UNITED STATES STEEL CORP
Form 10-Q
November 01, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the Quarterly Period Ended September 30, 2017

Or

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

For the transition period from to .

(Exact name of registrant as specified in its charter)

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

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

(412) 433-1121
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes P No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [P] No [ ]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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 P	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company[(a)] __

[(a)] If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ___
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No P
Common stock outstanding at October 26, 2017 – 174,994,464 shares

INDEX

		Page
PART I – FINANCIAL INFORMATION		
Item 1.	Financial Statements:	
	Consolidated Statement of Operations (Unaudited)	1
	Consolidated Statement of Comprehensive Income (Loss) (Unaudited)	2
	Consolidated Balance Sheet (Unaudited)	3
	Consolidated Statement of Cash Flows (Unaudited)	4
	Notes to Consolidated Financial Statements (Unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	47
Item 4.	Controls and Procedures	48
	Supplemental Statistics (Unaudited)	49
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	50
Item 4.	Mine Safety Disclosure	55
Item 5.	Other Information	55
Item 6.	Exhibits	55
SIGNATURE		56
WEB SITE POSTING		56

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains information that may constitute "forward-looking statements" within the meaning of Section 27 of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in those sections. Generally, we have identified such forward-looking statements by using the words "believe," "expect," "intend," "estimate," "anticipate," "project," "target," "forecast," "aim," "should," "will" and similar expressions or by using fu in connection with any discussion of, among other things, operating performance, trends, events or developments that we expect or anticipate will occur in the future, statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements are not historical facts, but instead represent only the Company's beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company's control. It is possible that the Company's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Management believes that these forward-looking statements are reasonable as of the time made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to the risks and uncertainties described in this report and in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

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

UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions, except per share amounts)	2017	2016	2017	2016
Net sales:				
Net sales	$2,976	$2,370	$8,176	$6,716
Net sales to related parties (Note 18)	272	316	941	895
Total	3,248	2,686	9,117	7,611
Operating expenses (income):				
Cost of sales (excludes items shown below)	2,829	2,360	8,115	7,193
Selling, general and administrative expenses	89	73	265	206
Depreciation, depletion and amortization	118	126	376	384
Earnings from investees	(9)	(18)	(29)	(91)
Gain on equity investee transactions (Note 4)	(21)	—	(21)	—
Gain associated with retained interest in U. S. Steel Canada Inc. (Note 21)	—	—	(72)	—
Impairment of intangible assets	—	14	—	14
Restructuring and other charges (Note 19)	(2)	(3)	30	1
Net (gain) loss on disposal of assets	(1)	3	(2)	6
Other income, net	—	(1)	(5)	(1)
Total	3,003	2,554	8,657	7,712
Earnings (loss) before interest and income taxes	245	132	460	(101)
Interest expense	60	58	173	173
Interest income	(5)	(2)	(13)	(5)
Loss on debt extinguishment	31	—	32	22
Other financial costs	12	6	37	18
Net interest and other financial costs (Note 7)	98	62	229	208
Earnings (loss) before income taxes	147	70	231	(309)
Income tax provision (Note 9)	—	19	3	26
Net earnings (loss)	147	51	228	(335)
Less: Net earnings attributable to noncontrolling interests	—	—	—	—
Net earnings (loss) attributable to United States Steel Corporation	$147	$51	$228	$(335)
Earnings (loss) per common share (Note 10):				
Earnings (loss) per share attributable to United States Steel Corporation stockholders:				
-Basic	$0.84	$0.32	$1.30	$(2.22)
-Diluted	$0.83	$0.32	$1.29	$(2.22)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2017	2016	2017	2016
Net earnings (loss)	$147	$51	$228	$(335)
Other comprehensive income (loss), net of tax:				
Changes in foreign currency translation adjustments	44	10	149	41
Changes in pension and other employee benefit accounts	55	48	146	(134)
Other	8	(4)	6	17
Total other comprehensive income (loss), net of tax	107	54	301	(76)
Comprehensive income (loss) including noncontrolling interest	254	105	529	(411)
Comprehensive income attributable to noncontrolling interest	—	—	—	—
Comprehensive income (loss) attributable to United States Steel Corporation	$254	$105	$529	$(411)

