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 (State of Incorporation)	25-1897152 (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.

- 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.

- 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.

- 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.

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

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 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 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).

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.

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.

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 outstanding issues.

Air Related Matters

Great Lakes Works

On March 27, 2014, the No. 2 BOP Shop experienced an incident when air pollution control ductwork unexpectedly collapsed. The incident resulted in structural damage and atypical emissions. On April 14, 2014, the Michigan Department of Environmental Quality (MDEQ) issued a Violation Notice that also included a request for additional information. U. S. Steel responded to the notice on May 5, 2014. In addition, on April 14, 2014, the EPA issued a separate Notice of Violation regarding the same incident alleging that U. S. Steel failed to properly operate the BOP furnace and failed to continuously meet roof monitor opacity standards. U. S. Steel continues to discuss resolution of the matter with both MDEQ and the EPA.

Great Lakes Works received Violation Notices from MDEQ relating to isolated BOP opacity exceedances which allegedly occurred in 2014 and 2015. U. S. Steel responded to the notices and continues to discuss resolution of the matter with MDEQ.

On April 6, 2015, Great Lakes Works received a Violation Notice for alleged emissions violations reported in the stack test results for the No. 1 Argon Stir Station baghouse submitted to MDEQ on December 9, 2014. U. S. Steel has responded to the notice and is currently discussing resolution with MDEQ and a Consent Order regarding this matter may be agreed upon in early 2016.

On May 27, 2015, Great Lakes Works received a Violation Notice in which MDEQ alleged that U. S. Steel did not obtain a required permit to install a BOP vessel replacement that occurred in November 2014. U. S. Steel responded to MDEQ on June 17, 2015.

On October 29, 2015, Great Lakes Works received a Violation Notice in which MDEQ alleges that U. S. Steel failed a stack test for emissions from the pickle line in August 2015. U. S. Steel has responded to the notice and is currently discussing resolution with MDEQ.

Although discussions with MDEQ regarding the foregoing alleged violations are ongoing and the resolution of these matters is uncertain at this time, it is not anticipated that the result of those discussions will be material to U. S. Steel.

Granite City Works

In October 2015, Granite City Works received a Violation Notice from IEPA in which the Agency alleges that U. S. Steel violated the emission limits for nitrogen oxides and volatile organic compounds from the Basic Oxygen Furnace Electrostatic Precipitator Stack. In addition, the Agency alleges that U. S. Steel exceeded its natural gas usage limit at its CoGeneration Boiler. U. S. Steel responded to the notice and is currently discussing resolution of the matter with IEPA.

Although discussions with IEPA regarding the foregoing alleged violations are ongoing and the resolution of these matters is uncertain at this time, it is not anticipated that the result of those discussions will be material to U. S. Steel.

Minnesota Ore Operations

On February 6, 2013, the EPA published a Federal Implementation Plan (FIP) that applies to taconite facilities in Minnesota. The FIP establishes and requires emission limits and the use of low NOx reduction technology on indurating furnaces as Best Available Retrofit Technology. While U. S. Steel installed low NOx burners on three furnaces at Minntac and is currently obligated to install low NOx burners on the two other furnaces at Minntac pursuant to existing agreements and permits, the rule would require the installation of a low NOx burner on the one furnace at Keetac for which U. S. Steel did not have an otherwise existing obligation. U. S. Steel estimates expenditures associated with the installation of low NOx burners of as much as $25 to $30 million. On June 14, 2013, the Eighth Circuit Court of Appeals stayed the effectiveness of the FIP. The EPA also published a final rule denying the approval of the Minnesota State Implementation Plan (SIP), which did not require the installation of low NOx burners and determined the applicable Best Available Retrofit Technology on a case-by-case basis. U. S. Steel and other taconite facilities have petitioned the Eighth Circuit for judicial review of the final rule denying the SIP. U. S. Steel continues to negotiate with the EPA to resolve the issues identified in the petitions. It is likely that any adverse resolution would be material to U. S. Steel; however, we are unable to estimate the amount, if any, at this time.

In June 2011, U. S. Steel and MPCA reached agreement on a Schedule of Compliance (SOC) to address alleged water quality issues at the Minntac facility. The 2011 agreement required U. S. Steel to determine sulfate levels at the property boundary and to resolve the water quality allegations. In addition, the agreement anticipated that U. S. Steel would pilot trial a dry control system on Line 6 at Minntac. Since then, U. S. Steel has employed actions to resolve some of the allegations raised in the SOC. In addition, since then, U. S. Steel has conducted additional investigations and evaluated technologies that would be used to address other water quality allegations in the SOC and reduce sulfate levels in groundwater outside the boundaries of Minnesota Ore. The actions already employed as well as the new data indicate that the proposed dry control system in the 2011 agreement would not be an effective means to reach the goals outlined in the SOC. U. S. Steel is currently negotiating a path forward with MPCA.

EPA Region V Federal Lawsuit

On August 1, 2012, the EPA, joined by the States of Illinois, Indiana and Michigan, initiated an action in the Northern District of Indiana alleging various air regulatory violations at Gary Works, Granite City Works, and Great Lakes Works. For more information on this action, see Note 25 to the Consolidated Financial Statements “Contingencies and Commitments - EPA Region V Federal Lawsuit.”

Other Regulatory Matters

In March 2015, the Occupational Safety and Health Administration (OSHA) issued multiple "Serious" citations and one "Willful" citation, and proposed penalties totaling approximately $108,000 resulting from a September 2014 fatality incident at U. S. Steel's Fairfield Works plant in Alabama. OSHA has proposed that U. S. Steel be placed in the Severe Violator Enforcement Program. U. S. Steel has filed a Notice of Contest and is working towards an appropriate resolution with OSHA.

Item 4. MINE SAFETY DISCLOSURE

The information concerning mine safety violations and other regulatory matters required by Section 150 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-K.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of U. S. Steel and their ages as of February 1, 2016, are as follows:

Name	Age	Title	Executive Officer Since
Larry T. Brockway [a]	56	Senior Vice President - Finance, Chief Risk Officer & Treasurer	August 1, 2011
James E. Bruno	50	Senior Vice President - Automotive Solutions [b]	December 1, 2014
Scott D. Buckiso	48	Vice President - European Solutions and President - USSK [c]	May 31, 2015
David B. Burritt	60	Executive Vice President & Chief Financial Officer	September 1, 2013
Colleen M. Darragh	46	Vice President & Controller	July 1, 2014
Suzanne Rich Folsom	54	General Counsel, Chief Compliance Officer and Senior Vice President - Government Affairs	January 27, 2014
Sara A. Greenstein	41	Senior Vice President - Consumer Solutions [b]	December 1, 2014
Mario Longhi	61	President and Chief Executive Officer	July 2, 2012
Douglas R. Matthews	50	Senior Vice President - Industrial, Service Center and Mining Solutions [b]	July 2, 2012
David J. Rintoul	58	Senior Vice President - Tubular Business [d]	May 1, 2014
Mark G. Tabler	54	Vice President - Global Quality and Manufacturing Processing	December 1, 2015

[a] Mr. Brockway has elected to retire as of February 29, 2016.
[b] Automotive Solutions, Consumer Solutions, and Industrial, Service Center and Mining Solutions commercial entities are contained within the Flat-Rolled segment.
[c] European Solutions commercial entity is contained within the USSE segment.
[d] Tubular Business commercial entity is contained within the Tubular segment.

All of the executive officers mentioned above have held responsible management or professional positions with U. S. Steel or our subsidiaries for more than the past five years, with the exception of Mr. Longhi, Mr. Burritt, Mr. Bruno, Ms. Folsom, and Ms. Greenstein. Prior to joining U. S. Steel, Mr. Longhi served as president from 2005 to 2006, and president and chief executive officer from 2006 to 2011, of Gerdau Ameristeel Corporation, a producer of long steel products. Prior to joining Gerdau Ameristeel Corporation, Mr. Longhi served in a variety of senior management positions with Alcoa Inc., a producer of aluminum products. Prior to joining U. S. Steel, Mr. Burritt served as chief financial officer and vice president of global finance and strategic services for Caterpillar Inc., a manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives, from 2004 to 2010. Prior to joining U. S. Steel, Mr. Bruno was with TRW Automotive, a global leader in automotive safety and one of the world's largest automotive suppliers, for 20 years, most recently serving as vice president – North American braking operations and global slip control portfolio. Prior to joining U. S. Steel, from 2011-2014 Ms. Folsom served as executive vice president, general counsel & chief compliance officer at ACADEMI LLC, a leading global innovative security solutions provider to the federal government and commercial clients. Prior to joining ACADEMI LLC, Ms. Folsom served as deputy general counsel and chief regulatory and compliance officer at the American Insurance Group (AIG) from 2008 - 2010. Ms. Greenstein joined U. S. Steel from Underwriters Laboratories, Inc. (UL) where she was employed for 12 years and most recently held the position of president, UL Supply Chain and Sustainability.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Information

The principal market on which United States Steel Corporation (U. S. Steel) common stock is traded is the New York Stock Exchange. U. S. Steel common stock is also traded on the Chicago Stock Exchange. Information concerning the high and low sales price for the common stock as reported in the consolidated transaction reporting system and the frequency and amount of dividends paid during the last two years is set forth in "Selected Quarterly Financial Data (Unaudited)" on page F-58.

As of February 25, 2016, there were 15,258 registered holders of U. S. Steel common stock.

The Board of Directors currently intends to declare and pay dividends on shares of U. S. Steel common stock based on the financial condition and results of operations of U. S. Steel out of legally available funds and in accordance with the requirements set forth by applicable law. Quarterly dividends were declared by U. S. Steel in 2015 and 2014 in the amount of $0.05 per share.

Shareholder Return Performance

The graph below compares the yearly change in cumulative total shareholder return of our common stock with the cumulative total return of the Standard & Poor's (S&P's) 500 Stock Index and the S&P 600 Steel Index.

Comparison of Cumulative Total Return
on $100 Invested in U.S. Steel Stock on December 31, 2010
vs
S&P 500 and S&P 600 Steel Index

[a] U. S. Steel was removed from the S&P 500 Index effective July 1, 2014. Consequently, U. S. Steel is now part of the S&P 600 Steel Index instead of the S&P 500 Steel Index, which is a subset of the S&P 500. Therefore, current year results may not be comparable to prior years.

For information on securities authorized for issuance under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Recent Sales of Unregistered Securities

U. S. Steel had no sales of unregistered securities during the period covered by this report.

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Item 6. SELECTED FINANCIAL DATA

Dollars in millions (except per share data)[(a)]	2015	2014	2013	2012	2011
Statement of Operations Data:					
Net sales	$11,574	$17,507	$17,424	$19,328	$19,884
(Loss) Earnings before interest and income taxes (EBIT)	(1,202)	413	(1,900)	247	265
Net (loss) earnings attributable to United States Steel Corporation	(1,642)	102	(1,645)	(124)	(53)
Per Common Share Data:					
Net (loss) earnings attributable to United States Steel Corporation[(b)]					
– basic	(11.24)	$0.71	$(11.37)	$(0.86)	$(0.37)
– diluted	(11.24)	0.69	(11.37)	(0.86)	(0.37)
Dividends per share declared and paid	0.20	0.20	0.20	0.20	0.20
Balance Sheet Data – December 31:					
Total assets [(c)]	$9,190	$12,013	$12,726	$15,217	$16,073
Capitalization:					
Debt	$3,161	$3,498	$3,939	$3,938	$4,228
United States Steel Corporation stockholders' equity	2,436	3,799	3,375	3,477	3,500
Total capitalization	$5,597	$7,297	$7,314	$7,415	$7,728

(a) For discussion of changes between the years, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(b) See Note 8 to the Consolidated Financial Statements for the basis of calculating earnings per share.

(c) 2014 and 2013 amounts have been adjusted to retroactively adopt Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes, which requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The amounts for 2012 and 2011 were not affected by the adoption.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes that appear elsewhere in this document.

Overview

According to worldsteel Association's latest published statistics, U. S. Steel was the fifteenth largest steel producer in the world in 2014. We believe we are currently the second largest integrated steel producer headquartered in North America, one of the largest integrated flat-rolled producers in Central Europe and the largest domestic producer of tubular products. U. S. Steel has a broad and diverse mix of products and customers. U. S. Steel uses iron ore, coal, coke, steel scrap, zinc, tin, and other metallic additions to produce a wide range of flat-rolled and tubular steel products, concentrating on value-added steel products for customers with demanding technical applications in the automotive, appliance, container, industrial machinery, construction and oil, gas, and petrochemical industries. In addition to our facilities in the United States, U. S. Steel has significant operations in Europe through U. S. Steel Košice (USSK), located in Slovakia. U. S. Steel's financial results are primarily determined by the combined effects of shipment volume, selling prices, production costs and product mix. While the operating results of our various businesses are affected by a number of business-specific factors (see "Item 1. Business – Steel Industry Background and Competition"), the primary drivers for U. S. Steel are general economic conditions in North America, Europe and, to a lesser extent, other steel-consuming regions; the levels of worldwide steel production and consumption; pension and other benefits costs; and raw materials (iron ore, coal, coke, steel scrap, zinc, tin and other metallic additions) and energy (natural gas and electricity) costs.

Recent challenges that are impacting the global steel industry, including U. S. Steel, are global overcapacity; the impact of production and consumption of steel in China and other developing countries; the expansion of production facilities inside the U.S.; lower global oil prices and the resultant impact on rig counts; and the levels of steel imports into the markets we serve.

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.

Critical Accounting Estimates

Management's discussion and analysis of U. S. Steel's financial condition and results of operations is based upon U. S. Steel's financial statements, which have been prepared in accordance with accounting standards generally accepted in the United States (U.S. GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amount of revenues and expenses during the year. Management regularly evaluates these estimates, including those related to employee benefits liabilities and assets held in trust relating to such liabilities; the carrying value of property, plant and equipment; goodwill and intangible assets; valuation allowances for receivables, inventories and deferred income tax assets; liabilities for deferred income taxes, potential tax deficiencies, environmental obligations and potential litigation claims and settlements. Management's estimates are based on historical experience, current business and market conditions, and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from current expectations under different assumptions or conditions.

Management believes that the following are the more significant judgments and estimates used in the preparation of the financial statements.

Goodwill and identifiable intangible assets - Goodwill represents the excess of the cost over the fair value of acquired identifiable tangible and intangible assets and liabilities assumed from businesses acquired. Goodwill is tested for impairment at the reporting unit level, which could be an operating segment or a component of an operating segment, annually in the third quarter and whenever events or circumstances indicate the carrying value may not be recoverable.

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The evaluation of impairment involves using either a qualitative or quantitative approach as outlined in Accounting Standards Codification (ASC) Topic 350. U. S. Steel completed its annual goodwill impairment evaluation using the two-step quantitative analysis during the third quarter of 2013 and determined that all of the goodwill within its Flat-Rolled and Texas Operations reporting units was impaired. U. S. Steel's Flat-Rolled and Texas Operations reporting units had $969 million and $837 million of goodwill, respectively. Goodwill remaining on our Consolidated Balance Sheet at December 31, 2015 is $7 million and is included as a component of other noncurrent assets.
Intangible assets with indefinite lives are also subject to at least annual impairment testing, which compares the fair value of the intangible assets with their carrying amounts. U. S. Steel has determined that certain of its acquired intangible assets have indefinite useful lives. These assets are also reviewed for impairment annually in the third quarter and whenever events or circumstances indicate the carrying value may not be recoverable. U. S. Steel completed its evaluation of its indefinite lived water rights and other indefinite lived intangible assets during 2015 and determined there was no indication of impairment.
Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. During the fourth quarter of 2015, U. S. Steel completed a review of its identifiable intangible assets with finite lives and determined that the assets were not impaired.

Inventories – LIFO (last-in, first-out) is the predominant method of inventory costing for inventories in the United States and FIFO (first-in, first-out) is the predominant method used in Europe. The LIFO method of inventory costing was used on 80 percent and 78 percent of consolidated inventories at December 31, 2015 and 2014, respectively. Changes in U.S. GAAP rules or tax law, such as the elimination of the LIFO method of accounting for inventories, could negatively affect our profitability and cash flow.

Equity Method Investments – Investments in entities over which U. S. Steel has significant influence are accounted for using the equity method of accounting and are carried at U. S. Steel's share of net assets plus loans, advances and our share of earnings less distributions. Differences in the basis of the investment and the underlying net asset value of the investee, if any, are amortized into earnings over the remaining useful life of the associated assets.

Income from investees includes U. S. Steel's share of income from equity method investments, which is generally recorded a month in arrears, except for significant and unusual items which are recorded in the period of occurrence. Gains or losses from changes in ownership of unconsolidated investees are recognized in the period of change. Intercompany profits and losses on transactions with equity investees have been eliminated in consolidation subject to lower of cost or market inventory adjustments.

U. S. Steel evaluates impairment of its equity method investments whenever circumstances indicate that a decline in value below carrying value is other than temporary. Under these circumstances, we would adjust the investment down to its estimated fair value, which then becomes its new carrying value. During the fourth quarter of 2015, U. S. Steel completed a review of its equity method investments and determined there was an other than temporary impairment. Accordingly, U. S. Steel recorded an impairment charge of $18 million in the fourth quarter of 2015.

