we continue to implement the ERP system our exposure to system attack and compromise are elevated since we are running many old and new processes in parallel and must simultaneously protect both the new system and legacy systems. This elevated exposure remains until the ERP project is complete and legacy systems can be retired.

Historically, U. S. Steel has experienced cybersecurity attacks, including a high profile breach of our information technology systems in which proprietary information was compromised. On May 19, 2014, the U.S. Department of Justice unsealed an indictment against certain individuals in connection with cyber crimes committed against the Company and other entities. We cooperated with the U.S. government on this matter and have implemented enhancements and improvements to safeguard our information technology enterprise against future attacks. Some of these enhancements include planning for and taking initial steps to implement a risk management framework based on security standards written by the National Institute of Standards and Technology (NIST). Other enhancements include implementing additional security monitoring of our systems by advanced technologies. However, there is no assurance the Company's remediation efforts will be successful in safeguarding information from future attacks, which likely will increase in frequency and sophistication. Based on information known to date, the Company is currently unable to determine the materiality, if any, of these events.

Changes to global data privacy laws and cross-border transfer requirements could adversely affect our business and operations.

Our business depends on the transfer of data between our affiliated entities, to and from our business partners, and with third-party service providers, which may be subject to global data privacy laws and cross-border transfer restrictions. While U. S. Steel takes steps to comply with these legal requirements, the volatility and changes to the applicability of those laws may impact U. S. Steel’s ability to effectively transfer data across borders in support of our business operations.

We depend on third parties for transportation services, and increases in costs or the availability of transportation may adversely affect our business and operations.

Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties for transportation of the products we manufacture as well as delivery of our raw materials. Any increase in the cost of the transportation of our raw materials or products, as a result of increases in fuel or labor costs, higher demand for logistics services, consolidation in the transportation industry or otherwise, may adversely affect our results of operations as we may not be able to pass such costs increases on to our customers.

If any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture and deliver our products in response to customer demand. In addition, if any of these third parties were to

cease operations or cease doing business with us, we may be unable to replace them at a reasonable cost.

In addition, such failure of a third-party transportation provider could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial position and results of operations.

Carnegie Way benefits may be limited or may not be fully realized.

U. S. Steel initiated a stockholder value creation strategy known as the "The Carnegie Way," pursuant to which we focus on strengthening our balance sheet and cash flow. We have launched a series of initiatives that we believe will enable us to add value, right size the Company, and improve our performance across our core business processes,

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including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support. Business conditions, our ability to implement such initiatives, and factors beyond our control may limit the benefits associated with certain identified projects and limit the Carnegie Way's economic benefits.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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Item 2. PROPERTIES

The following tables list U. S. Steel's main properties, their locations and their products and services:
North American Operations

