

UNITED STATES STEEL CORP  
Form 10-Q  
July 26, 2017

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

FORM 10-Q  
(Mark One)

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

For the Quarterly Period Ended June 30, 2017

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
(Exact name of registrant as specified in its charter)

Delaware 1-16811 25-1897152

(State or other jurisdiction of incorporation) (Commission File Number) (IRS Employer Identification No.)

600 Grant Street, Pittsburgh, PA 15219-2800

(Address of principal executive offices) (Zip Code)

(412) 433-1121

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <sup>(a)</sup> <input type="checkbox"/>
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(Do not check if a smaller reporting company)

<sup>(a)</sup> If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

Common stock outstanding at July 20, 2017 – 174,911,603 shares

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## CAUTIONARY NOTE REGARDING 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,” “should,” “will” and similar expressions or by using “in 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 and in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

References in this Quarterly Report on Form 10-Q 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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UNITED STATES STEEL CORPORATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions, except per share amounts)	2017	2016	2017	2016
Net sales:				
Net sales	\$2,787	\$2,320	\$5,199	\$4,346
Net sales to related parties (Note 18)	357	264	670	579
Total	3,144	2,584	5,869	4,925
Operating expenses (income):				
Cost of sales (excludes items shown below)	2,725	2,397	5,286	4,833
Selling, general and administrative expenses	79	64	176	133
Depreciation, depletion and amortization	121	129	258	258
Earnings from investees	(16 )	(28 )	(20 )	(73 )
Gain associated with retained interest in U. S. Steel Canada Inc. (Note 21)	(72 )	—	(72 )	—
Restructuring and other charges (Note 19)	(1 )	(6 )	32	4
Net (gain) loss on disposal of assets	—	—	(1 )	3
Other income, net	(5 )	—	(5 )	—
Total	2,831	2,556	5,654	5,158
Earnings (loss) before interest and income taxes	313	28	215	(233 )
Interest expense	55	60	113	115
Interest income	(4 )	(2 )	(8 )	(3 )
Loss on debt extinguishment	1	24	1	22
Other financial costs (income)	16	(1 )	25	12
Net interest and other financial costs (Note 7)	68	81	131	146
Earnings (loss) before income taxes	245	(53 )	84	(379 )
Income tax (benefit) provision (Note 9)	(16 )	(7 )	3	7
Net earnings (loss)	261	(46 )	81	(386 )
Less: Net earnings attributable to noncontrolling interests	—	—	—	—
Net earnings (loss) attributable to United States Steel Corporation	\$261	\$(46 )	\$81	\$(386 )
Earnings (loss) per common share (Note 10):				
Earnings (loss) per share attributable to United States Steel Corporation stockholders:				
-Basic	\$1.49	\$(0.32 )	\$0.46	\$(2.64 )
-Diluted	\$1.48	\$(0.32 )	\$0.46	\$(2.64 )

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



UNITED STATES STEEL CORPORATION  
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2017	2016	2017	2016
Net earnings (loss)	\$261	\$(46)	\$81	\$(386)
Other comprehensive income (loss), net of tax:				
Changes in foreign currency translation adjustments	82	(31 )	105	31
Changes in pension and other employee benefit accounts	46	42	92	(182 )
Other	(3 )	11	(3 )	21
Total other comprehensive income (loss), net of tax	125	22	194	(130 )
Comprehensive income (loss) including noncontrolling interest	386	(24 )	275	(516 )
Comprehensive income attributable to noncontrolling interest	—	—	—	—
Comprehensive income (loss) attributable to United States Steel Corporation	\$386	\$(24)	\$275	\$(516)

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

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UNITED STATES STEEL CORPORATION  
CONSOLIDATED BALANCE SHEET

(Dollars in millions)	(Unaudited) June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,522	\$ 1,515
Receivables, less allowance of \$28 and \$25	1,206	976
Receivables from related parties, less allowance of \$0 and \$265 (Notes 18 and 21)	238	272
Inventories (Note 11)	1,727	1,573
Other current assets	30	20
Total current assets	4,723	4,356
Property, plant and equipment	14,527	14,196
Less accumulated depreciation and depletion	10,517	10,217
Total property, plant and equipment, net	4,010	3,979
Investments and long-term receivables, less allowance of \$11 and \$10	548	528
Long-term receivables from related parties, less allowance of \$0 and \$1,627 (Notes 18 and 21)	—	—
Intangibles – net (Note 5)	171	175
Deferred income tax benefits (Note 9)	4	6
Other noncurrent assets	124	116
Total assets	\$ 9,580	\$ 9,160
Liabilities		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,948	\$ 1,602
Accounts payable to related parties (Notes 18 and 21)	77	66
Payroll and benefits payable	338	400
Accrued taxes	140	128
Accrued interest	73	85
Short-term debt and current maturities of long-term debt (Note 13)	175	50
Total current liabilities	2,751	2,331
Long-term debt, less unamortized discount and debt issuance costs (Note 13)	2,752	2,981
Employee benefits	1,151	1,216
Deferred income tax liabilities (Note 9)	28	28
Deferred credits and other noncurrent liabilities	343	329
Total liabilities	7,025	6,885
Contingencies and commitments (Note 20)		
Stockholders' Equity (Note 16):		
Common stock (176,424,554 shares issued) (Note 10)	176	176
Treasury stock, at cost (1,521,037 and 2,614,378 shares)	(96	) (182 )
Additional paid-in capital	3,942	4,027
Accumulated deficit	(165	) (250 )
Accumulated other comprehensive loss (Note 17)	(1,303	) (1,497 )
Total United States Steel Corporation stockholders' equity	2,554	2,274
Noncontrolling interests	1	1
Total liabilities and stockholders' equity	\$ 9,580	\$ 9,160

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





UNITED STATES STEEL CORPORATION  
 CONSOLIDATED STATEMENT OF CASH FLOWS  
 (Unaudited)

	Six Months Ended June 30, 2017 2016	
(Dollars in millions)		
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net earnings (loss)	\$81	\$(386)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, depletion and amortization	258	258
Gain associated with retained interest U. S. Steel Canada Inc. (Note 21)	(72 )	—
Restructuring and other charges (Note 19)	32	4
Provision for doubtful accounts		