Pensions and Other Benefits – The recording of net periodic benefit costs for defined benefit pensions and other benefits is based on, among other things, assumptions of the expected annual return on plan assets, discount rate, mortality, escalation or other changes in retiree health care costs and plan participation levels. Changes in the assumptions or differences between actual and expected changes in the present value of liabilities or assets of U. S. Steel's plans could cause net periodic benefit costs to increase or decrease materially from year to year as discussed below.

U. S. Steel's investment strategy for its U.S. pension and other benefits plan assets provides for a diversified mix of public equities, high quality bonds and selected smaller investments in private equities, investment trusts and partnerships, timber and mineral interests. For its U.S. Pension and Other Benefit plans, U. S. Steel has a target allocation for plan assets of 60 percent in equities (inclusive of private equity and investment trusts). The balance is primarily invested in corporate bonds, Treasury bonds and government-backed mortgages. U. S. Steel believes that returns on equities over the long term will be higher than returns from fixed-income securities as actual historical returns from U. S. Steel’s trusts have shown. Returns on bonds tend to offset some of the short-term volatility of stocks. Both equity and fixed-income investments are made across a broad range of industries and companies to provide protection against the impact of volatility in any single industry as well as company specific developments. U. S. Steel will use a 7.50 percent assumed rate of return on assets for the development of net periodic cost for the main defined benefit pension plan and domestic other post-employment benefit (OPEB) plans in 2016. The 2016 assumed rate of return

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is consistent with the rate of return used for 2015 domestic expense and was determined by taking into account the intended asset mix and some moderation of the historical premiums that fixed-income and equity investments have yielded above government bonds. Actual returns since the inception of the plans have exceeded this 7.50 percent rate and while recent annual returns have been volatile, it is U. S. Steel’s expectation that rates will achieve this level in future periods.

The expected long-term rate of return on plan assets is applied to the market value of assets as of the beginning of the period less expected benefit payments and considering any planned contributions.

To determine the discount rate used to measure our pension and other benefit obligations, certain corporate bond rates are utilized for both U.S. GAAP and funding purposes. As a result of an increase in interest rates at December 31, 2015, as compared to December 31, 2014, U. S. Steel increased the discount rate used to measure both domestic pension and other benefits obligations to 4.25 percent from 3.75 percent. The discount rate reflects the current rate at which we estimate the pension and other benefits liabilities could be effectively settled at the measurement date. In setting the domestic rates, we utilize several AAA and AA corporate bond rates as an indication of interest rate movements and levels.

Mortality assumptions for the U.S. defined benefit pension and other postretirement liabilities for formerly represented retirees is based on a custom table developed by an experience study performed in 2005. During 2013, the Company examined experience since 2005 and it was determined that the Company's mortality experience has improved. As a result of the study, the prior table now assumes mortality improvement of 7 years from the date of liability measurement for this population.

U. S. Steel reviews its actual historical rate experience and expectations of future health care cost trends to determine the escalation of per capita health care costs under U. S. Steel’s benefit plans. Approximately two thirds of our costs for the domestic United Steelworkers (USW) participants’ retiree health benefits in the Company’s main domestic benefit plan are limited to a per capita dollar maximum calculation based on 2006 base year actual costs incurred under the main U. S. Steel benefit plan for USW participants (cost cap). The full effect of the cost cap is expected to be realized around 2024. After 2024, the Company’s costs for a majority of USW retirees and their dependents are expected to remain fixed and as a result, the cost impact of health care escalation for the Company is projected to be limited for this group (See Note 17 to the Consolidated Financial Statements). For measurement of its domestic retiree medical plans where health care cost escalation is applicable, U. S. Steel has assumed an initial escalation rate of 7.0 percent for 2016. This rate is assumed to decrease gradually to an ultimate rate of 5.0 percent in 2020 and remain at that level thereafter.

Net periodic pension cost, including multiemployer plans, is expected to total approximately $97 million in 2016 compared to $291 million in 2015. The decrease in expected expense in 2016 is primarily due to the freezing of benefit accruals for our non-union participants effective December 31, 2015 and the natural maturation of our plans, partially offset by asset performance. Total other benefits costs in 2016 are expected to be a benefit of approximately $(4) million, compared to $(40) million in 2015. The decrease in expected benefit in 2016 is primarily a result of the expiration of the prior service credit amortization from the 2003 USW contract and 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), partially offset by the natural maturation of the plan.

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A sensitivity analysis of the projected incremental effect of a hypothetical one percentage point change in the significant assumptions used in the pension and other benefits calculations is provided in the following table:

	Hypothetical Rate	
	Increase	(Decrease)
(In millions)	1%	(1)%
Expected return on plan assets		
Incremental (decrease) increase in:		
Net periodic pension costs for 2016	$(76)	$76
Discount rate		
Incremental (decrease) increase in:		
Net periodic pension & other benefits costs for 2016	$(12)	$8
Pension & other benefits obligations at December 31, 2015	$(733)	$863
Health care cost escalation trend rates		
Incremental increase (decrease) in:		
Other postretirement benefit obligations	$94	$(81)
Service and interest costs components	$4	$(4)

Changes in the assumptions for expected annual return on plan assets and the discount rate used for accounting purposes do not impact the funding calculations used to derive minimum funding requirements for the pension plan. However, the discount rate required for minimum funding purposes is also based on corporate bond related indices and as such, the same general sensitivity concepts as above can be applied to increases or decreases to the funding obligations of the plans assuming the same hypothetical rate changes. (See Note 17 to the Consolidated Financial Statements for a discussion regarding legislation enacted in November of 2015 that impacts the discount rate used for funding purposes.) For further cash flow discussion see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Cash Flows and Liquidity – Liquidity.”

Long-lived assets – U. S. Steel evaluates long-lived assets, primarily property, plant and equipment for impairment whenever changes in circumstances indicate that the carrying amounts of those productive assets exceed their projected undiscounted cash flows. We evaluate the impairment of long-lived assets at the asset group level. During 2013 and 2015, U. S. Steel completed a review of its long-lived assets and determined that the assets were not impaired. There were no such events or circumstances during 2014 that required a review for impairment. Management will continue to monitor market and economic conditions for triggering events that may warrant further review of long-lived assets.

Taxes – U. S. Steel records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. Each quarter U. S. Steel analyzes the likelihood that our deferred tax assets will be realized.

At December 31, 2015, we identified the following forms of negative evidence concerning U. S. Steel's ability to use some or all of its domestic deferred tax assets:

•U. S. Steel's domestic operations generated significant losses in recent years and there is uncertainty regarding the Company's ability to generate domestic income in the near term,
•some of our domestic deferred tax assets are carryforwards, which have expiration dates, and
•the global steel industry is experiencing overcapacity, which is driving adverse economic conditions, including depressed selling prices for steel products and increased foreign steel imports into the U.S.

Most positive evidence can be categorized into one of the four sources of taxable income sequentially. These are (from least to most subjective):

•taxable income in prior carryback years, if carryback is permitted
•future reversal of existing taxable temporary differences
•tax planning strategies, and
•future taxable income exclusive of reversing temporary differences and carryforwards

U. S. Steel utilized all available carrybacks, and therefore, our analysis at December 31, 2015 focused on the other sources of taxable income. Our projection of the reversal of our existing temporary differences generated significant taxable income. This source of taxable income, however, was not sufficient to project full utilization of U. S. Steel’s domestic deferred tax assets. To assess the realizability of the remaining domestic deferred tax assets, U. S. Steel analyzed its prudent and feasible tax planning strategies.

At December 31, 2015, after weighing all the positive and negative evidence, U. S. Steel determined that it was more likely than not that the net domestic deferred tax asset (excluding a deferred tax liability related to an asset with an indefinite life) may not be realized. As a result, U. S. Steel recorded a $753 million net non-cash charge to tax expense. In the future, if we determine that it is more likely than not that we will be able to realize a portion of our deferred tax assets, the valuation allowance will be reduced and we will record a benefit to earnings.

In general, the amount of tax expense or benefit from continuing operations is determined without regard to the tax effects of other categories of income or loss, such as other comprehensive income. However, an exception to this rule applies when there is a loss from continuing operations and income from other categories. This exception requires that income from discontinued operations, extraordinary items, and items recorded directly into other comprehensive income be considered in determining the amount of tax benefit resulting from a loss in continuing operations. This exception affects the allocation of the tax provision among categories of income.

At the end of 2015, U. S. Steel does not have any undistributed foreign earnings and profits for which U.S. deferred taxes have not been provided, compared to less than $10 million at the end of 2014.

U. S. Steel records liabilities for uncertain tax positions. These liabilities are based on management’s judgment of the risk of loss for items that have been or may be challenged by taxing authorities. If U. S. Steel determines that tax-related items would not be considered uncertain tax positions or that items previously not considered to be potential uncertain tax positions could be considered potential tax uncertain tax positions (as a result of an audit, court case, tax ruling or other authoritative tax position), an adjustment to the liability would be recorded through income in the period such determination was made.

Long-term receivables from related parties - As disclosed in Note 4 to the Consolidated Financial Statements, USSC, an indirect wholly owned subsidiary of U. S. Steel, with unanimous approval from its Board of Directors applied for relief from its creditors pursuant to CCAA on September 16, 2014. As a result, U. S. Steel deconsolidated the USSC balances from its Consolidated Balance Sheet as of the end of the day on September 15, 2014. Prior to the deconsolidation date, the loans, associated interest and net trade accounts receivable from USSC were considered intercompany transactions and were eliminated in consolidation, but are now third party transactions and have been recognized in the financial statements based upon the recoverability of their carrying amounts and whether or not the amounts are secured or unsecured. U. S. Steel has estimated a recovery rate based upon the fair value of the net assets of USSC available for distribution to its creditors in relation to the secured and unsecured creditor claims in the CCAA filing.

Subsequent to the CCAA filing, U. S. Steel's management has continued to assess the recoverability of the Company's retained interest in USSC. During 2015, management's estimate of the recoverable retained interest was updated as a result of economic conditions impacting the steel industry in North America such as lower prices, elevated levels of imports, the strength of the U.S. dollar and depressed steel company valuations as well as the uncertainty of the ultimate outcome of USSC’s CCAA filing. U. S. Steel’s recoverability involves uncertainties from economic and other events, including changes during the progression of the CCAA proceedings, which are beyond the control of U. S. Steel that could materially impact the recoverability of our retained interest at December 31, 2015.

Environmental Remediation – In the United States, U. S. Steel has been identified as a potentially responsible party (PRP) at 5 sites under CERCLA as of December 31, 2015. In addition, there are 4 sites related to U. S. Steel where information requests have been received or there are other indications that U. S. Steel may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or to make any judgment as to the amount thereof. There are also 21 additional sites related to U. S. Steel where 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. At many of these sites, U. S. Steel is one of a number of parties involved and the total cost of remediation, as well as U. S. Steel's share thereof, is frequently dependent upon the outcome of ongoing investigations and remedial studies. U. S. Steel accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated

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costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. See Note 25 to the Consolidated Financial Statements.
For discussion of relevant environmental items, see "Part I. Item 3. Legal Proceedings—Environmental Proceedings."
At December 31, 2015, U. S. Steel recorded a net decrease of $17 million to our accrued balance for environmental matters for U.S. and international facilities. The decrease is primarily due to obligations settled related to environmental matters for U.S. and international facilities. The total accrual for such liabilities as of December 31, 2015 was $197 million. These amounts exclude liabilities related to asset retirement obligations, disclosed in Note 18 to the Consolidated Financial Statements.
U. S. Steel is the subject of, or a party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the financial statements. However, management believes that U. S. Steel will remain a viable and competitive enterprise even though it is possible these contingencies could be resolved unfavorably.

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.

On September 16, 2014, 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.

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, 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.

The Flat-Rolled segment information subsequent to September 16, 2014 does not include USSC. Transactions between U. S. Steel and USSC subsequent to USSC applying for relief from its creditors pursuant to the CCAA filing are treated as related party transactions.

Effective January 1, 2015, the Flat-Rolled segment was realigned to better serve customer needs through the creation of 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."

The USSE segment includes the operating results of 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.

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

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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.

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

Net Sales

Net Sales by Segment

(Dollars in millions, excluding intersegment sales)	2015	2014	2013
Flat-Rolled	$8,293	$11,708	$11,572
USSE	2,323	2,891	2,941
Tubular	898	2,772	2,772
Total sales from reportable segments	11,514	17,371	17,285
Other Businesses	60	136	139
Net sales	$11,574	$17,507	$17,424

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Management's analysis of the percentage change in net sales for U. S. Steel's reportable business segments is set forth in the following tables:

Year Ended December 31, 2015 versus Year Ended December 31, 2014

	Steel Products[a]					
	Volume	Price	Mix	FX[b]	Other	Net Change
Flat-Rolled	(21)%	(7)%	— %	— %	(1)%	(29)%
USSE	4 %	(7)%	(1)%	(15)%	(1)%	(20)%
Tubular	(65)%	(2)%	1 %	— %	(2)%	(68)%

(a) Excludes intersegment sales
(b) Foreign currency translation effects

The decrease in sales for the Flat-Rolled segment primarily reflected a decrease in shipments (decrease of 3,313 thousand net tons), which includes the deconsolidation of USSC (represents 1,532 thousand net tons, or 46%, of the total volume decrease) and lower average realized prices (decrease of $77 per net ton) as a result of market conditions, including high import levels, which has served to reduce shipment volumes and drastically depress both spot and contract prices. The decrease in sales for the USSE segment primarily reflected the strengthening of the U.S. dollar versus the euro in 2015 compared to 2014 (decrease of $0.22 in average exchange rate between the euro and the U.S. dollar) and lower average realized euro-based prices (decrease of €37 per net ton), partially offset by increased shipments (increase of 178 thousand net tons). The decrease in sales for the Tubular segment primarily reflected lower shipments (decrease of 1,151 thousand net tons) as a result of decreased drilling activity and continued high import levels and lower average realized prices (decrease of $74 per net ton).

Year Ended December 31, 2014 versus Year Ended December 31, 2013

	Steel Products[a]					
	Volume	Price	Mix	FX[b]	Other	Net Change
Flat-Rolled	(4)%	4 %	— %	— %	1 %	1 %
USSE	4 %	(5)%	(1)%	— %	— %	(2)%
Tubular	(1)%	2 %	(1)%	— %	— %	— %

(a) Excludes intersegment sales
(b) Foreign currency translation effects

The increase in sales for the Flat-Rolled segment primarily reflected higher average realized prices (increase of $37 per net ton) partially offset by a decrease in shipments (decrease of 736 thousand net tons). The decrease in sales for the USSE segment primarily reflected lower average realized euro-based prices (decrease of €30 per net ton) partially offset by increased shipments (increase of 179 thousand net tons). Sales for the Tubular segment remained consistent as higher average realized prices (increase of $8 per net ton) were offset by lower shipments (decrease of 13 thousand net tons) as a result of decreased drilling activity and continued high import levels.

Operating Expenses

Union profit-sharing costs

	Year Ended December 31,		
(Dollars in millions)	2015	2014	2013

Allocated to segment results	$—	$81	$31

Profit-based amounts per the agreements with the USW are calculated and paid on a quarterly basis as a percentage of consolidated EBIT (as defined in the agreements) based on 7.5 percent of profit between $10 and $50 per ton and 10 percent of profit above $50 per ton. Effective January 1, 2016, profit-based amounts per the agreements with the USW are calculated and paid on a quarterly basis as a percentage of consolidated EBIT (as defined in the agreements) based on 7.5 percent of profit between $10 and $50 per ton and 15 percent of profit above $50 per ton.

The amounts above represent profit-sharing amounts to active USW-represented employees (excluding employees of USSC subsequent to the deconsolidation of USSC) and are included in cost of sales on the Consolidated Statement of Operations.

Pension and other benefits costs

Defined benefit and multiemployer pension plan costs totaled $291 million in 2015, $337 million in 2014 and $396 million during 2013. Plan costs in 2015, 2014 and 2013 included $35 million, $29 million and $11 million of settlement and curtailment costs, respectively. In 2015, settlement and curtailment charges were primarily related to the shutdown of the Fairfield Flat-Rolled Operations. Excluding these costs, the $52 million decrease in expense from 2014 to 2015 is primarily due to the natural maturation of our pension plans, partially offset by a lower discount rate and a lower expected return on asset assumption. Excluding one-time costs, the $77 million decrease in expense from 2013 to 2014 is primarily due to the natural maturation of our pension plans, higher market related value of assets, an increase in the discount rate and the improvement to mortality. U. S. Steel calculates its market-related value of assets such that investment gains or losses as compared to expected returns are recognized over a three-year period. To the extent that deferred gains and losses on plan assets are not yet reflected in this calculated value, the amounts do not impact expected asset returns or the net actuarial gains or losses subject to amortization within the net periodic pension expense calculation. (See Note 17 to the Consolidated Financial Statements.)

In November 2015, pension stabilization legislation further extended a revised interest rate formula to be used to measure defined benefit pension obligations for calculating minimum annual contributions. The new interest rate formula results in higher interest rates for minimum funding calculations as compared to prior law over the next few years, which will improve the funded status of our main defined benefit pension plan and reduce minimum required contributions. U. S. Steel made voluntary contributions to our main U.S. defined benefit plan of $140 million in 2014 and for several prior years. U. S. Steel will monitor the status of the plan to determine when voluntary contributions may be prudent to mitigate potentially larger mandatory contributions in later years.