Property	Location	Products and Services
Gary Works	Gary, Indiana	Slabs; Sheets; Tin mill; Strip mill plate
Midwest Plant	Portage, Indiana	Sheets; Tin mill
East Chicago Tin	East Chicago, Indiana	Sheets; Tin mill
Great Lakes Works	Ecorse and River Rouge, Michigan	Slabs; Sheets
Double Eagle Steel Coating Company	Dearborn, Michigan	Galvanized sheets
Mon Valley Works		
Irvin Plant	West Mifflin, Pennsylvania	Sheets
Edgar Thomson Plant	Braddock, Pennsylvania	Slabs
Fairless Plant	Fairless Hills, Pennsylvania	Galvanized sheets
Clairton Plant	Clairton, Pennsylvania	Coke
Granite City Works[c]	Granite City, Illinois	Slabs; Sheets
Fairfield Works	Fairfield, Alabama	Galvanized Sheets; Seamless Tubular Pipe
USS-POSCO Industries[a]	Pittsburg, California	Sheets; Tin mill
PRO-TEC Coating Company[a]	Leipsic, Ohio	Galvanized and high strength annealed sheets
Double G Coatings Company, L.P.[a]	Jackson, Mississippi	Galvanized and Galvalume® sheets
Worthington Specialty Processing[a]	Jackson, Canton and Taylor, Michigan	Steel processing
Feralloy Processing Company[a]	Portage, Indiana	Steel processing
Chrome Deposit Corporation[a]	Various	Roll processing
Acero Prime, S.R.L. de C.V.[a]	San Luis Potosi, Ramos Arizpe, and Toluca, Mexico	Steel processing; warehousing; logistical services
Lorain Tubular Operations	Lorain, Ohio	Seamless Tubular Pipe
Lone Star Tubular	Lone Star, Texas	Welded Tubular Pipe
Bellville Tubular Operations[b]	Bellville, Texas	Welded Tubular Pipe
McKeesport Tubular Operations[b]	McKeesport, Pennsylvania	Welded Tubular Pipe
Wheeling Machine Products	Pine Bluff, Arkansas and Hughes Springs, Texas	Tubular couplings
Tubular Processing	Houston, Texas	Tubular processing
Offshore Operations	Houston, Texas	Tubular threading, inspection, accessories and storage services
Patriot Premium Threading Services[a]	Midland, Texas	Tubular threading, accessories and premium connections
Minntac Iron Ore Operations	Mt. Iron, Minnesota	Iron ore pellets
Keetac Iron Ore Operations[c]	Keewatin, Minnesota	Iron ore pellets

(a) Equity investee
(b) Indefinitely Idled
(c) Temporarily Idled

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North American Operations (Continued)

Property	Location	Products and Services
Hibbing Taconite Company[(a)]	Hibbing, Minnesota	Iron ore pellets
Tilden Mining Company[(a)]	Ishpeming, Michigan	Iron ore pellets
Transtar	Alabama, Indiana, Michigan, Ohio, Pennsylvania, Texas	Railroad operations

(a) Equity Investee

Other Operations

Property	Location	Products and Services
U. S. Steel Košice	Košice, Slovakia	Slabs; Sheets; Tin mill; Strip mill plate; Tubular; Coke; Radiators; Refractories
Apolo Tubulars S.A.[(a)]	Lorena, Sao Paulo, Brazil	Welded Tubular

(a) Equity Investee

U. S. Steel and its predecessors (including Lone Star) have owned their properties for many years with no material adverse title claims asserted. In the case of Great Lakes Works, Granite City Works, the Midwest Plant and Keetac iron ore operations, U. S. Steel or its subsidiaries are the beneficiaries of bankruptcy laws and orders providing that properties are held free and clear of past liens and liabilities. In addition, U. S. Steel or its predecessors obtained title insurance, local counsel opinions or similar protections when significant properties were initially acquired or since acquisition.

At the Midwest Plant in Indiana, U. S. Steel has a supply agreement for various utility services with a company that owns a cogeneration facility located on U. S. Steel property. The Midwest Plant agreement expires in 2028.

U. S. Steel leases its headquarters office space in Pittsburgh, Pennsylvania.

For property, plant and equipment additions, including capital leases, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Cash Flows and Liquidity – Cash Flows” and Note 12 to the Consolidated Financial Statements.

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Item 3. LEGAL PROCEEDINGS

U. S. Steel is the subject of, or a party to, a number of threatened or pending legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment, certain of which are discussed in Note 25 to the Consolidated Financial Statements. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the U. S. Steel 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 to U. S. Steel.

General Litigation

On September 16, 2014, USSC commenced court-supervised restructuring proceedings under CCAA before the Ontario Superior Court of Justice. As part of the CCAA proceedings, U. S. Steel has submitted both secured and unsecured claims that have been verified by the court-appointed Monitor in the amount of $1.8 billion. U. S. Steel's claims have been challenged by a number of interested parties which, if successful, could result in the reclassification of those claims and/or modifications to the values of those claims. U. S. Steel is contesting those challenges within the CCAA proceedings. However, U. S. Steel cannot reasonably estimate the outcome at this time.