Costs related to defined contribution plans totaled $42 million during 2015, $45 million during 2014 and $47 million during 2013.

Other benefits (income)/costs, which are included in EBIT, totaled $(40) million in 2015, $(25) million in 2014 and $55 million in 2013. OPEB income in 2015 and 2014 included $4 million and $19 million of curtailment gains, respectively. Excluding the one-time costs, the $30 million increase in benefit from 2014 to 2015 is primarily due to the deconsolidation of USSC and the natural maturation of the plans. Excluding the one-time costs, the $61 million decrease in expense from 2013 to 2014 is primarily due to favorable claims cost experience, a higher market related value of assets, the natural maturation of the plan and the deconsolidation of USSC, partially offset by changes in mortality assumptions. For additional information on pensions and other benefits, see Note 17 to the Consolidated Financial Statements.

Selling, general and administrative expenses

Selling, general and administrative expenses were $415 million in 2015, $523 million in 2014 and $610 million in 2013. The decrease from 2014 to 2015 is primarily related to lower pension and other benefits costs, as discussed above, as well as lower expense for profit based payments. The decrease from 2013 to 2014 is primarily related to lower pension and other benefits costs, as discussed above.

Depreciation, depletion and amortization

Depreciation, depletion and amortization expenses were $547 million in 2015, $627 million in 2014 and $684 million in 2013. The decrease from 2014 to 2015 is primarily related to the write-off of assets due to the permanent shutdown of certain facilities. The decrease from 2013 to 2014 is primarily related to the deconsolidation of USSC.

Earnings from investees

Earnings from investees was $38 million in 2015, $142 million in 2014 and $40 million in 2013. The decrease from 2014 to 2015 is primarily related to a decrease in income from equity affiliates that produce iron ore pellets and cold-rolled and coated sheets, and tin mill products as well as an $18 million impairment charge for an equity investee. The increase from 2013 to 2014 is primarily related to an increase in income from equity affiliates that produce iron ore pellets and cold-rolled and coated sheets, and tin mill products. Additionally, the increase in 2014 is due to the discontinuation of equity method accounting and therefore, the absence of losses, due to the write-down of our investment in United Spiral Pipe, LLC in 2013.

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Restructuring and Other Charges

As a result of lower steel prices, decreased demand for steel products and the continued high level of imports, during the year ended December 31, 2015, the Company recorded restructuring charges of $322 million, primarily related to the permanent shutdown of the Fairfield Flat-Rolled Operations and the cokemaking operations at Gary Works and Granite City Works, within our Flat-Rolled segment and headcount reductions across the Company. Cash payments were made related to severance and exit costs of $28 million. Favorable adjustments for changes in estimates on restructuring reserves were made for $21 million, primarily related to employee and environmental costs associated with the shutdown of our cokemaking operations at Gary Works and Granite City Works within our Flat-Rolled segment.

As a result of the acceleration of imports, rationalization of our production facilities and company wide headcount reductions, during the year ended December 31, 2014, the Company recorded severance related charges of $16 million, for additional headcount reductions related to our Canadian operations, within our Flat-Rolled segment; certain of our Tubular operations in Bellville, Texas and McKeesport, Pennsylvania within our Tubular segment; and our USSK operations within our USSE segment as well as headcount reductions principally within the Company's corporate functions. The Company also recorded charges of $195 million and $37 million, related to the impairment of carbon alloy facilities and the write-off of pre-engineering costs associated with a proposed Keetac expansion, respectively, within our Flat-Rolled segment. Additionally, an asset impairment charge of $14 million was taken for certain of the Company's non-strategic assets that were designated as held for sale in our Other Businesses. Cash payments were made related to severance and exit costs of $16 million. Favorable adjustments for changes in estimates on and the removal of restructuring reserves as a result of the deconsolidation of USSC were made for $17 million within our Flat-Rolled segment.

During 2013, the Company implemented certain headcount reductions and production facility closures related to our iron and steelmaking facilities at Hamilton Works in Canada within our Flat-Rolled segment, barge operations related to Warrior and Gulf Navigation (WGN) in Alabama within our Other Businesses and administrative headcount reductions at our Hamilton Works and Lake Erie Works also in Canada within our Flat-Rolled segment. We closed our iron and steelmaking facilities at Hamilton Works effective December 31, 2013.

Charges for restructuring and ongoing cost reduction initiatives are recorded in the period the Company commits to a restructuring or cost reduction plan, or executes specific actions contemplated by the plan and all criteria for liability recognition have been met. Charges related to the restructuring and cost reductions are reported in restructuring and other charges in the Consolidated Statements of Operations and include employee related costs (severance, supplemental unemployment benefits, and continuation of health care benefits), accelerated depreciation, pension and other benefits curtailment charges, charges associated with take or pay contracts, asset impairments, environmental and other closure costs.

Management believes its actions with regards to the Company's operations will potentially impact the Company's annual cash flows by approximately $325 million to $375 million over the course of subsequent annual periods as a result of decreased employee, maintenance and other facility costs, as well as eliminating the need for capital investment at the facilities. These actions will result in other non-cash savings of approximately $90 million, primarily related to reduced depreciation expense in future periods. Management does not believe there will be any significant impacts related to the Company's revenues as a result of these actions.

Loss on deconsolidation of U. S. Steel Canada

USSC, an indirect wholly owned subsidiary of U. S. Steel, with unanimous approval from its Board of Directors applied for relief from its creditors pursuant to CCAA on September 16, 2014. The CCAA filing was approved by the Ontario Superior Court of Justice (the Court) on September 16, 2014 and grants USSC creditor protection while it formulates a plan of restructuring. To assist USSC with its plan of restructuring, the Court confirmed the engagement by USSC of a chief restructuring officer, the appointment of a monitor and certain other financial advisors. As of the date of the CCAA filing, any proceedings pending against USSC, or currently underway affecting USSC's business operations or property, have been stayed pending further order by the Court.

As a result of the CCAA proceedings, U. S. Steel no longer has a controlling financial interest over USSC, as defined under ASC 810, Consolidation, and therefore has deconsolidated USSC’s financial position as of the end of the day on September 15, 2014. This resulted in a pretax loss on deconsolidation and other charges of $416 million, which includes approximately $20 million of professional fees in 2014. The pretax loss on deconsolidation includes the derecognition of the carrying amounts of USSC's assets and liabilities and accumulated other comprehensive loss that were previously consolidated in U. S. Steel's Consolidated Balance Sheet and the impact of recording the retained

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interest in USSC. Subsequent to the deconsolidation, U. S. Steel accounts for USSC using the cost method of accounting, which has been reflected as zero in U. S. Steel’s Consolidated Balance Sheet as of both December 31, 2015 and December 31, 2014, due to the negative equity associated with USSC’s underlying financial position. Net assets totaling $(1,716) million were deconsolidated as of the end of the day on September 15, 2014.

Prior to the deconsolidation, U. S. Steel made loans to USSC for the purpose of funding its operations and had net trade accounts receivable in the ordinary course of business. The loans, the corresponding interest and the net trade accounts receivable were considered intercompany transactions and were eliminated in the consolidated U. S. Steel financial statements. As of the deconsolidation date, the loans, associated interest and net trade accounts receivable are now considered third party transactions and have been recognized in U. S. Steel's consolidated financial statements based upon our assessment of the recoverability of their carrying amounts and whether or not the amounts are secured or unsecured. U. S. Steel has estimated a recovery rate based upon the fair value of the net assets of USSC available for distribution to its creditors in relation to the secured and unsecured creditor claims in the CCAA filing. For updates to U. S. Steel's retained interest in USSC, see Note 5 to the Consolidated Financial Statements.

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Earnings before interest and income taxes (EBIT) by Segment [(a)]

	Year Ended December 31,		
(Dollars in Millions)	2015	2014	2013
Flat-Rolled [(b)]	$(237)	$709	$105
USSE	81	133	28
Tubular	(179)	261	190
Total earnings from reportable segments	(335)	1,103	323
Other Businesses	33	82	77
Reportable segments and Other Businesses EBIT	(302)	1,185	400
Items not allocated to segments:			
Postretirement benefit expenses [(b)] [(c)]	(43)	(114)	(221)
Other items not allocated to segments:			
Losses associated with U. S. Steel Canada Inc. (Notes 4 and 5)	(392)	(416)	—
Loss on shutdown of coke production facilities [(d)]	(153)	—	—
Granite City Works temporary idling charges	(99)	—	—
Loss on shutdown of Fairfield Flat-Rolled operations [(d)(e)]	(91)	—	—
Restructuring and other charges [(d)]	(78)	—	(248)
Postemployment benefit actuarial adjustment	(26)	—	—
Impairment of equity investment (Note 11)	(18)	—	—
Impairment of carbon alloy facilities [(d)]	—	(195)	—
Litigation reserves	—	(70)	—
Write-off of pre-engineering costs at Keetac [(d)]	—	(37)	—
Loss on assets held for sale [(d)]	—	(14)	—
Gain on sale of real estate assets	—	55	—
Curtailment gain	—	19	—
Impairment of goodwill	—	—	(1,806)
Environmental remediation charge	—	—	(32)
Write-off of equity investment	—	—	(16)
Supplier contract dispute settlement	—	—	23
Total EBIT	$(1,202)	$413	$(1,900)

(a) See Note 3 to the Consolidated Financial Statements for reconciliations and other disclosures required by Accounting Standards Codification Topic 280.

(b) Excludes the results of USSC beginning September 16, 2014 as a result of the CCAA filing. See Note 4 to the Consolidated Financial Statements.

(c) Consists of the net periodic benefit cost elements, other than service cost and amortization of prior service cost for active employees, associated with our pension, retiree health care and life insurance benefit plans.

(d) Included in Restructuring and other charges on the Consolidated Statements of Operations. See Note 24 to the Consolidated Financial Statements.

(e) 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.

Gross Margin by Segment

(Flat-Rolled excludes the results of USSC beginning September 16, 2014)

Year Ended December 31,

	2015	2014	2013
Flat-Rolled	2 %	10 %	7 %
USSE	9 %	10 %	7 %
Tubular	(6)%	14 %	11 %

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Segment results for Flat-Rolled
(Excludes the results of USSC beginning September 16, 2014)

Average Realized Price Per Ton Segment EBIT

The Flat-Rolled segment had a loss of $237 million for the year ended December 31, 2015 compared to earnings of $709 million for the year ended December 31, 2014. The decrease in Flat-Rolled results for 2015 compared to 2014 resulted from a decrease in average realized prices (approximately $890 million) as a result of continued import activity which has served to drastically depress both spot and contract prices, a decrease in shipment volumes and a loss in market share as a result of continued high import levels and competition from lower cost electric arc furnace (EAF) producers (approximately $210 million), higher repairs and maintenance costs, and other operating costs related to a reduction in our Mining activities (approximately $155 million), lower steel substrate sales to our Tubular segment (approximately $125 million) and lower income from our joint ventures (approximately $20 million). These changes were partially offset by lower raw materials costs (approximately $170 million), lower costs for profit based payments (approximately $160 million), and lower energy costs (approximately $115 million). Benefits of $647 million from our Carnegie Way efforts are included in the disclosed changes.

The Flat-Rolled segment had earnings of $709 million for the year ended December 31, 2014 compared to earnings of $105 million for the year ended December 31, 2013. The increase in Flat-Rolled results for 2014 compared to 2013 resulted from an increase in average realized prices (approximately $535 million), lower raw material costs (approximately $265 million), lower repairs and maintenance and other operating costs (approximately $75 million), higher income from our joint ventures (approximately $40 million), higher steel substrate sales to our Tubular segment (approximately $15 million) and the deconsolidation of USSC (approximately $10 million). These changes were partially offset by higher costs for profit based payments (approximately $140 million), increased energy costs, primarily due

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to higher natural gas costs (approximately $125 million) and a decrease in shipment volumes (approximately $70 million). Benefits of $390 million from our Carnegie Way efforts are included in the disclosed changes.

Gross margin for 2015 as compared to 2014 decreased as a result of lower production volumes resulting in operating inefficiencies and significant market price decreases associated with the continued surge of imported sheet products into the U.S. market playing a significant role in both of these factors.

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Segment results for USSE

The USSE segment had earnings of $81 million for the year ended December 31, 2015 compared to earnings of $133 million for the year ended December 31, 2014. The decrease in USSE results in 2015 compared to 2014 was primarily due to lower average realized euro-based prices (approximately $200 million), the strengthening of the U.S. dollar versus the euro in 2015 compared to 2014 (approximately $165 million) and the absence of the favorable effects of a sale and swap of a portion of our emission credits during 2014 (approximately $15 million), partially offset by decreased raw materials costs (approximately $300 million), increased shipping volumes (approximately $15 million) and decreased energy costs (approximately $15 million). Benefits of $115 million from our Carnegie Way efforts are included in the disclosed changes.

The USSE segment had earnings of $133 million for the year ended December 31, 2014 compared to earnings of $28 million for the year ended December 31, 2013. The increase in USSE results in 2014 compared to 2013 was primarily due to lower raw material costs (approximately $180 million), decreased repairs and maintenance and other operating costs (approximately $30 million) and increased shipping volumes (approximately $10 million). These changes were partially offset by lower average realized euro-based prices (approximately $120 million). Benefits of $140 million from our Carnegie Way efforts are included in the disclosed changes.

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Segment results for Tubular

The Tubular segment had a loss of $179 million for the year ended December 31, 2015 compared to earnings of $261 million for the year ended December 31, 2014. The decrease in Tubular results in 2015 as compared to 2014 resulted mainly from decreased shipment volumes (approximately $330 million), decreased average realized prices (approximately $80 million) as a result of reduced drilling activity caused by low energy prices and continued high import levels and operating cost inefficiencies primarily due to reduced production levels (approximately $55 million). These decreases were partially offset by lower raw materials costs (approximately $25 million). Benefits of $44 million from our Carnegie Way efforts are included in the disclosed changes.

The Tubular segment had earnings of $261 million for the year ended December 31, 2014 compared to earnings of $190 million for the year ended December 31, 2013. The increase in Tubular results in 2014 as compared to 2013 resulted mainly from decreased repairs and maintenance and other operating costs (approximately $75 million) and increased average realized prices (approximately $20 million). These increases were partially offset by higher costs for employee profit sharing (approximately $15 million). Benefits of $40 million from our Carnegie Way efforts are included in the disclosed changes.

Gross margin for 2015 as compared to 2014 decreased as a result of production cost inefficiencies driven by the decrease in shipments.

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Results for Other Businesses

Other Businesses had earnings of $33 million, $82 million and $77 million for 2015, 2014 and 2013, respectively. Benefits of $9 million and $5 million from our Carnegie Way efforts are included in the 2015 and 2014 results, respectively.

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Items not allocated to segments:

The decrease in postretirement benefit expense in 2015 as compared to 2014 resulted from lower pension and retiree medical expenses as a result of the natural maturation of our pension plans and the deconsolidation of USSC, partially offset by a lower discount rate and expected return on asset assumption. The decrease in expense in 2014 as compared to 2013 resulted from lower pension and retiree medical expenses as a result of a higher discount rate and better claims cost experience.
We recorded a $392 million loss associated with USSC in 2015 as a result of a change in our assessment of the recoverability of the Company's retained interest in USSC and other charges. We recorded $416 million of non-cash, pretax charges associated with the deconsolidation of USSC during 2014 after its CCAA filing (see Note 4).
We recorded a $153 million loss on shutdown of coke production facilities during 2015 as a result of the permanent closure of our Gary Works and Granite City Works coke facilities.
We recorded $99 million of Granite City Work temporary idling charges during 2015.
We recorded a $91 million loss on shutdown of Fairfield Flat-Rolled Operations during 2015 as a result of the permanent closure of the blast furnace and associated steelmaking operations, along with most of the flat-rolled finishing operations.
We recorded $78 million in restructuring and other charges in 2015 as a result of further actions to adjust our operational footprint. We recorded restructuring and other charges of $248 million during 2013 related primarily to accelerated depreciation and severance charges as a result of the shutdown of the iron and steelmaking facilities at Hamilton Works.
We recorded a $26 million postemployment benefit actuarial adjustment in 2015 related to workers' compensation and black lung benefit obligations.
We recorded an $18 million impairment of equity investment during 2015 as a result of an other than temporary impairment of an equity investment.
We recorded a $195 million carbon alloy facilities impairment charge during 2014.
We recorded a loss of $70 million related to litigation reserves during 2014 for the Company's ongoing litigation matters.
We recorded a $37 million charge during 2014 to write-off pre-engineering costs since we have decided not to pursue an expansion of our Keetac iron ore pellet operations.
We recorded a $14 million loss on assets held for sale during 2014 related to the write-down of non-strategic Corporate assets.
We recorded a $55 million gain on the sale of real estate assets during 2014 consisting of surface rights and mineral royalty revenue streams in the state of Alabama.
We recorded a curtailment gain of $19 million for other benefit plans in 2014 associated with the elimination of non-union retiree medical coverage after 2017.

We recorded a non-cash impairment of goodwill charge of approximately $1,806 million related to the full write-off of goodwill related to our Flat-Rolled and Texas Operations reporting units during 2013.

We recorded a $32 million environmental remediation charge in 2013 in connection with the definition of the expanded scope of the St. Louis Estuary and Upland project.

We recorded a non-cash charge during 2013 of $16 million to write-off our investment in United Spiral Pipe, LLC.

We recorded a $23 million favorable settlement in 2013 related to a supplier contract dispute settlement.

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Net Interest and Other Financial Costs

	Year Ended December 31,		
(Dollars in millions)	2015	2014	2013
Interest income	$(3)	$(12)	$(3)
Interest expense	214	234	266
Loss on debt extinguishment	36	—	—
Other financial costs	10	21	69
Net interest and other financial costs	$257	$243	$332

The increase in net interest and other financial costs from 2014 to 2015 is primarily due to a $36 million charge related to the retirement of the 2.75% Senior Convertible Notes due 2019 partially offset by the redemption of the 4.00% Senior Convertible Notes due May 15, 2014.
The decrease in net interest and other financial costs from 2013 to 2014 is primarily due to the absence of a $34 million charge that was recorded in 2013 related to the repurchases of a portion of the 2014 Senior Convertible Notes and the 2013 charge of $22 million related to a guarantee of an unconsolidated equity investment. The remaining principal amount on the 2014 Senior Convertible Notes was redeemed in May 2014 which also reduced interest expense for 2014.

For additional information on U. S. Steel’s foreign currency exchange activity see Note 15 to the Consolidated Financial Statements and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk – Foreign Currency Exchange Rate Risk.”

Income Taxes

The income tax provision for the year ended December 31, 2015 was $183 million compared to an income tax provision of $68 million in 2014 and an income tax benefit of $587 million in 2013. The tax provision in 2015 does not reflect any tax benefits in the U.S. as a valuation allowance was recorded against the net domestic deferred tax asset (excluding a deferred tax liability related to an asset with an indefinite life). Included in the 2015 tax provision is a tax benefit of $31 million relating to adjustments to tax reserves related to the conclusion of certain audits. The tax provision (benefit) in 2014 and 2013 does not reflect any tax benefit for pretax losses in Canada, which was deconsolidated as of the end of the day on September 15, 2014, as this is a jurisdiction where we had recorded a full valuation allowance on deferred tax assets. Included in the 2014 tax provision is a benefit of $32 million related to the loss on deconsolidation of USSC and other charges. The tax benefit for 2013 also differs from the domestic statutory rate of 35 percent due to tax accounting impacts related to items reported in other comprehensive income.

U. S. Steel made an election for U.S. income tax purposes, effective December 31, 2013, to liquidate a foreign subsidiary that holds most of our international operations. The election allowed us to take a worthless stock loss and bad debt deduction in our 2013 U.S. income tax return for the excess of our investment in the subsidiary over the value of its assets. As a result, the Company recorded a tax benefit of $419 million in 2013. The election to liquidate the foreign subsidiary for U.S. income tax purposes results in USSK's income being subject to U.S. income taxes, less any applicable credit for Slovak income taxes paid, effective December 31, 2013.

For 2013, there was essentially no tax benefit recorded on the $1.8 billion goodwill impairment charge. Included in the 2013 tax benefit is a benefit of $13 million to adjust state deferred taxes. In addition, the 2013 adjustment of prior years' federal income taxes included a charge of approximately $19 million to adjust deferred taxes for prior years' differences between the financial statement carrying amounts of assets and liabilities and their tax bases for U.S. income tax purposes.

The net domestic deferred tax liability was $29 million at December 31, 2015, net of an established valuation allowance of $804 million, compared to a net domestic deferred tax asset of $318 million at December 31, 2014. The decrease in the net domestic deferred tax asset from 2014 to 2015 was primarily due to the valuation allowance that was recorded in 2015.

At December 31, 2015, the net foreign deferred tax asset was $15 million, net of an established valuation allowance of $4 million. At December 31, 2014, the net foreign deferred tax asset was $29 million, net of an established valuation allowance of $5 million. The net foreign deferred tax asset will fluctuate as the value of the U.S. dollar changes with respect to the euro.

The Canadian deferred tax asset and the related valuation allowance were deconsolidated from U. S. Steel's balance sheet as of the end of the day on September 15, 2014.

For further information on income taxes see Note 10 to the Consolidated Financial Statements.

Net income/(loss) attributable to U. S. Steel

Net loss attributable to U. S. Steel in 2015 was $(1,642) million compared to net income of $102 million in 2014 and a net loss of $1,645 million in 2013, respectively. The changes primarily reflected the factors discussed above.

Financial Condition, Cash Flows and Liquidity

Financial Condition

Accounts receivable decreased by $879 million from December 31, 2014 primarily due to depressed pricing as a result of weak market conditions.

Inventories decreased by $422 million from December 31, 2014 primarily due to decreased operating levels as a result of decreased sales activity.

Long-term receivables from related parties decreased by $362 million from December 31, 2014 primarily as a result of a change in our assessment of the recoverability of the Company's retained interest in USSC.

Property, plant and equipment decreased by $163 million from December 31, 2014 primarily due to fixed asset impairment charges related to the shutdown of coke facilities at Gary Works and Granite City Works and the shutdown of the majority of the Fairfield Flat-Rolled Operations.

Accounts payable and other accrued liabilities decreased by $509 million from year-end 2014 primarily as a result of decreased production levels.

Payroll and benefits payable decreased by $541 million from year-end 2014 primarily as a result of decreased contributions to the employee benefit plans and profit-based incentive payments related to 2014 financial performance that were paid in 2015. There were minimal profit-based liabilities for 2015.

Short-term debt and current maturities of long-term debt decreased by $333 million from year-end 2014 primarily as a result of the retirement of the 2019 Senior Convertible Notes along with scheduled repayments of certain environmental revenue bonds. See Note 16.

Total deferred income tax benefits and liabilities decreased by $361 million from December 31, 2014 due to the movement in deferred taxes and the associated valuation allowance that was recorded in 2015, as well as the adoption of Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes. See Notes 2 and 10 to the Consolidated Financial Statements.

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Cash Flows

Net cash provided by operating activities was $359 million in 2015 compared to $1,553 million in 2014 and $405 million in 2013. The decrease in 2015 compared to 2014 is primarily due to lower financial results. The decrease was partially offset by working capital improvements period over period, the reimbursement from our trust for represented retiree health care and life insurance benefits (VEBA) for payment of represented retiree health care and retiree life claims and the absence of a $140 million contribution to the defined benefit pension plan. Changes in working capital can vary significantly depending on factors such as the timing of inventory production and purchases, which is affected by the length of our business cycles as well as our captive raw materials position, customer payments of accounts receivable and payments to vendors in the regular course of business.

Our key working capital components include accounts receivable and inventory. The accounts receivable and inventory turnover ratios for the years ended December 31, 2015 and 2014 are as follows:

	Year Ended December 31,	
	2015	2014
Accounts Receivable Turnover	7.7	9.0
Inventory Turnover	4.9	6.0

Net cash provided by operating activities for 2015, 2014 and 2013 reflects employee benefits payments as shown in the following table.

Employee Benefits Payments

	Year Ended December 31,		
(Dollars in millions)	2015	2014	2013
Voluntary contributions to main defined benefit pension plan(a)	$—	$140	$145
Required contributions to other defined benefit pension plans	—	47	82
Other employee benefits payments not funded by trusts	75	198	137
Contributions to trusts for retiree health care and life insurance	10	—	10
Payments to a multiemployer pension plan	66	73	74
Pension related payments not funded by trusts	38	87	30
Reductions in cash flows from operating activities	$189	$545	$478

(a) Includes a contribution in 2013 related to the payment of Pension Benefit Guarantee Corporation (PBGC) fees.

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Capital expenditures in 2015 were $500 million compared to $480 million in 2014 and $468 million in 2013.

2015 Capital Spending
Flat-Rolled capital expenditures were $280 million and included spending for the Granite City Works No. 1 Caster replacement, the ongoing implementation of an enterprise resource planning (ERP) system, No. 1 Caster upgrade at Gary Works, pickle line replacement at Great Lakes Works, blast furnace maintenance at Granite City Works, and various other infrastructure, environmental and strategic projects. Tubular capital expenditures of $102 million related to the EAF and coupling facilities as well as various other infrastructure and strategic capital projects. USSE capital expenditures of $110 million consisted of spending for infrastructure and environmental projects.

2014 Capital Spending
Flat-Rolled capital expenditures were $322 million and included spending for the ongoing implementation of an enterprise resource planning (ERP) system, the Granite City Works Steel Shop Tap and Charging Emission Control System, a blast furnace reline at Mon Valley Works, blast furnace projects at Granite City and Great Lakes Works and various other infrastructure, environmental and strategic projects. Tubular capital expenditures of $76 million related to an upgrade to the Lorain No. 4 Seamless Hot Mill, the Offshore Operations Houston Test Lab and various other infrastructure and strategic capital projects. USSE capital expenditures of $74 million consisted of spending for infrastructure and environmental projects.

2013 Capital Spending
Flat-Rolled capital expenditures were $340 million and included spending for construction of carbon alloy facilities at Gary Works, a major rehabilitation of the No. 8 Blast Furnace at Gary Works, ongoing implementation of an ERP system and various other infrastructure and environmental projects. Tubular capital expenditures of $69 million related to an upgrade to the Lorain No. 4 Seamless Hot Mill, infrastructure, environmental and strategic capital projects. USSE capital expenditures of $40 million consisted of spending for infrastructure and environmental projects.

Capital spending amounts for 2014 and 2013 have been revised to correct a prior period error that resulted in an increase in capital expenditures of $61 million and a decrease in capital expenditures of $9 million, respectively.

U. S. Steel’s contract commitments to acquire property, plant and equipment at December 31, 2015, totaled $253 million.

Capital expenditures for 2016 are expected to total approximately $350 million and remain focused largely on strategic, infrastructure and environmental projects.
We are continuing our efforts to implement an ERP system to replace our existing information technology systems, which will enable us to operate more efficiently. The completion of the ERP project 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. We implemented our ERP system at Mon Valley Works in 2012, Gary Works in 2013 and Granite City Works and Great Lakes Works in 2014, and Texas Operations in 2015. We plan to implement our ERP system at Fairfield Tubular and Lorain Tubular in 2016.
We are also 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.

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 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.

Acquisitions in 2015 reflects the purchase of the 50 percent joint venture interest in Double Eagle Steel Coating Company not already owned by U. S. Steel.

Disposal of assets in 2014 primarily reflects proceeds from transactions to sell and swap a portion of the emissions allowances at USSK, as well as the sale of certain non-strategic assets.

Restricted cash in 2015 and 2014 reflects the use of restricted cash for qualified environmental capital projects. These proceeds are restricted for environmental capital projects at Gary Works, our Clairton Plant and Granite City Works and become unrestricted as capital expenditures for these projects are made. At December 31, 2015, there was no restricted cash. At December 31, 2014, $12 million of this restricted cash remained. Restricted cash in 2013 reflects a reduction in the use of cash collateralized letters of credit, which were replaced with surety bonds or transferred to our Receivables Purchase Agreement, as well as the use of proceeds from our environmental revenue bonds due 2042.

Issuance of long-term debt, net of financing costs in 2013 reflects the issuance of $316 million of 2.75% Senior Convertible Notes due 2019 and $275 million of 6.875% Senior Notes due 2021. U. S. Steel received net proceeds of $575 million after fees related to the underwriting discounts and third party expenses. See “Liquidity.”

Repayment of long-term debt in 2015 reflects the retirement of the $316 million principal amount of the 2019 Senior Convertible Notes along with scheduled repayments of certain environmental revenue bonds. Repayment of long-term debt in 2014 reflects the redemption of the remaining $322 million principal amount of our 2014 Senior Convertible Notes. The aggregate price, including accrued and unpaid interest, for the 2014 Senior Convertible Notes redeemed was approximately $327 million and the redemptions were paid with cash. Repayment of long-term debt in 2013 reflects the repurchase of $542 million aggregate principal amount of our 2014 Senior Convertible Notes. See “Liquidity.”

For all four quarters in 2015, 2014 and 2013, dividends paid per share of U. S. Steel common stock was $0.05.

Liquidity

The following table summarizes U. S. Steel’s liquidity as of December 31, 2015:

(Dollars in millions)	
Cash and cash equivalents	$755
Amount available under $1.5 Billion Credit Facility [a]	1,350
Amounts available under USSK credit facilities	270
Total estimated liquidity	$2,375

[a] U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 when availability under the Third Amended and Restated Credit Agreement is less than the greater of 10 percent of the total aggregate commitments or $150 million. Since availability was greater than $150 million, compliance with the fixed charge coverage ratio covenant was not required. Based on the most recent four quarters as of December 31, 2015, we would not meet this

covenant. If the value of our inventory and trade accounts receivable do not support the full amount of the facility or we are not able to meet this covenant in the future, the full amount of this facility would not be available to the Company.

We ended 2015 with $755 million of cash and cash equivalents and total liquidity of $2.4 billion. As of December 31, 2015, $277 million of the total cash and cash equivalents was held by our foreign subsidiaries. Substantially all of the liquidity attributable to our foreign subsidiaries can be accessed without the imposition of income taxes as a result of the election effective December 31, 2013 to liquidate for U.S. income tax purposes a foreign subsidiary that holds most of our international operations. See Note 10 to the Consolidated Financial Statements.

On July 27, 2015, the Company entered into a five-year Third Amended and Restated Credit Agreement (Third Amended and Restated Credit Agreement) replacing the Company's $875 million credit facility agreement (Amended Credit Agreement), and concurrently terminated the Receivables Purchase Agreement. The Third Amended and Restated Credit Agreement increases the amount of the facility to $1.5 billion. As of December 31, 2015, there were no amounts drawn on the Third Amended and Restated Credit Agreement and inventory and trade receivables amounts less specified reserves calculated in accordance with the Third Amended and Restated Credit Agreement supported the full availability of the facility. Maturity may be accelerated 91 days prior to the stated maturity of any outstanding senior debt if excess cash and credit facility availability do not meet the liquidity conditions set forth in the Third Amended and Restated Credit Agreement. Borrowings are secured by liens on certain domestic inventory and trade accounts receivable. U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 when availability under the Third Amended and Restated Credit Agreement is less than the greater of 10 percent of the total aggregate commitments or $150 million. Since availability was greater than $150 million, compliance with the fixed charge coverage ratio covenant was not required. Based on the most recent four quarters as of December 31, 2015, we would not meet this covenant. If the value of our inventory and trade accounts receivable do not support the full amount of the facility or we are not able to meet this covenant in the future, the full amount of this facility would not be available to the Company. At December 31, 2015, we had approximately $1.4 billion of availability under this facility.

The Third Amended and Restated Credit Agreement provides for borrowings at interest rates based on defined, short-term market rates plus a spread based on availability and includes other customary terms and conditions including restrictions on our ability to create certain liens and to consolidate, merge or transfer all, or substantially all, of our assets. The Third Amended and Restated Credit Agreement expires in July 2020. As of February 24, 2016, the Company entered into an amendment to the Third Amended and Restated Credit Agreement that updated certain definitions within the Third Amended and Restated Credit Agreement to conform with the definitions of similar terms used in the Corporation’s outstanding indentures. Additionally, the Amendment increases the threshold for incurrence of additional secured debt from 10% to 15% of Consolidated Net Tangible Assets.

At both December 31, 2015 and 2014, USSK had no borrowings under its €200 million (approximately $218 million and $244 million, respectively) unsecured revolving credit facility. The Credit Agreement contains certain USSK financial covenants (as further defined in the Credit Agreement) as well as other customary terms and conditions. The Credit Agreement expires in July 2016. USSK has renegotiated the €200 million unsecured revolving credit facility. See Note 26 to the Consolidated Financial Statements.

USSK had a €20 million unsecured revolving credit facility that expired in December 2015, which was replaced with a €40 million unsecured revolving credit facility that expires in December 2018. In addition, USSK has a €10 million unsecured credit facility that expires in December 2016. At December 31, 2015, USSK had no borrowings under its

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€40 million and €10 million unsecured credit facilities (collectively approximately $55 million) and the availability was approximately $52 million due to approximately $3 million of customs and other guarantees outstanding. At December 31, 2014, USSK had no borrowings under its €20 million and €10 million unsecured credit facilities (collectively approximately $36 million) and the availability was approximately $33 million due to approximately $3 million of customs and other guarantees outstanding.

We may from time to time seek to retire or purchase our outstanding long-term debt in open market purchases, privately negotiated transactions, exchange transactions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, and other factors and may be commenced or suspended at any time. The amounts involved may be material.

We use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. The use of some forms of financial assurance and cash collateral have a negative impact on liquidity. U. S. Steel has committed $158 million of liquidity sources for financial assurance purposes as of December 31, 2015. Increases in certain of these commitments which use collateral are reflected in restricted cash on the Consolidated Statement of Cash Flows.

At December 31, 2015, in the event of a change in control of U. S. Steel, the following may occur: (a) debt obligations totaling $2,575 million as of December 31, 2015 (including the Senior Notes) may be declared due and payable; (b) the Third Amended and Restated Credit Agreement and USSK's €200 million revolving credit agreement may be terminated and any amounts outstanding declared due and payable; and (c) U. S. Steel may be required to either repurchase the leased Fairfield slab caster for $32 million or provide a cash collateralized letter of credit to secure the remaining obligation.