Asbestos Litigation

As of December 31, 2015, U. S. Steel was a defendant in approximately 820 active cases involving approximately 3,315 plaintiffs. The vast majority of these cases involve multiple defendants. As of December 31, 2014, U. S. Steel was a defendant in approximately 880 cases involving approximately 3,455 plaintiffs. About 2,465, or approximately 74 percent, of these plaintiff claims are currently pending in jurisdictions which permit filings with massive numbers of plaintiffs. Based upon U. S. Steel’s experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs. During 2015, settlements and other dispositions resolved approximately 415 cases, and new case filings added approximately 275 cases. During 2014, settlements and other dispositions resolved approximately 190 cases, and new case filings added approximately 325 cases.

The following table shows the activity with respect to asbestos litigation:

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved	New Claims	Closing Number of Claims
December 31, 2013	3,330	250	240	3,320
December 31, 2014	3,320	190	325	3,455
December 31, 2015	3,455	415	275	3,315

Historically, asbestos-related claims against U. S. Steel fall into three groups: (1) claims made by persons who allegedly were exposed to asbestos on the premises of U. S. Steel facilities; (2) claims made by persons allegedly exposed to products manufactured by U. S. Steel; and (3) claims made under certain federal and maritime laws by employees of former operations of U. S. Steel.

The amount U. S. Steel accrues for pending asbestos claims is not material to U. S. Steel’s financial condition. However, U. S. Steel is unable to estimate the ultimate outcome of asbestos-related claims due to a number of

uncertainties, including: (1) the rates at which new claims are filed, (2) the number of and effect of bankruptcies of other companies traditionally defending asbestos claims, (3) uncertainties associated with the variations in the litigation process from jurisdiction to jurisdiction, (4) uncertainties regarding the facts, circumstances and disease process with each claim, and (5) any new legislation enacted to address asbestos-related claims. Despite these uncertainties, management believes that the ultimate resolution of these matters will not have a material adverse effect on U. S. Steel's financial condition, although the resolution of such matters could significantly impact results of operations for a particular quarter.

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Environmental Proceedings

The following is a summary of the proceedings of U. S. Steel that were pending or contemplated as of December 31, 2015, under federal and state environmental laws. Information about specific sites where U. S. Steel is or has been engaged in significant clean up or remediation activities is also summarized below. Except as described herein, it is not possible to accurately predict the ultimate outcome of these matters.

CERCLA Remediation Sites

Claims under CERCLA have been raised with respect to the cleanup of various waste disposal and other sites. Under CERCLA, potentially responsible parties (PRPs) for a site include current owners and operators, past owners and operators at the time of disposal, persons who arranged for disposal of a hazardous substance at a site, and persons who transported a hazardous substance to a site. CERCLA imposes strict and joint and several liabilities. Because of various factors, including the ambiguity of the regulations, the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques, and the amount of damages and cleanup costs and the time period during which such costs may be incurred, we are unable to reasonably estimate U. S. Steel’s ultimate liabilities under CERCLA.

At December 31, 2015, U. S. Steel has received information requests or been identified as a PRP at a total of nine CERCLA sites, four of which liability has not been resolved. Based on currently available information, which is in many cases preliminary and incomplete, management believes that U. S. Steel’s liability for CERCLA cleanup and remediation costs at the other five sites will be between $100,000 and $1 million for three of the sites, between $1 million and $5 million for one site and over $5 million for one site as described below.

Duluth Works

The former U. S. Steel Duluth Works site was placed on the National Priorities List under CERCLA in 1983 and on the State of Minnesota’s Superfund list in 1984. Liability for environmental remediation at the site is governed by a Response Order by Consent executed with the Minnesota Pollution Control Agency (MPCA) in 1985 and a Record of Decision signed by MPCA in 1989. U. S. Steel has submitted a feasibility study that includes remedial measures to address contaminated sediments in the St. Louis River Estuary and several other Operable Units that could impact the Estuary if not addressed. The proposed plan will be presented for public comment in the first quarter of 2016. Additionally, a Remedial Action Plan is being finalized to address the impacted areas on approximately 132 acres of upland property where a potential redevelopment opportunity has been identified. Additional study, investigation and oversight costs, and implementation of U. S. Steel's preferred remedial alternatives on the upland property and Estuary are currently estimated as of December 31, 2015 at $49 million.