U. S. Steel is the lessee of a slab caster at Fairfield Works in Alabama. In December 2012, U. S. Steel exercised an option to renew the lease for a nine year term and purchase the facility at the expiration of the renewal period in June 2022.

The maximum guarantees of the indebtedness of unconsolidated entities of U. S. Steel totaled $4 million at December 31, 2015. If any default related to the guaranteed indebtedness occurs, U. S. Steel has access to its interest in the assets of the investees to reduce its potential losses under the guarantees.

The 2015 Labor Agreements restructured prior contractual obligations that required U. S. Steel to make $235 million in cash contributions to the VEBA trust fund. These funds will now be used to help keep healthcare affordable for our retirees.

The following table summarizes U. S. Steel's contractual obligations at December 31, 2015, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

(Dollars in millions)

			Payments Due by Period		
Contractual Obligations	Total	2016	2017 through 2018	2019 through 2020	Beyond 2020
Long-term debt (including interest) and capital leases[a]	$4,766	$270	$1,368	$938	$2,190
Operating leases[b]	248	85	114	23	26
Contractual purchase commitments[c]	7,101	3,700	1,191	694	1,516
Capital commitments[d]	253	160	93	—	—

Environmental commitments[d]	197	14	—	—	183 [e]
Steelworkers Pension Trust	328 [f]	63	128 [f]	137 [f]	— [f]
Pensions[g]	601	—	—	94	507
Other benefits	299 [h]	62	122	115	— [h]
Unrecognized tax positions	74	—	—	—	74 [e]
Total contractual obligations	$13,867	$4,354	$3,016	$2,001	$4,496

(a) See Note 16 to the Consolidated Financial Statements.

(b) See Note 23 to the Consolidated Financial Statements. Amounts exclude subleases.

(c) Reflects contractual purchase commitments under purchase orders and “take or pay” arrangements. “Take or pay” arrangements are primarily for purchases of gases and certain energy and utility services. Additionally, includes coke and steam purchase commitments related to a coke supply agreement with Gateway Energy & Coke Company LLC (See Note 25 to the Consolidated Financial Statements).

(d) See Note 25 to the Consolidated Financial Statements.

(e) Timing of potential cash flows is not reasonably determinable.

(f) While it is difficult to make a prediction of cash requirements beyond the term of the 2015 Labor Agreements with the USW, which expire on September 1, 2018, projected amounts shown through 2019 assume that the current $2.65 contribution rate per hour will apply.

(g) Projections are estimates of the minimum required contributions to the main domestic defined benefit pension plan which have been estimated assuming future asset performance consistent with our expected long-term earnings rate assumption, no voluntary contributions during the periods, and that the current low interest rate environment persists. Projections include the impacts of the November 2015 pension stabilization legislation, which further extended a revised interest rate formula to be used in calculating minimum required annual contributions. The legislation also increased the contribution rate of future PBGC premiums. After 2020, payments represent minimum contributions that may be needed over the next 5 years, and which would fully fund the plan.

(h) The amounts reflect corporate cash outlays for expected benefit payments to be paid by the Company. Under the 2015 Labor Agreement, previously required contributions to the USW VEBA trust have been eliminated (See Note 17 to the Consolidated Financial Statements). The accuracy of this forecast of future cash flows depends on future medical health care escalation rates and restrictions related to our trusts for retiree healthcare and life insurance that impact the timing of the use of trust assets. Projected amounts have been reduced to reflect withdrawals from the USW VEBA trust available under its agreements with the USW. Due to these factors, it is not possible to reliably estimate cash requirements beyond five years and actual amounts experienced may differ significantly from those shown.

Contingent lease payments have been excluded from the above table. Contingent lease payments relate to operating lease agreements that include a floating rental charge, which is associated to a variable component. Future contingent lease payments are not determinable to any degree of certainty. U. S. Steel’s annual incurred contingent lease expense is disclosed in Note 23 to the Consolidated Financial Statements. Additionally, recorded liabilities related to deferred income taxes and other liabilities that may have an impact on liquidity and cash flow in future periods, disclosed in Note 10 to the Consolidated Financial Statements, are excluded from the above table.

U. S. Steel made voluntary contributions to our main U.S. defined benefit plan of $140 million in 2014. U. S. Steel will monitor the status of the plan to determine when voluntary contributions may be prudent in order to mitigate potentially larger mandatory contributions in later years. The funded status of U. S. Steel’s pension plans is disclosed in Note 17 to the Consolidated Financial Statements.

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The following table summarizes U. S. Steel's commercial commitments at December 31, 2015, and the effect such commitments could have on our liquidity and cash flows in future periods.

(Dollars in millions)

		Scheduled Reductions by Period				
Commercial Commitments	Total	2016	2017 through 2018	2019 through 2020	Beyond 2020	
Standby letters of credit[(a)]	$62	$52	$1	$—	$9	[(b)]
Surety bonds[(a)]	65	—	—	—	65	[(b)]
Funded Trusts[(a)]	31	—	—	—	31	[(b)]
Total commercial commitments	$158	$52	$1	$—	$105	

(a) Reflects a commitment or guarantee for which future cash outflow is not considered likely.
(b) Timing of potential cash outflows is not determinable.

Our major cash requirements in 2016 are expected to be for capital expenditures, employee benefits and operating costs, including purchases of raw materials. We ended 2015 with $755 million of cash and cash equivalents and $2.4 billion of total liquidity. Available cash is left on deposit with financial institutions or invested in highly liquid securities with parties we believe to be creditworthy.

U. S. Steel management believes that U. S. Steel's liquidity will be adequate to satisfy our obligations for the foreseeable future, including obligations to complete currently authorized capital spending programs. Future requirements for U. S. Steel's business needs, including the funding of acquisitions and capital expenditures, scheduled debt maturities, including $450 million of principal 2017 Senior Notes due in June 2017, repurchase of debt, share buybacks, contributions to employee benefit plans, and any amounts that may ultimately be paid in connection with contingencies, are expected to be funded by a combination of internally generated funds (including asset sales), proceeds from the sale of stock, borrowings, refinancings and other external financing sources.

Off-Balance Sheet Arrangements

U. S. Steel has invested in several joint ventures that are reported as equity investments. Several of these investments involved a transfer of assets in exchange for an equity interest. U. S. Steel has supply arrangements with several of these joint ventures. In some cases, a portion of the labor force used by the investees is provided by U. S. Steel, the cost of which is reimbursed; however, failing reimbursement, U. S. Steel is ultimately responsible for the cost of these employees. The terms of these arrangements were a result of negotiations in arms-length transactions with the other joint venture participants, who are not affiliates of U. S. Steel.

U. S. Steel's other off-balance sheet arrangements include guarantees, indemnifications, unconditional purchase obligations, surety bonds, trusts and letters of credit disclosed in Note 25 to the Consolidated Financial Statements as well as operating leases disclosed in Note 23 to the Consolidated Financial Statements.

Derivative Instruments

See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for discussion of derivative instruments and associated market risk for U. S. Steel.

International Trade

In an effort to stem the increased flow of unfairly traded corrosion-resistant (CORE), cold-rolled, and hot-rolled products into the U.S. market, U. S. Steel, along with other steel producers, filed a series of three petitions with the Department of Commerce (Commerce) and the U.S. International Trade Commission (USITC).

On June 3, 2015, U. S. Steel launched the first case against China, India, Italy, South Korea, and Taiwan. The petitions allege that unfairly traded imports of corrosion-resistant steel from the subject countries are causing material injury to the domestic industry and that significant subsidies have been provided to producers by the governments of those countries. The petitions also allege that foreign producers benefit from numerous countervailable subsidies. On July 16, 2015, the USITC determined that there is a reasonable indication that the U.S. industry is threatened with material injury by reason of imports of CORE steel products from the subject countries. All six USITC Commissioners voted in the affirmative. Commerce made preliminary affirmative determinations in the countervailing duty (CVD) and antidumping (AD) investigations of imports of CORE products from China, India, Italy, and South Korea. Commerce made a negative preliminary determination in the AD and CVD investigations of imports of CORE products from Taiwan. The investigations are on-going and are expected to be finalized in the summer of 2016.

On July 28, 2015, U. S. Steel, joined by other major U.S. steel companies, filed a second case. The petitions charged that unfairly-traded imports of cold-rolled steel products from Brazil, China, India, Japan, South Korea, the Netherlands, Russia, and the United Kingdom are causing material injury to the domestic industry. The petitions further allege that producers in each of the eight countries are dumping cold-rolled steel in the U.S. market and that the foreign producers in Brazil, China, India, South Korea, and Russia benefit from numerous countervailable subsidies. On September 10, 2015, the USITC determined that there was a reasonable indication that the U.S. industry is materially injured or threatened with material injury by reason of imports of cold-rolled steel products from Brazil, China, India, Japan, South Korea, Russia, and the United Kingdom, which are being sold in the United States at less than fair value and subsidized by the governments of Brazil, China, India, South Korea, and Russia. The USITC further determined that imports of cold-rolled steel products from the Netherlands were negligible. On December 16, 2015, Commerce announced its affirmative preliminary determinations in the countervailing investigations concerning imports of cold-rolled steel products from Brazil, China, India, and Russia. Commerce made a negative preliminary determination in the CVD investigation of imports of cold-rolled steel products from South Korea. In early 2016, Commerce is expected to make its preliminary AD determinations.

Finally, on August 11, 2015, U. S. Steel and five other domestic steel producers filed petitions for the imposition of duties on hot-rolled coil from Australia, Brazil, Japan, South Korea, the Netherlands, Turkey, and the United Kingdom, on the basis that foreign producers are selling hot-rolled steel in the United States at a price that is below that producer's sales price in the country of origin, or at a price that is lower than the producer’s cost of production and that steel manufacturers in Brazil, Turkey, and South Korea benefit from various subsidies. On September 24, 2015, the USITC determined that there is a reasonable indication that the U.S. industry is materially injured by reason of imports of hot-rolled steel products from Australia, Brazil, Japan, South Korea, the Netherlands, Turkey, and the United Kingdom. On January 11, 2016, Commerce announced its affirmative preliminary determinations in the countervailing duty investigation of imports of hot-rolled steel from Brazil, and its negative preliminary determinations in the CVD investigations of imports of hot-rolled steel products from South Korea and Turkey. Commerce’s preliminary AD determination will be issued in early March 2016.

In addition to the recent case filings, U. S. Steel is actively defending appeals. In the 2013 AD and CVD case against OCTG producers from India, South Korea, Taiwan, Turkey, Ukraine, and Vietnam, Commerce issued AD orders against said countries and CVD orders against India and Turkey. The respondents filed appeals with the Court of International Trade (CIT). At present, U. S. Steel is involved in several appeals filed at the CIT from the OCTG determinations. In addition to defending on-going appeals, U. S. Steel, and other domestic producers, filed joint requests for administrative reviews in the several OCTG investigations. Administrative reviews allow interested parties to request that Commerce review the status of and compliance with the previously instituted countervailable subsidy or dumping margins to ensure that foreign producers are fully complying with said orders. Finally, AD and CVD orders are generally subject to "sunset" reviews every five years and U. S. Steel actively participates in such review proceedings. U. S. Steel continues to be actively engaged in relevant, pending sunset reviews before the USITC and Commerce.

While U. S. Steel initiates actions in its home market, our subsidiaries in other markets are not exempt from review. On January 28, 2015, the Turkish Ministry of Economy launched an AD probe on imports of Hot-Rolled Coil (HRC) from China, Japan, France, Russia, Ukraine, Romania, and Slovakia, which implicated exports from U. S. Steel Košice (USSK) to Turkey. U. S. Steel supported USSK in a vigorous defense in Ankara against Turkey's dumping allegations. While the Turkish Ministry of Economy imposed transitional measures on imports of HRC from Slovakia, U. S. Steel believes it has a strong case against the allegations raised by Turkey and continues to engage Turkish authorities through both legal and diplomatic means. U. S. Steel strongly believes that imports of HRC from Slovakia did not injure the domestic HRC producers in Turkey.

In Europe, USSK is also participating in and cooperating with the European Commission's (EC) dumping action concerning hot-rolled steel flat products from China, which was filed on December 23, 2015. The European Union (EU) estimates that approximately 8,500 jobs are at risk, indicating the gravity of the current threat facing the EU hot-rolled industry.

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Additionally, USSK is actively participating in the EC's investigation concerning cold-rolled steel flat products from China and Russia. The complaint was lodged in April 2015 by Eurofer on behalf of a select number of European steel producers, including USSK. USSK submitted information for use in the EU's verification process. The EU case handlers confirmed that the information submitted by USSK was correct and complete. On February 12, 2016, the EC instituted provisional measures for cold-rolled coil from Russia and China. By August 2016, the EU Commission will determine whether definitive measures will be imposed against China and Russia.

U. S. Steel also remains active in the ongoing disputes before the World Trade Organization (WTO). At the end of 2014, South Korea filed a separate action with the WTO challenging the OCTG ruling. While U. S. Steel strongly believes that all of the imports in question were traded unfairly, and that relief is fully justified under United States law, the outcome of the appeals remains uncertain. In addition to this dispute, there are several recent decisions and ongoing cases at the WTO that could have adverse impacts on the effectiveness of trade remedy laws in North America. The first is a challenge by India on U.S. countervailing measures on hot-rolled steel that will affect the practice of crosscumulation by the USITC in parallel AD and CVD petitions. The second case concerns China's challenge of countervailing duties imposed by the United States on certain products from China. If successful, the challenge by China could have implications for a number of important policy and trade issues.

Competition from imports will continue to influence the market. In an effort to mitigate the negative impact of unfairly traded foreign imports on our business, U. S. Steel has initiated discussions to change the AD/CVD system through regulatory practices and procedures; commenced substantive work with regional trade partners and organizations; outlined a robust engagement with the Administration to tackle global overcapacity through bilateral negotiations as well as in multilateral fora; and commenced discussions with other industries and stakeholders to launch a public education campaign.

U. S. Steel continually assesses the impact of imports from foreign countries on our business, and continues to execute a broad, global strategy to enhance the means and manner in which it competes in the U.S. market and internationally. Across five platforms, U. S. Steel is leveraging its unique experience, knowledge, and reputation to forge alliances and partnerships to advance innovative structural changes to commercial and legal regimes to better position and support the U.S. steel industry in the 21st century and beyond.

Environmental Matters

Some of U. S. Steel's facilities were in operation before 1900. Although management believes that U. S. Steel's environmental practices have either led the industry or at least been consistent with prevailing industry practices, hazardous materials may have been released at current or former operating sites or delivered to sites operated by third parties.

Our U.S. facilities are subject to environmental laws applicable in the U.S., including the Clean Air Act (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. 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 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.

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."
In the future, compliance with EU CO_2 emission requirements for USSK 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. U. S. Steel is also responsible for remediation costs related to former and present operating locations and disposal of environmentally sensitive materials. For further discussion of CO_2 emission requirements and remediation, see "Part I, Item 1. Business - Environmental Matters," "Part I, Item 3. Legal Proceedings - Environmental Proceedings" and Note 25 to the Consolidated Financial Statements, "Contingencies and Commitments - Environmental Matters - European Union (EU) Environmental Requirements."

U. S. Steel's environmental expenditures were as follows:
(Dollars in millions)

	2015	2014	2013
North America:			
Capital	$16	$47	$51
Compliance			
Operating & maintenance	226	303	322
Remediation[(a)]	12	22	56
Total North America	$254	$372	$429
USSE:			
Capital	$80	$36	$13
Compliance			
Operating & maintenance	12	14	16
Remediation[(a)]	8	8	9
Total USSE	$100	$58	$38
Total U. S. Steel	$354	$430	$467

(a) These amounts include spending charged against remediation reserves, net of recoveries where permissible, but do not include non-cash provisions recorded for environmental remediation.

U. S. Steel's environmental capital expenditures accounted for 19 percent of total capital expenditures in 2015, 20 percent in 2014 and 13 percent in 2013.

Environmental compliance expenditures represented two percent of U. S. Steel's total costs and expenses in 2015, two percent in 2014 and three percent of U. S. Steel's total costs and expenses in 2013. Remediation spending during 2013 through 2015 was mainly related to remediation activities at former and present operating locations.

RCRA establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental impacts of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks.

U. S. Steel is in the study phase of RCRA corrective action programs at our Fairless Plant and Lorain Tubular Operations. RCRA corrective action programs have also been initiated at Gary Works, Fairfield Works and UPI. Until the studies are completed at these facilities, U. S. Steel is unable to estimate the total cost of remediation activities that will be required.

For discussion of other relevant environmental items see "Part I, Item 3. Legal Proceedings – Environmental Proceedings."

The following table shows activity with respect to environmental remediation liabilities for the years ended December 31, 2015 and December 31, 2014. These amounts exclude liabilities related to asset retirement obligations accounted for in accordance with ASC Topic 410. See Note 18 to the Consolidated Financial Statements.

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(Dollars in millions)	2015	2014
Beginning Balance	$212	$233
Plus: Additions	—	5
Adjustments for changes in estimates	(5)	—
Less: Obligations settled	(10)	(26)
Ending Balance	$197	$212

New or expanded environmental requirements, which could increase U. S. Steel's environmental costs, may arise in the future. U. S. Steel intends to comply with all legal requirements regarding the environment, but since many of them are not fixed or presently determinable (even under existing legislation) and may be affected by future legislation, it is not possible to predict accurately the ultimate cost of compliance, including remediation costs which may be incurred and penalties which may be imposed. However, based on presently available information and existing laws and regulations as currently implemented, U. S. Steel does not anticipate that environmental compliance and remediation expenditures (including operating and maintenance) will materially increase in 2016. U. S. Steel's environmental capital expenditures are expected to be approximately $45 million in 2016, $30 million of which is related to projects at USSE. U. S. Steel's environmental expenditures for 2016 for operating and maintenance and for remediation projects are expected to be approximately $195 million and $10 million, respectively of which approximately $15 million and $5 million for operating and maintenance and remediation, respectively, is related to USSE. Predictions beyond 2016 can only be broad-based estimates, which have varied, and will continue to vary, due to the ongoing evolution of specific regulatory requirements, the possible imposition of more stringent requirements and the availability of new technologies to remediate sites, among other factors.

Outlook for 2016

We are facing significant headwinds and uncertainty in many of the markets we serve but remain focused on continuing to improve our cost structure, developing differentiated solutions for our customers and creating more reliable and agile operating capabilities. We have a strong and growing pipeline of Carnegie Way projects that will provide benefits in our operating segments and all other areas of our company. The substantive changes and improvements we are making continue to increase our earnings power. We are working hard every day to serve our customers and are well positioned to respond to improving market conditions.

At current market conditions, which include spot prices, import volumes and supply chain inventory levels, we would expect 2016 adjusted EBITDA to be near breakeven.

As overall market conditions improve during 2016, we would expect adjusted EBITDA to improve consistent with the pace and magnitude of any improvement in market conditions.

At current market conditions, we would expect lower results in each of our operating segments as compared to 2015. We would expect that the operating efficiencies related to our current facility configuration, lower raw materials, operating and overhead costs and additional Carnegie Way benefits would only partially offset the unfavorable effects of lower average realized prices and volumes.

We expect improved results for Other Businesses, primarily from real estate, and we expect lower post retirement benefits expenses.

Based on current market conditions, we expect approximately $500 million of cash benefits from working capital improvements in 2016, primarily related to better inventory management.

The foregoing guidance is based on our current estimates and may change based on prevailing economic and competitive conditions and other risks and uncertainties referred to in the Forward-Looking Statements section and in "Item 1A. Risk Factors." These factors could significantly affect our shipments and average realized prices and our outlook may change as a result of these and other factors.

Accounting Standards

See Note 2 to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

U. S. Steel is exposed to certain risks related to its ongoing business operations, including financial, market, political, and economic risks. The following discussion provides information regarding U. S. Steel's exposure to the risks of changing foreign currency exchange rates, commodity prices and interest rates.

U. S. Steel may enter into derivative financial instrument transactions in order to manage or reduce these market risks. The use of derivative instruments is subject to our corporate governance policies. These instruments are used solely to mitigate market exposure and are not used for trading or speculative purposes.

U. S. Steel may elect to use hedge accounting for certain commodity or currency transactions. For those transactions, the impact of the effective portion of the hedging instrument will be recognized in other comprehensive income until the transaction is settled. Once the transaction is settled, the effect of the hedged item will be recognized in income. For further information regarding derivative instruments see Notes 1 and 15 to the Consolidated Financial Statements.

Foreign Currency Exchange Rate Risk

U. S. Steel, through USSE, is subject to the risk of price fluctuations due to the effects of exchange rates on revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than the U.S. dollar, particularly the euro. U. S. Steel historically has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. U. S. Steel has not elected to use hedge accounting for these contracts. Foreign currency derivative instruments have been marked-to-market and the resulting gains or losses recognized in the current period in net interest and other financial costs. At December 31, 2015 and December 31, 2014, U. S. Steel had open euro forward sales contracts for U.S. dollars (total notional value of approximately $266 million and $401 million, respectively). A 10 percent increase in the December 31, 2015 euro forward rates would result in a $26 million charge to income.

The fair value of our derivatives is determined using Level 2 inputs, which are defined as "significant other observable" inputs. The inputs used include quotes from counterparties that are corroborated with market sources.

Volatility in the foreign currency markets could have significant implications for U. S. Steel as a result of foreign currency transaction effects. Future foreign currency impacts will depend upon changes in currencies and the extent to which we engage in derivatives transactions. For additional information on U. S. Steel's foreign currency exchange activity, see Note 15 to the Consolidated Financial Statements.

Commodity Price Risk and Related Risks

In the normal course of our business, U. S. Steel is exposed to market risk or price fluctuations related to the purchase, production or sale of steel products. U. S. Steel is also exposed to price risk related to the purchase, production or sale of coal, coke, natural gas, steel scrap, iron ore and pellets, and zinc, tin and other nonferrous metals used as raw materials. See Note 15 to the Consolidated Financial Statements for further details on U. S. Steel's derivatives.

U. S. Steel's market risk strategy has generally been to obtain competitive prices for our products and services and allow operating results to reflect market price movements dictated by supply and demand; however, U. S. Steel has made forward physical purchases to manage exposure to price risk related to the purchases of natural gas and certain non-ferrous metals used in the production process.

U. S. Steel held commodity contracts for natural gas forward buys placed for 2016 that qualified for the normal purchases and normal sales exemption with a total notional value of approximately $26 million at December 31, 2015.

Total commodity contracts for natural gas forward buys placed for 2016 at December 31, 2015 represent approximately 17 percent of our expected North American natural gas requirements.

Interest Rate Risk

U. S. Steel is subject to the effects of interest rate fluctuations on the fair value of certain of our non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10 percent increase/decrease in year-end 2015 and 2014 interest rates on the fair value of U. S. Steel's non-derivative financial instruments is provided in the following table:

(Dollars in millions)	2015		2014	
Non-Derivative Financial Instruments[a]	Fair Value[b]	Change in Fair Value[c]	Fair Value[b]	Change in Fair Value[c]
Financial liabilities:				
Debt[d][e]	$1,896	$133	$3,740	$113

(a) Fair values of cash and cash equivalents, current accounts and notes receivable, accounts payable, bank checks outstanding and accrued interest approximate carrying value and are relatively insensitive to changes in interest rates due to the short-term maturity of the instruments. Accordingly, these instruments are excluded from the table.

(b) See Note 19 to the Consolidated Financial Statements for carrying value of instruments.

(c) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10 percent decrease in interest rates at December 31, 2015 and 2014, on the fair value of U. S. Steel's non-derivative financial instruments. For financial liabilities, this assumes a 10 percent decrease in the weighted average yield to maturity of U. S. Steel's long-term debt at December 31, 2015 and December 31, 2014.

(d) Excludes capital lease obligations.

(e) Fair value was determined using Level 2 inputs which were derived from quoted market prices and is based on the yield on public debt where available or current borrowing rates available for financings with similar terms and maturities.

U. S. Steel's sensitivity to interest rate declines and corresponding increases in the fair value of our debt portfolio would unfavorably affect our results and cash flows only to the extent that we elected to repurchase or otherwise retire all or a portion of our fixed-rate debt portfolio at prices above carrying value.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

United States Steel Corporation
600 Grant Street
Pittsburgh, PA 15219-2800

MANAGEMENT'S REPORT TO STOCKHOLDERS

February 29, 2016

To the Stockholders of United States Steel Corporation:

Financial Statements and Practices

The accompanying consolidated financial statements of United States Steel Corporation are the responsibility of and have been prepared by United States Steel Corporation in conformity with accounting principles generally accepted in the United States of America. They necessarily include some amounts that are based on our best judgments and estimates. United States Steel Corporation's financial information displayed in other sections of this report is consistent with these financial statements.

United States Steel Corporation seeks to assure the objectivity and integrity of its financial records by careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communication programs aimed at assuring that its policies, procedures and methods are understood throughout the organization.

United States Steel Corporation has a comprehensive, formalized system of internal controls designed to provide reasonable assurance that assets are safeguarded, that financial records are reliable and that information required to be disclosed in reports filed with or submitted to the Securities and Exchange Commission is recorded, processed, summarized and reported within the required time limits. Appropriate management monitors the system for compliance and evaluates it for effectiveness, and the internal auditors independently measure its effectiveness and recommend possible improvements thereto.

The Board of Directors exercises its oversight role in the area of financial reporting and internal control over financial reporting through its Audit Committee. This Committee, composed solely of independent directors, regularly meets (jointly and separately) with the independent registered public accounting firm, management, internal audit and other executives to monitor the proper discharge by each of their responsibilities relative to internal control over financial reporting and United States Steel Corporation's financial statements.

Internal Control Over Financial Reporting

United States Steel Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of United States Steel Corporation's management, including the chief executive officer and chief financial officer, United States Steel Corporation conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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Based on this evaluation, United States Steel Corporation's management concluded that United States Steel Corporation's internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of United States Steel Corporation's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/S/ MARIO LONGHI	/S/ DAVID B. BURRITT
Mario Longhi	David B. Burritt
President and	Executive Vice President and
Chief Executive Officer	Chief Financial Officer

/S/ COLLEEN M. DARRAGH
Colleen M. Darragh
Vice President and Controller

Report of Independent Registered Public Accounting Firm

To the Stockholders of United States Steel Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income/(loss), stockholders’ equity and cash flows present fairly, in all material respects, the financial position of United States Steel Corporation and its subsidiaries (the Company) at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report to Stockholders - Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As disclosed in Note 2 to the consolidated financial statements, the Company changed the manner in which it presents deferred income taxes in 2015.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 29, 2016

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UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
(Dollars in millions, except per share amounts)	2015	2014	2013
Net sales:			
Net sales	$10,111	$16,149	$16,269
Net sales to related parties (Note 22)	1,463	1,358	1,155
Total	11,574	17,507	17,424
Operating expenses (income):			
Cost of sales (excludes items shown below)	11,141	15,455	16,016
Selling, general and administrative expenses	415	523	610
Depreciation, depletion and amortization (Notes 12 and 13)	547	627	684
Earnings from investees (Note 11)	(38)	(142)	(40)
Impairment of goodwill (Note 13)	—	—	1,806
Losses associated with U. S. Steel Canada Inc. (Notes 4 and 5)	392	416	—
Restructuring and other charges (Note 24)	322	250	248
Net gain on disposals of assets (Note 25)	(2)	(23)	—
Other income, net	(1)	(12)	—
Total	12,776	17,094	19,324
(Loss) earnings before interest and income taxes (EBIT)	(1,202)	413	(1,900)
Interest expense (Note 7)	214	234	266
Interest income	(3)	(12)	(3)
Loss on debt extinguishment	36	—	—
Other financial costs (Note 7)	10	21	69
Net interest and other financial costs	257	243	332
(Loss) earnings before income taxes	(1,459)	170	(2,232)
Income tax provision (benefit) (Note 10)	183	68	(587)
Net (loss) earnings	(1,642)	102	(1,645)
Less: Net loss attributable to noncontrolling interests	—	—	—
Net (loss) earnings attributable to United States Steel Corporation	$(1,642)	$102	$(1,645)
(Loss) income per common share (Note 8)			
Net (loss) income per share attributable to United States Steel Corporation stockholders:			
— Basic	$(11.24)	$0.71	$(11.37)
— Diluted	$(11.24)	$0.69	$(11.37)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Year Ended December 31,		
(Dollars in millions)	2015	2014	2013
Net (loss) earnings	$(1,642)	$102	$(1,645)
Other comprehensive (loss) income, net of tax:			
Changes in foreign currency translation adjustments [a]	(104)	66	30
Changes in pension and other employee benefit accounts [a]	373	(218)	1,486
Other [a]	3	(5)	—
Deconsolidation of U. S. Steel Canada [b]	—	468	—
Total other comprehensive income, net of tax	272	311	1,516
Comprehensive (loss) income including noncontrolling interest	(1,370)	413	(129)
Comprehensive loss attributable to noncontrolling interest	—	—	—
Comprehensive (loss) income attributable to United States Steel Corporation	$(1,370)	$413	$(129)
[a] Related income tax benefit (provision):			
Foreign currency translation adjustments	$82	$111	$—
Pension and other benefits adjustments	(228)	282	(762)
Other adjustments	(2)	3	—

[b] Consists of $493 million for Pension and other benefit adjustments and $(25) million for currency translation adjustments.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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UNITED STATES STEEL CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
(Dollars in millions)	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$755	$1,354
Receivables, less allowance of $28 and $45	864	1,632
Receivables from related parties, less allowance of $254 and $218 (Note 22)	199	310
Inventories (Note 9)	2,074	2,496
Other current assets	25	37
Total current assets	3,917	5,829
Investments and long-term receivables, less allowance of $7 and $8 (Note 11)	540	577
Long-term receivables from related parties, less allowance of $1,446 and $1,188	—	362
Property, plant and equipment, net (Note 12)	4,411	4,574
Intangibles — net (Note 13)	196	204
Deferred income tax benefits (Note 10)	15	347
Other noncurrent assets	111	120
Total assets	$9,190	$12,013
Liabilities		
Current liabilities:		
Accounts payable and other accrued liabilities	$1,412	$1,871
Accounts payable to related parties (Note 22)	81	131
Payroll and benefits payable	462	1,003
Accrued taxes (Note 10)	99	134
Accrued interest	49	52
Short-term debt and current maturities of long-term debt (Note 16)	45	378
Total current liabilities	2,148	3,569
Long-term debt, less unamortized discount (Note 16)	3,116	3,120
Employee benefits (Note 17)	1,101	1,117
Deferred income tax liabilities (Note 10)	29	—
Deferred credits and other noncurrent liabilities	359	407
Total liabilities	6,753	8,213
Contingencies and commitments (Note 25)		
Stockholders’ Equity		
Common stock issued — 150,925,911 shares issued (par value $1 per share, authorized 400,000,000 shares)	151	151
Treasury stock, at cost (4,644,867 shares and 5,270,872 shares)	(339)	(396)
Additional paid-in capital	3,603	3,623
Retained earnings	190	1,862
Accumulated other comprehensive loss (Note 20)	(1,169)	(1,441)
Total United States Steel Corporation stockholders’ equity	2,436	3,799
Noncontrolling interests	1	1
Total liabilities and stockholders’ equity	$9,190	$12,013

The accompanying notes are an integral part of these Consolidated Financial Statements.

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UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(Dollars in millions)	2015	2014	2013
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net (loss) earnings	$(1,642)	$102	$(1,645)
Adjustments to reconcile net cash provided by operating activities:			
Depreciation, depletion and amortization (Notes 12 and 13)	547	627	684
Impairment of goodwill (Note 13)	—	—	1,806
Losses associated with U. S. Steel Canada Inc. (Notes 4 and 5)	392	416	—
Restructuring and other charges (Note 24)	322	256	248
Loss on debt extinguishment	36	—	—
Provision for doubtful accounts	(15)	—	5
Pensions and other postretirement benefits	50	(235)	(28)
Deferred income taxes (Note 10)	213	76	(386)
Net gain on disposal of assets (Note 25)	(2)	(23)	—
Distributions received, net of equity investees income	(28)	(135)	(27)
Changes in:			
Current receivables	792	(199)	114
Inventories	391	(247)	(201)
Current accounts payable and accrued expenses	(632)	581	(70)
Income taxes receivable/payable	6	161	(187)
All other, net	(71)	173	92
Net cash provided by operating activities	359	1,553	405
Investing activities:			
Capital expenditures	(500)	(480)	(468)
Acquisitions	(25)	—	(12)
Disposal of assets	4	29	3
Change in restricted cash, net	13	29	100
Investments, net	(2)	(5)	(7)
Net cash used in investing activities	(510)	(427)	(384)
Financing activities:			
Issuance of long-term debt, net of financing costs of $0, $0 and $15	—	—	575
Repayment of long-term debt	(379)	(325)	(542)
Receipts from exercise of stock options	1	13	—
Dividends paid	(29)	(29)	(29)
Net cash (used in) provided by financing activities	(407)	(341)	4
Effect of exchange rate changes on cash	(41)	(35)	9
Net (decrease) increase in cash and cash equivalents	(599)	750	34
Cash and cash equivalents at beginning of year	1,354	604	570
Cash and cash equivalents at end of year	$755	$1,354	$604

See Note 21 for supplemental cash flow information.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Dollars in Millions			Shares in Thousands		
	2015	2014	2013	2015	2014	2013
Common stock:						
Balance at beginning of year	$151	$151	$151	150,926	150,926	150,926
Common stock issued	—	—	—	—	—	—
Balance at end of year	$151	$151	$151	150,926	150,926	150,926
Treasury stock:						
Balance at beginning of year	$(396)	$(480)	$(521)	(5,271)	(6,246)	(6,644)
Common stock reissued for employee/non-employee director stock plans	57	84	41	626	975	398
Balance at end of year	$(339)	$(396)	$(480)	(4,645)	(5,271)	(6,246)
Additional paid-in capital:						
Balance at beginning of year	$3,623	$3,667	$3,652			
Issuance of conversion option in 2019 Senior Convertible Notes, net of tax	—	—	31			
Employee stock plans	(20)	(44)	(16)			
Balance at end of year	$3,603	$3,623	$3,667			

The accompanying notes are an integral part of these Consolidated Financial Statements.