RCRA and Other Remediation Sites

U. S. Steel may be liable for remediation costs under other environmental statutes, both federal and state, or where private parties are seeking to impose liability on U. S. Steel for remediation costs through discussions or litigation. There are 21 such sites where remediation is being sought involving amounts in excess of $100,000. Based on currently available information, which is in many cases preliminary and incomplete, management believes that liability for cleanup and remediation costs in connection with 11 sites have potential costs between $100,000 and $1 million per site, 6 sites may involve remediation costs between $1 million and $5 million per site and 4 sites are estimated to or could have, costs for remediation, investigation, restoration or compensation in excess of $5 million per site.

For more information on the status of remediation activities at U. S. Steel's significant sites, see the discussions related to each site below.

Gary Works

U. S. Steel has closed three hazardous waste disposal (HWD) sites located on plant property at Gary Works: HWD-5, HWD-2 and Hazardous Waste Treatment (HWT) Unit No. 2. Aside from HWT-2, which is complete, the other units are in post-closure monitoring. As of December 31, 2015, the accrued liability for retention of contractual guarantees at these sites is approximately $1 million.

On October 23, 1998, the EPA issued a final Administrative Order on Consent (Order) addressing Corrective Action for Solid Waste Management Units (SWMU) throughout Gary Works. This Order requires U. S. Steel to perform a

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RCRA Facility Investigation (RFI), a Corrective Measures Study (CMS) and Corrective Measure Implementation. Reports of field investigation findings for Phase I work plans have been submitted to the EPA. U. S. Steel has completed sampling in the East Breakwater Area to finalize a baseline Ecological Risk Assessment, and initiated an investigation of the Buffer Zone - North area. Additionally, U. S. Steel continues to conduct focused groundwater assessment work previously identified by the Perimeter Groundwater Monitoring Program and approved by the EPA. U. S. Steel has completed portions of an Interim Stabilization Measure to address certain components of the East Side Groundwater Solid Waste Management Area as required by the Order. Until the remaining Phase I work and Phase II field investigations are completed, it is not possible to assess what additional expenditures will be necessary for Corrective Action projects at Gary Works. In total, the accrued liability for Corrective Action projects is approximately $32 million as of December 31, 2015, based on our current estimate of known remaining costs.

Geneva Works

At U. S. Steel’s former Geneva Works, liability for environmental remediation, including the closure of three hazardous waste impoundments and facility-wide corrective action, has been allocated between U. S. Steel and the current property owner pursuant to an agreement and a permit issued by the Utah Department of Environmental Quality (UDEQ). Having completed the investigation on a majority of the remaining areas identified in the permit, U. S. Steel has determined the most effective means to address the remaining impacted material is to manage those materials in a previously approved on-site Corrective Action Management Unit (CAMU). Preliminary approval of the conceptual CAMU design has been granted by the UDEQ. U. S. Steel has an accrued liability of $63 million as of December 31, 2015, for our estimated share of the remaining costs of remediation.

USS-POSCO Industries (UPI)

A joint venture in Pittsburg, California between subsidiaries of U. S. Steel and POSCO, UPI's facilities were previously owned and operated solely by U. S. Steel which retains primary responsibility for the existing environmental conditions. The California Department of Toxic Substances Control (DTSC) recently approved U. S. Steel’s preferred remedial plan to address groundwater impacts from trichloroethylene at the facility. Remedy implementation will begin during the first quarter of 2016. Evaluations continue for the remaining three SWMUs and it is likely that corrective measures will be required, but it is not possible at this time to define a scope or estimate costs for what may be required by the DTSC. As of December 31, 2015, approximately $7 million has been accrued for ongoing environmental studies, investigations and remedy implementation. Significant additional costs associated with this site are possible and are referenced in Note 25 to the Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Fairfield Works