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UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Continued)

				Comprehensive Income (Loss)		
(Dollars in millions)	2015	2014	2013	2015	2014	2013
Retained earnings:						
Balance at beginning of year	$1,862	$1,789	$3,463			
Net (loss) earnings attributable to United States Steel Corporation	(1,642)	102	(1,645)	$(1,642)	$102	$(1,645)
Dividends on common stock	(29)	(29)	(29)			
Other	(1)	—	—			
Balance at end of year	$190	$1,862	$1,789			
Accumulated other comprehensive (loss) income:						
Pension and other benefit adjustments (Note 17):						
Balance at beginning of year	$(1,852)	$(2,127)	$(3,613)			
Changes during year, net of taxes[(a)] [(b)]	364	296	1,444	364	296	1,444
Changes during year, equity investee net of taxes[(a)]	9	(21)	42	9	(21)	42
Balance at end of year	$(1,479)	$(1,852)	$(2,127)			
Foreign currency translation adjustments:						
Balance at beginning of year	$416	$375	$345			
Changes during year, net of taxes[(a)] [(b)]	(104)	41	30	(104)	41	30
Balance at end of year	$312	$416	$375			
Other:						
Balance at beginning of year	$(5)	$—	$—			
Changes during year, net of taxes[(a)]	3	(5)	—	3	(5)	—
Balance at end of year	$(2)	$(5)	$—			
Total balances at end of year	$(1,169)	$(1,441)	$(1,752)			
Total stockholders' equity	$2,436	$3,799	$3,375			
Noncontrolling interests:						
Balance at beginning of year	$1	$1	$1			
Net loss	—	—	—	—	—	—
Balance at end of year	$1	$1	$1			
Total comprehensive (income) loss				$(1,370)	$413	$(129)

[(a)] Related income tax benefit (provision):

Foreign currency translation adjustments	$82	$111	$—
Pension and other benefits adjustments	(228)	282	(762)
Other adjustments	(2)	3	—

[(b)] 2014 amounts include $493 million for pension and other benefit adjustments and $(25) million for currency translation adjustment related to the deconsolidation of U. S. Steel Canada.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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1. Nature of Business and Significant Accounting Policies

Nature of Business
United States Steel Corporation (U. S. Steel or the Company) produces and sells steel products, including flat-rolled and tubular products, in North America and Central Europe. Operations in North America also include iron ore and coke production facilities, railroad services and real estate operations. Operations in Europe also include coke production facilities.

Significant Accounting Policies
Principles applied in consolidation
These financial statements include the accounts of U. S. Steel and its majority-owned subsidiaries. Additionally, variable interest entities for which U. S. Steel is the primary beneficiary are included in the Consolidated Financial Statements and their impacts are either partially or completely offset by noncontrolling interests. Intercompany accounts, transactions and profits have been eliminated in consolidation. 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 protection under CCAA (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. Transactions between USSC and U. S. Steel subsequent to the CCAA filing are not eliminated and are considered related party.

Investments in entities over which U. S. Steel has significant influence are accounted for using the equity method of accounting and are carried at U. S. Steel's share of net assets plus loans, advances and our share of earnings less distributions. Differences in the basis of the investment and the underlying net asset value of the investee, if any, are amortized into earnings over the remaining useful life of the associated assets.

Income or loss from investees includes U. S. Steel's share of income or loss from equity method investments, which is generally recorded a month in arrears, except for significant and unusual items which are recorded in the period of occurrence. Gains or losses from changes in ownership of unconsolidated investees are recognized in the period of change. Intercompany profits and losses on transactions with equity investees have been eliminated in consolidation.

U. S. Steel evaluates impairment of its equity method investments whenever circumstances indicate that a decline in value below carrying value is other than temporary. Under these circumstances, we adjust the investment down to its estimated fair value, which then becomes its new carrying value.

Investments in companies whose equity has no readily determinable fair value are carried at cost and are periodically reviewed for impairment.

Use of estimates
Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of property, plant and equipment; intangible assets; valuation allowances for receivables, inventories and deferred income tax assets and liabilities; environmental liabilities; liabilities for potential tax deficiencies; potential litigation claims and settlements; and assets and obligations related to employee benefits. Actual results could differ materially from the estimates and assumptions used.

Sales recognition
Sales are recognized when products are shipped, properties are sold or services are provided to customers; the sales price is fixed and determinable; collectability is reasonably assured; and title and risks of ownership have passed to

the buyer. Shipping and other transportation costs charged to buyers are recorded in both sales and cost of sales.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and investments in highly liquid debt instruments with maturities of three months or less.

Inventories

Inventories are carried at the lower of cost or market. Fixed costs related to abnormal production capacity are expensed in the period incurred rather than capitalized into inventory.

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LIFO (last-in, first-out) is the predominant method of inventory costing for inventories in the United States and FIFO (first-in, first-out) is the predominant method used in Canada and Europe. The LIFO method of inventory costing was used on 80 percent and 78 percent of consolidated inventories at December 31, 2015 and 2014, respectively.

Derivative instruments

U. S. Steel uses commodity-based and foreign currency derivative instruments to manage its exposure to price and foreign currency exchange rate risk. Forward physical purchase contracts and foreign exchange forward contracts are used to reduce the effects of fluctuations in the purchase price of natural gas and certain nonferrous metals and also certain business transactions denominated in foreign currencies. U. S. Steel has not elected to designate derivative instruments as qualifying for hedge accounting treatment. As a result, the changes in fair value of these derivatives are recognized immediately in results of operations. See Note 15 for further details on U. S. Steel’s derivatives.

Goodwill and identifiable intangible assets

Goodwill represents the excess of the cost over the fair value of acquired identifiable tangible and intangible assets and liabilities assumed from businesses acquired. Goodwill is tested for impairment at the reporting unit level annually in the third quarter and whenever events or circumstances indicate that the carrying value may not be recoverable.

U. S. Steel evaluates goodwill for impairment by either performing a qualitative evaluation or a two-step quantitative test, which involves comparing the estimated fair value, based on a discounted cash flow model, of the associated reporting unit to its carrying value, including goodwill.

U. S. Steel has determined that certain acquired intangible assets have indefinite useful lives. These assets are reviewed for impairment annually and whenever events or circumstances indicate that the carrying value may not be recoverable.

Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

See Note 13 for further details on our evaluation of goodwill and intangible asset impairment.

Property, plant and equipment

Property, plant and equipment is carried at cost and is depreciated on a straight-line basis over the estimated useful lives of the assets.

Depletion of mineral properties is based on rates which are expected to amortize cost over the estimated tonnage of minerals to be removed.

U. S. Steel evaluates impairment of its property, plant and equipment whenever circumstances indicate that the carrying value may not be recoverable. Asset impairments are recognized when the carrying value of an asset grouping exceeds its aggregate projected undiscounted cash flows.

When property, plant and equipment depreciated on a group basis is sold or otherwise disposed of, proceeds are credited to accumulated depreciation, depletion and amortization with no immediate effect on income. When property, plant and equipment depreciated on an individual basis is sold or otherwise disposed of, any gains or losses are reflected in income. Gains on disposal of long-lived assets are recognized when earned. If a loss on disposal is expected, such losses are recognized when the assets are reclassified as assets held for sale or when impaired as part of an asset group's impairment. During 2015, the economic environment, including the significant decline in energy prices and the high levels of tubular imports, was considered a triggering event for our welded tubular and seamless tubular asset groups. U. S. Steel completed a quantitative analysis of its long-lived assets for these asset groups within the Tubular segment. This analysis indicated that the assets were not impaired. During 2013, the requirement to move to the second step of the annual goodwill impairment analysis was considered a triggering event and U. S. Steel completed a review of its long-lived assets. The review indicated that the assets were not impaired. There were no triggering events that required fixed assets to be evaluated for impairment in 2014.

Major maintenance activities

U. S. Steel incurs maintenance costs on all of its major equipment. Costs that extend the life of the asset, materially add to its value, or adapt the asset to a new or different use are separately capitalized in property, plant and equipment and are depreciated over the estimated useful life. All other repair and maintenance costs are expensed as incurred.

Environmental remediation

Environmental expenditures are capitalized if the costs mitigate or prevent future contamination or if the costs improve existing assets' environmental safety or efficiency. U. S. Steel provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably estimable. The timing of remediation accruals typically coincides with completion of studies defining the scope of work to be undertaken or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of believed environmental exposure and are discounted if the amount and timing of the cash disbursements are readily determinable.

Asset retirement obligations

Asset retirement obligations (AROs) are initially recorded at fair value and are capitalized as part of the cost of the related long-lived asset and depreciated in accordance with U. S. Steel's depreciation policies for property, plant and equipment. The fair value of the obligation is determined as the discounted value of expected future cash flows. Accretion expense is recorded each month to increase this discounted obligation over time. Certain AROs related to disposal costs of the majority of assets at our integrated steel facilities are not recorded because they have an indeterminate settlement date. These AROs will be initially recognized in the period in which sufficient information exists to estimate their fair value. See Note 18 for further details on U. S. Steel's AROs.

Pensions, other postretirement and postemployment benefits

U. S. Steel has defined contribution or multi-employer arrangements for pension benefits for more than two-thirds of its North American employees and non-contributory defined benefit pension plans covering the remaining North American employees. Effective December 31, 2015, defined benefit pension benefits for non-union salaried employees were frozen. All salaried non-union employees now participate in defined contribution plans. U. S. Steel has defined benefit retiree health care and life insurance plans (Other Benefits) that cover the majority of its employees in North America upon their retirement. Defined benefit retiree health and retiree life insurance has been eliminated for salaried non-union retirements after December 31, 2017. The Steelworkers Pension Trust (SPT), a multi-employer pension plan, to which U. S. Steel contributes on the basis of a fixed dollar amount for each hour worked by participating employees, currently covers approximately two-thirds of our union employees in the United States. Government-sponsored programs into which U. S. Steel makes required contributions cover the majority of U. S. Steel's European employees.

The net pension and Other Benefits obligations and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on plan assets, salary increases, the projected mortality of participants and the current level and future escalation of health care costs. Additionally, U. S. Steel recognizes an obligation to provide postemployment benefits for disability-related claims covering indemnity and medical payments for certain employees in North America. The obligation for these claims and the related periodic costs are measured using actuarial techniques and assumptions. Actuarial gains and losses occur when actual experience differs from any of the many assumptions used to value the benefit plans, or when assumptions change. For pension and other benefits, the Company recognizes into income on an annual basis any unrecognized actuarial net gains or losses that exceed 10 percent of the larger of the projected benefit obligation or plan assets (the corridor), amortized over the plan participants' average life expectancy or average future service, depending on the demographics of the plan. Unrecognized actuarial net gains and losses for disability-related claims are immediately recognized into income.

Concentration of credit and business risks

U. S. Steel is exposed to credit risk in the event of nonpayment by customers, principally within the automotive, container, construction, steel service center, appliance and electrical, conversion, and oil, gas and petrochemical industries. Changes in these industries may significantly affect U. S. Steel's financial performance and management's estimates. U. S. Steel mitigates its exposure to credit risk by performing ongoing credit evaluations and, when deemed necessary, requiring letters of credit, credit insurance, prepayments, guarantees or other collateral.

The majority of U. S. Steel's customers are located in North America and Europe. No single customer accounted for more than 10 percent of gross annual revenues.

Foreign currency translation
U. S. Steel is subject to the risk of the effects of exchange rates on revenues and operating costs and existing assets or liabilities denominated in currencies other than our reporting currency, the U.S. dollar.

The functional currency for U. S. Steel Europe (USSE) is the euro (€). USSC (which was deconsolidated as of the end of the day on September 15, 2014) had the Canadian dollar (C$) as its functional currency. Assets and liabilities of these entities are translated into U.S. dollars at period-end exchange rates. Revenue and expenses are translated using the average exchange rate for the reporting period. Resulting translation adjustments are recorded in the accumulated other comprehensive income (loss) component of stockholders' equity. Gains and losses from foreign currency transactions are included in net income (loss) for the period.

Stock-based compensation
U. S. Steel accounts for its various stock-based employee compensation plans in accordance with the guidance in Accounting Standards Codification (ASC) Topic 718 on stock compensation (see Note 14).

Deferred taxes
Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The realization of deferred tax assets is assessed quarterly based on several interrelated factors. These factors include U. S. Steel's expectation to generate sufficient future taxable income and the projected time period over which these deferred tax assets will be realized. U. S. Steel records a valuation allowance when necessary to reduce deferred tax assets to the amount that will more likely than not be realized. Deferred taxes have been recognized for the undistributed earnings of most foreign subsidiaries because management does not intend to indefinitely reinvest such earnings in foreign operations. See Note 10 for further details of deferred taxes.

Insurance
U. S. Steel maintains insurance for certain property damage, equipment, business interruption and general liability exposures; however, insurance is applicable only after certain deductibles and retainages. U. S. Steel is self-insured for certain other exposures including workers' compensation (where permitted by law) and automobile liability. Liabilities are recorded for workers' compensation and personal injury obligations. Other costs resulting from losses under deductible or retainage amounts or not otherwise covered by insurance are charged against income upon occurrence.

Sales taxes
Sales are recorded net of sales taxes charged to customers. Sales taxes primarily relate to value-added tax on sales.

Reclassifications, out of period adjustments and revision
Certain reclassifications of prior years' data have been made to conform to the current year presentation.
During 2015, the Company identified a prior period error related to the classification of unpaid capital expenditures in the Consolidated Statements of Cash Flows of $61 million and $9 million for the years ended December 31, 2014 and 2013, respectively. The effect of the $61 million adjustment to correct the error decreased cash flow from investing activities and increased cash flow from operating activities for the year ended December 31, 2014 and was corrected in the 2015 Form 10-K as a revision to the 2014 Consolidated Statements of Cash Flows. The effect of the $9 million adjustment to correct the error increased cash flow from investing activities and decreased cash flow from operating activities for the year ended December 31, 2013 and was reported in the 2015 Form 10-K as a revision to the 2013 Consolidated Statement of Cash Flows. The Company also identified prior period errors in the quarterly interim financial statements in 2015. The effects of the revision to the quarterly periods in 2015 resulted in a decrease in operating activities and an increase in investing activities of $63 million (unaudited), $64 million (unaudited) and $55 million (unaudited), respectively, for the three, six and nine months ended and will be revised in future filings to

correct for these errors. The effects of the revision to the comparable quarter periods in 2014 resulted in a decrease in cash flows from operating activities and an increase in cash flows from investing activities of $5 million for the three months ended and an increase in cash flows from operating activities and a decrease in cash flows from investing activities of $11 million and $29 million, respectively, for the six and nine months ended. The Company concluded that the impact of this error was not material to the previously filed financial statements.

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2. New Accounting Standards

On November 20, 2015, the FASB issued Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17). ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those years; early adoption is permitted as of the beginning of an interim or annual reporting period. U. S. Steel early adopted ASU 2015-17 in the fourth quarter of 2015 using the retrospective approach for all periods presented. As of December 31, 2014, the early adoption of ASU 2015-17 resulted in a reduction of current deferred income tax benefits of $602 million, an increase of $301 million in noncurrent deferred income tax benefits, and a reduction of noncurrent deferred income tax liabilities of $301 million in the Consolidated Balance Sheet. See Income Taxes at Note 10 for further information concerning the adoption of ASU 2015-17.

On September 25, 2015, the FASB issued Accounting Standards Update 2015-16, Simplifying the Accounting for Measurement-Period Adjustments (ASU 2015-16). ASU 2015-16 eliminates the requirement to restate prior period financial statements for measurement period adjustments for entities that have recorded provisional amounts for items in a business combination and requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. ASU 2015-16 should be applied prospectively to measurement period adjustments that occur after the effective date. ASU 2015-16 is effective for public business entities in fiscal years beginning after December 15, 2015, including interim periods within those years; early adoption is permitted. U. S. Steel does not expect any financial statement impact relating to the adoption of this ASU.

On July 22, 2015, the FASB issued Accounting Standards Update No. 2015-11, Simplifying the Measurement of Inventory (ASU 2015-11). ASU 2015-11 requires an entity to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. ASU 2015-11 will not apply to inventories that are measured using either the last-in, first-out (LIFO) method or the retail inventory method. ASU 2015-11 is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early application is permitted. U. S. Steel is evaluating the financial statement implications of adopting ASU 2015-11 but does not expect a material financial statement impact relating to the adoption of this ASU.

On April 7, 2015, the FASB issued Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 changes the presentation of debt issuance costs in financial statements and requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years; early application is permitted. An entity is required to apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. On August 16, 2015, the FASB issued ASU 2015-15 to clarify the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. U. S. Steel is evaluating the financial statement implications of adopting ASU 2015-03.
On August 27, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (ASU 2014-15). ASU 2014-15 explicitly requires management to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. Currently, there is no guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 is effective for all entities for interim and

annual periods beginning after December 15, 2016; early application is permitted. U. S. Steel is still evaluating the financial statement disclosure impact relating to the adoption of this ASU.

On May 28, 2014, the FASB and the International Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2016; early application is not permitted. On August 12, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers - Deferral of the

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Effective Date (ASU 2015-14). ASU 2015-14 defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period, and only permits entities to adopt the standard one year earlier as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. U. S. Steel is evaluating the financial statement implications of adopting ASU 2014-09 but does not expect a material financial statement impact relating to the adoption of this ASU.

3. Segment Information

U. S. Steel has three reportable segments: Flat-Rolled Products (Flat-Rolled), 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.

The Flat-Rolled segment information subsequent to September 16, 2014 does not include USSC. Transactions between U. S. Steel and USSC subsequent to USSC applying for relief from its creditors pursuant to the CCAA filing are treated as related party transactions.

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

Beginning January 1, 2016, the Flat-Rolled segment was further streamlined and consolidated to consist of three commercial entities: automotive, consumer and the combined industrial, service center and mining commercial entities. This realignment will not affect the Company's reportable segments.

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.

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.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being earnings (loss) before interest and income taxes (EBIT). EBIT for reportable segments and Other Businesses does not include net interest and other financial costs (income), income taxes, postretirement benefit expenses (other than service cost and amortization of prior service cost for active employees) and certain other items that management believes are not indicative of future results. Information on segment assets is not disclosed, as it is not reviewed by the chief operating decision maker.

The accounting principles applied at the operating segment level in determining EBIT are generally the same as those applied at the consolidated financial statement level. The transfer value for steel rounds from Flat-Rolled to Tubular was based on cost. 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. All other intersegment sales and transfers are accounted for at market-based prices and are eliminated at the corporate consolidation level. Corporate-level selling, general

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and administrative expenses and costs related to certain former businesses are allocated to the reportable segments and Other Businesses based on measures of activity that management believes are reasonable.

The results of segment operations are as follows:

(In millions)	Customer Sales	Intersegment Sales	Net Sales	Earnings (loss) from investees	EBIT	Depreciation, depletion & amortization	Capital expenditures
2015							
Flat-Rolled	$8,293	$268	$8,561	$49	$(237)	$392	$280
USSE	2,323	3	2,326	—	81	81	110
Tubular	898	—	898	11	(179)	64	102
Total reportable segments	11,514	271	11,785	60	(335)	537	492
Other Businesses	60	105	165	(22)	33	10	8
Reconciling Items and Eliminations	—	(376)	(376)	—	(900)	—	—
Total	$11,574	$—	$11,574	$38	$(1,202)	$547	$500
2014							
Flat-Rolled	$11,708	$1,187	$12,895	$134	$709	$457	$322
USSE	2,891	45	2,936	—	133	95	74
Tubular	2,772	2	2,774	11	261	66	76
Total reportable segments	17,371	1,234	18,605	145	1,103	618	472
Other Businesses	136	133	269	(3)	82	9	8
Reconciling Items and Eliminations	—	(1,367)	(1,367)	—	(772)	—	—
Total	$17,507	$—	$17,507	$142	$413	$627	$480
2013							
Flat-Rolled	$11,572	$1,258	$12,830	$69	$105	$512	$340
USSE	2,941	3	2,944	—	28	95	40
Tubular	2,772	5	2,777	(25)	190	62	69
Total reportable segments	17,285	1,266	18,551	44	323	669	449
Other Businesses	139	134	273	(4)	77	15	19
Reconciling Items and Eliminations	—	(1,400)	(1,400)	—	(2,300)	—	—
Total	$17,424	$—	$17,424	$40	$(1,900)	$684	$468

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The following is a schedule of reconciling items to income (loss) from operations:

(In millions)	2015	2014	2013
Items not allocated to segments:			
Postretirement benefit expense[a]	$(43)	$(114)	$(221)
Other items not allocated to segments:			
Losses associated with U. S. Steel Canada Inc. (Notes 4 and 5)	(392)	(416)	—
Loss on shutdown of coke production facilities [b]	(153)	—	—
Granite City Works temporary idling charges	(99)	—	—
Loss on shutdown of Fairfield Flat-Rolled Operations[b][c]	(91)	—	—
Restructuring and other charges (Note 24) [b]	(78)	—	(248)
Postemployment benefit actuarial adjustment	(26)	—	—
Impairment of equity investment (Note 11)	(18)	—	—
Impairment of carbon alloy facilities (Note 24) [b]	—	(195)	—
Litigation reserves (Note 25)	—	(70)	—
Write-off of pre-engineering costs at Keetac (Note 24) [b]	—	(37)	—
Loss on assets held for sale (Note 24) [b]	—	(14)	—
Gain on sale of real estate assets [d]	—	55	—
Curtailment gain (Note 17)	—	19	—
Impairment of goodwill (Note 13)	—	—	(1,806)
Environmental remediation charge	—	—	(32)
Write-off of equity investment (Note 11)	—	—	(16)
Supplier contract dispute settlement	—	—	23
Total other items not allocated to segments	$(857)	$(658)	$(2,079)
Total reconciling items	$(900)	$(772)	$(2,300)

(a) Consists of the net periodic benefit cost elements, other than service cost and amortization of prior service cost for active employees, associated with our defined pension, retiree health care and life insurance benefit plans.

(b) Included in Restructuring and other charges on the Consolidated Statement of Operations. See Note 24 to the Consolidated Financial Statements.

(c) 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.

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

Net Sales by Product:

The following summarizes net sales by product:

(In millions)	2015	2014	2013
Flat-Rolled	$10,047	$13,533	$13,508
Tubular	929	2,818	2,826
Other [a]	598	1,156	1,090
Total	$11,574	$17,507	$17,424

(a) Primarily includes sales of steel production by-products, railroad services and real estate operations.

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Geographic Area:
The information below summarizes net sales, property, plant and equipment and equity method investments based on the location of the operating segment to which they relate.

(In millions)	Year	Net Sales	Assets	
North America	2015	$9,251	$4,057	(a)
	2014	14,616	4,180	(a)
	2013	14,484	5,425	(a)
Europe	2015	2,323	832	
	2014	2,891	890	
	2013	2,940	1,022	
Other Foreign Countries	2015	—	24	
	2014	—	36	
	2013	—	33	
Total	2015	11,574	4,913	
	2014	17,507	5,106	
	2013	$17,424	$6,480	

(a) Assets with a book value of $4,047 million, $4,172 million and $4,443 million were located in the United States at December 31, 2015, 2014 and 2013, respectively.

4. Deconsolidation of U. S. Steel Canada and other charges

Restructuring and Creditor Protection
USSC, an indirect wholly owned subsidiary of U. S. Steel, with unanimous approval from its Board of Directors applied for relief from its creditors pursuant to CCAA on September 16, 2014. The CCAA filing was approved by the Ontario Superior Court of Justice (the Court) on September 16, 2014 and grants USSC creditor protection while it formulates a plan of restructuring. To assist USSC with its plan of restructuring, the Court confirmed the engagement by USSC of a chief restructuring officer, the appointment of a monitor and certain other financial advisors. As of the date of the CCAA filing, any proceedings pending against USSC, or currently underway affecting USSC's business operations or property, have been stayed pending further order by the Court.
As a result of the CCAA proceedings, U. S. Steel no longer has a controlling financial interest over USSC, as defined under ASC 810, Consolidation, and therefore has deconsolidated USSC's financial position as of the end of the day on September 15, 2014. This resulted in a pretax loss on deconsolidation and other charges of $416 million, which includes approximately $20 million of professional fees in 2014. The pretax loss on deconsolidation includes the derecognition of the carrying amounts of USSC's assets and liabilities and accumulated other comprehensive loss that were previously consolidated in U. S. Steel's Consolidated Balance Sheet and the impact of recording the retained interest in USSC. Subsequent to the deconsolidation, U. S. Steel accounts for USSC using the cost method of accounting, which has been reflected as zero in U. S. Steel's Consolidated Balance Sheet as of both December 31, 2015 and December 31, 2014, due to the negative equity associated with USSC's underlying financial position. Net assets totaling $(1,704) million were deconsolidated as of the end of the day on September 15, 2014.
USSC's results of operations have been removed from U. S. Steel's Consolidated Statement of Operations beginning September 16, 2014. USSC remained a wholly owned subsidiary of U. S. Steel, as of September 30, 2014. Because USSC did not meet the requirements of a discontinued operation, USSC's results of operations continue to be included in our Consolidated Statements of Operations through September 15, 2014. Our Consolidated Statements of Operations include the following amounts for USSC's results of operations. The amounts presented are before the elimination of USSC transactions with U. S. Steel, presenting USSC as if on a stand-alone basis.

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(Dollars in millions)	Period from January 1, 2014 - September 15, 2014	Year ended December 31, 2013
Total net sales	$1,508	$1,404
Total operating expenses	1,587	2,641
Loss from continuing operations	(79)	(1,237)
Net interest and other financial costs	121	42
Loss before income taxes	(200)	(1,279)
Income tax benefit	—	(142)
Net loss	$(200)	$(1,137)

Related Party Transactions

Prior to the deconsolidation, U. S. Steel made loans to USSC for the purpose of funding its operations and had net trade accounts receivable in the ordinary course of business. The loans, the corresponding interest and the net trade accounts receivable were considered intercompany transactions and were eliminated in the consolidated U. S. Steel financial statements. As of the deconsolidation date, the loans, associated interest and net trade accounts receivable are now considered third party transactions and have been recognized in U. S. Steel's Consolidated Financial Statements based upon our assessment of the recoverability of their carrying amounts and whether or not the amounts are secured or unsecured. U. S. Steel has estimated a recovery rate based upon the fair value of the net assets of USSC available for distribution to its creditors in relation to the secured and unsecured creditor claims in the CCAA filing.

Fair values of the Hamilton Works finishing operations, Hamilton Works coke operations and Lake Erie Works (the USSC Businesses) were used to determine the recoverability of the loans receivable, accrued interest receivable and the net trade accounts receivable using various valuation approaches depending on the type of assets being valued and the highest and best use of those assets. The Hamilton Works finishing operations were valued under a liquidation basis using replacement costs, market comparables, and other recoverability measures as it had negative cash flows on a discounted cash flow basis, while the remainder of the USSC Businesses were valued on a going concern basis. The going concern fair value for the Hamilton Works coke operations and Lake Erie Works was determined based upon an income approach using a discounted cash flow (DCF) analysis, discounted at an appropriate risk-adjusted rate.

The amount and timing of future cash flows within the DCF analysis and the liquidation basis were based on the following inputs within the fair value framework prescribed by ASC Topic 820, Fair Value Measurements, in the table below.

Level 2 Other Observable Inputs	Level 3 Other Unobservable Inputs
Market Participant Weighted Average Cost of Capital (1)	Recent Operating Budgets
Perpetual Growth Rate (2)	Long Range Strategic Plans
Market Comparables	Estimated Shipments
Replacement Cost	Projected Raw Material Costs
	Projected Margins
	Recoverability Measures

(1) Ranged from 15.54% - 18.31%

(2) Set at approximately 2%

Actual results may differ from those assumed in U. S. Steel’s forecasts for the USSC Businesses.

The total fair values associated with the underlying net assets of the USSC Businesses were then compared to the estimated outstanding creditor claims, both secured and unsecured, to determine the expected recoverability. This resulted in a fair value of the retained interest in the intercompany loans, interest receivable and trade accounts receivable of $434 million, net of an allowance for doubtful accounts of $1,435 million as of September 16, 2014, which has been reflected as a component of the loss on deconsolidation of USSC and

other charges in the Consolidated Statements of Operations. For updates to U. S. Steel's retained interest in USSC, see USSC Retained Interest and Other Related Charges at Note 5.
For further information regarding USSC's related party transactions with U. S. Steel subsequent to the date of deconsolidation, see Transactions with Related Parties at Note 22.

5. USSC Retained Interest and Other Related Charges

Subsequent to the CCAA filing, U. S. Steel's management has continued to assess the recoverability of the Company's retained interest in USSC. During 2015, management's estimate of the recoverable retained interest was updated as a result of economic conditions impacting the steel industry in North America such as lower prices, elevated levels of imports, the strength of the U.S. dollar and depressed steel company valuations as well as the uncertainty of the ultimate outcome of USSC's CCAA filing. U. S. Steel's recoverability involves uncertainties from economic and other events, including changes during the progression of the CCAA proceedings, which are beyond the control of U. S. Steel that could materially impact the recoverability of our retained interest at December 31, 2015.

As part of the USSC CCAA restructuring process, U. S. Steel and USSC, entered into a mutually agreed upon, court approved, transition arrangement (the transition plan) that provides for certain services to be provided by the Company to support USSC's continued operations as part of an orderly severance of the parties relationship. Additionally, the Court approved USSC's business preservation plan designed to conserve its liquidity.

The transition plan requires U. S. Steel to continue to provide shared services to USSC for up to 24 months from October 9, 2015 (the date of the transition plan), transitions U. S. Steel away from providing any technical and engineering services associated with product development or sales with USSC. In addition, U. S. Steel will not be supporting any quality claims made against USSC. Further, unless mutually agreed to, U. S. Steel will not be generating any sales orders on behalf of USSC and will fulfill its production orders with its U.S. based operating facilities.

Under the transition plan, U. S. Steel provided USSC with funds for the purpose of making payments for pension contributions which were due under the pension plan funding agreement that Stelco, now USSC, had with the Superintendent of Financial Services of Ontario that covers USSC's four main pension plans (the Stelco Agreement) between September 1, 2015 and December 31, 2015. This funding requirement was satisfied as of December 31, 2015.

The write-down of the retained interest, Stelco funding charge and other related charges were the components of the Losses associated with U. S. Steel Canada, Inc. in the Consolidated Statement of Operations.

6. Acquisition

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. 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. The Company's previously held 50 percent equity interest of $3 million was recorded at fair market value resulting in a net gain of approximately $3 million which has been recognized in the earnings from investees line in the Consolidated Statements of Operations. Goodwill of approximately $3 million was recognized and is included as a component of other noncurrent assets in the Company's Consolidated Balance Sheet. The fair value of the DESCO acquisition was measured using both cost and market approaches, Level 2 inputs, in accordance with ASC No. 820, Fair Value Measurement. Transaction costs associated with the acquisition were immaterial. The amount of revenue recognized in the Consolidated Statements of Operations as a result of the acquisition was not significant to the year ended

December 31, 2015.

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7. Net Interest and Other Financial Costs

(In millions)	2015	2014	2013
Interest income:			
Interest income	$(3)	$(12)	$(3)
Interest expense and other financial costs:			
Interest incurred [(a)]	228	248	285
Less interest capitalized	14	14	19
Total interest expense	214	234	266
Loss on debt extinguishment [(b)]	36	—	—
Foreign currency net (gain) loss [(c)]	(15)	(1)	11
Financial costs on:			
Sale of receivables	2	3	3
Amended Credit Agreement	4	4	4
USSK credit facilities	3	3	3
Other [(d)]	5	—	28
Amortization of discounts and deferred financing costs	11	12	20
Total other financial costs	10	21	69
Net interest and other financial costs	$257	$243	$332

(a) Includes a pretax charge of $34 million during 2013 related to premiums on the repurchase of $542 million of our 4.00% Senior Convertible Notes due May 15, 2014 (2014 Senior Convertible Notes).

(b) Represents a pretax charge of $36 million during 2015 related to the retirement of our 2019 Senior Convertible Notes.

(c) The functional currency for USSE is the euro and the functional currency for USSC is the Canadian dollar. Foreign currency net loss is a result of transactions denominated in currencies other than the euro or Canadian dollar, prior to USSC's CCAA filing on September 16, 2014. Additionally, for 2014 and 2013, foreign currency net loss includes the impacts of the remeasurement of a U.S. dollar-denominated intercompany loan to a European subsidiary and the impacts of euro-U.S. dollar derivatives activity.

(d) Consists primarily of a charge of $22 million in 2013 related to a guarantee of an unconsolidated equity investment.

8. Earnings and Dividends Per Common Share

Earnings (Loss) per Share Attributable to United States Steel Corporation Shareholders

Basic earnings (loss) per common share is based on the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per common share assumes the exercise of stock options, the vesting of restricted stock units and performance awards and the conversion of convertible notes, provided in each case the effect is dilutive. Prior to their extinguishment, the “treasury stock” method was used to calculate the dilutive effect of the Senior Convertible Notes due in 2019 (2019 Senior Convertible Notes) based upon our intent and policy at the time of issuance to settle the principal amount of the 2019 Senior Convertible Notes in cash if they were converted. The "if-converted" method was used to calculate the dilutive effect of the 2014 Senior Convertible Notes due May 2014 (2014 Senior Convertible Notes).

The computations for basic and diluted earnings (loss) per common share from continuing operations are as follows:

(Dollars in millions, except per share amounts)	2015	2014	2013
Net (loss) earnings attributable to United States Steel Corporation shareholders	$(1,642)	$102	$(1,645)
Plus income effect of assumed conversion-interest on convertible notes	—	3	—

Net (loss) earnings after assumed conversion	$(1,642)	$105	$(1,645)
Weighted-average shares outstanding (in thousands):			
Basic	146,094	145,164	144,578
Effect of convertible notes	—	5,670	—
Effect of stock options, restricted stock units and performance awards	—	1,269	—
Adjusted weighted-average shares outstanding, diluted	146,094	152,103	144,578
Basic (loss) earnings per common share	$(11.24)	$0.71	$(11.37)
Diluted (loss) earnings per common share	$(11.24)	$0.69	$(11.37)