A consent decree was signed by U. S. Steel, the EPA and the U.S. Department of Justice 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. In accordance with the consent decree, U. S. Steel initiated a RCRA corrective action program at the Fairfield Works facility. The Alabama Department of Environmental Management (ADEM), with the approval of the EPA, assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works. The Phase I RFI for waste disposed of at the Exum Materials Management Area was voluntarily implemented in December 2011 with a final completion report submitted to ADEM in June 2012. A Phase II RFI for the Fairfield facility property was completed in December 2012 and the completion report was submitted to ADEM in the third quarter of 2013. Additional Phase II facility investigations were completed in the fourth quarter of 2015. Additionally, ADEM has proposed a modification to the facility's hazardous waste permit to incorporate a Corrective Measures Implementation Plan developed by an adjacent property owner for additional work on impacts to Opossum

Creek. It is not possible at this time to define U. S. Steel's responsibilities for implementation of this plan. In total, the accrued liability for remaining work under the Corrective Action Program, including the former Ensley facility, was $163,000 at December 31, 2015. Significant additional costs associated with this site are possible and are referenced in Note 25 to the Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Fairless Plant

In April, 1993, U. S. Steel entered into a consent order with the EPA pursuant to RCRA, under which U. S. Steel would perform Interim Measures (IM), a RCRA Facility Investigation (RFI) and Corrective Measures Study (CMS) at our Fairless Plant. A Phase I RFI Final Report was submitted in September of 1997. With EPA’s agreement in lieu of

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conducting subsequent phases of the RFI and the CMS, U. S. Steel has been working through the Pennsylvania Department of Environmental Protection Act 2 Program to characterize and remediate facility parcels for redevelopment. As of December 31, 2015, the accrued liability to maintain the interim measures, and clear properties through the Act 2 process is $348,000. Significant additional costs associated with this site are possible and are referenced in Note 25 to the Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Lorain Tubular Operations

In September 2006, U. S. Steel received a letter from the Ohio Environmental Protection Agency (OEPA) inviting U. S. Steel to enter into discussions about RCRA Corrective Action at Lorain Tubular Operations. A Phase I RFI on the identified SWMUs and Area of Contamination was submitted in March 2012. A revised Phase II workplan that addresses additional soil investigations, site wide groundwater and the pipe mill lagoon was submitted to the OEPA in July 2013 and approved in December 2013. Perimeter groundwater monitoring wells were installed in June 2014 and the five rounds of sampling have been completed. As of December 31, 2015, costs to complete additional projects are estimated to be $108,000. Significant additional costs associated with this site are possible and are referenced in Note 25 to the Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Joliet Works

The 50-acre parcel at the former Joliet Works is enrolled in the Illinois Environmental Protection Agency’s (IEPA) voluntary Site Remediation Program (SRP). The Program requires investigation and establishment of cleanup objectives followed by submission/approval of a Remedial Action Plan (RAP) to meet those objectives. The 50-acre parcel was divided into four (4) subareas with remedial activities completed in 2015 for three (3) subareas according to a RAP approved by IEPA on November 26, 2014. Final remedy completion reports detailing these three subareas were provided to the IEPA and U.S. EPA on December 31, 2015. The remaining fourth parcel requires further investigation prior to determining cleanup objectives. U. S. Steel has an accrued liability of $328,000 as of December 31, 2015. Significant additional costs associated with this site are possible and are referenced in Note 25 to the Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Cherryvale (KS) Zinc

In April 2003, U. S. Steel and Salomon Smith Barney Holdings, Inc. (SSB) entered into a Consent Order with the Kansas Department of Health & Environment (KDHE) concerning a former zinc smelting operation in Cherryvale, Kansas. Remediation was essentially completed in 2007 and U. S. Steel and SSB continue to work with KDHE to address the remaining issues. The Consent Order was amended on May 3, 2013, to investigate potential contamination beyond the boundary of the former zinc smelting operation. On September 15, 2015, the Consent Order was further amended for an early soil removal action at certain properties in Cherryvale. As of December 31, 2015, an accrual of $486,000 remains available for addressing these