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

UNITED STATES STEEL CORPORATION
CONSOLIDATED BALANCE SHEET

(Dollars in millions)	(Unaudited) September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,694	$ 1,515
Receivables, less allowance of $29 and $25	1,317	976
Receivables from related parties, less allowance of $0 and $265 (Notes 18 and 21)	210	272
Inventories (Note 11)	1,737	1,573
Other current assets	43	20
Total current assets	5,001	4,356
Property, plant and equipment	14,781	14,196
Less accumulated depreciation and depletion	10,670	10,217
Total property, plant and equipment, net	4,111	3,979
Investments and long-term receivables, less allowance of $11 and $10	470	528
Long-term receivables from related parties, less allowance of $0 and $1,627 (Notes 18 and 21)	—	—
Intangibles, net (Note 5)	169	175
Deferred income tax benefits (Note 9)	—	6
Other noncurrent assets	127	116
Total assets	$ 9,878	$ 9,160
Liabilities		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 2,018	$ 1,602
Accounts payable to related parties (Notes 18 and 21)	79	66
Payroll and benefits payable	333	400
Accrued taxes	157	128
Accrued interest	62	85
Short-term debt and current maturities of long-term debt (Note 13)	3	50
Total current liabilities	2,652	2,331
Long-term debt, less unamortized discount and debt issuance costs (Note 13)	2,896	2,981
Employee benefits	1,119	1,216
Deferred income tax liabilities (Note 9)	29	28
Deferred credits and other noncurrent liabilities	374	329
Total liabilities	7,070	6,885
Contingencies and commitments (Note 20)		
Stockholders' Equity (Note 16):		
Common stock (176,424,554 shares issued) (Note 10)	176	176
Treasury stock, at cost (1,466,183 and 2,614,378 shares)	(92)	(182)
Additional paid-in capital	3,937	4,027
Accumulated deficit	(18)	(250)
Accumulated other comprehensive loss (Note 17)	(1,196)	(1,497)
Total United States Steel Corporation stockholders' equity	2,807	2,274
Noncontrolling interests	1	1
Total liabilities and stockholders' equity	$ 9,878	$ 9,160

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

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

(Dollars in millions)	Nine Months Ended September 30, 2017	2016
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net earnings (loss)	$228	$(335)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, depletion and amortization	376	384
Gain associated with retained interest in U. S. Steel Canada Inc. (Note 21)	(72)	—
Gain on equity investee transactions (Note 4)	(21)	—
Impairment of intangible assets	—	14
Restructuring and other charges (Note 19)	30	1
Provision for doubtful accounts	1	—
Pensions and other postretirement benefits	42	(38)
Deferred income taxes	7	9
Net (gain) loss on disposal of assets	(2)	6
Distributions received, net of equity investees earnings	(18)	(86)
Changes in:		
Current receivables	(214)	(127)
Inventories	(123)	339
Current accounts payable and accrued expenses	121	279
Income taxes receivable/payable	15	14
Bank checks outstanding	12	15
All other, net	159	105
Net cash provided by operating activities	541	580
Investing activities:		
Capital expenditures	(291)	(268)
Disposal of assets	—	6
Change in restricted cash, net	(1)	(3)
Proceeds from sale of ownership interest in equity investee (Note 22)	105	—
Investments, net	(3)	(17)
Net cash used in investing activities	(190)	(282)
Financing activities:		
Issuance of long-term debt, net of financing costs	737	958
Repayment of long-term debt	(902)	(1,019)
Settlement of contingent consideration	—	(15)
Net proceeds from public offering of common stock	—	482
Dividends paid	(26)	(22)
Taxes paid for equity compensation plans (Note 3)	(10)	(3)
Receipts from exercise of stock options	14	4
Net cash (used in) provided by financing activities	(187)	385
Effect of exchange rate changes on cash	15	7
Net increase in cash and cash equivalents	179	690
Cash and cash equivalents at beginning of year	1,515	755

Cash and cash equivalents at end of period	$1,694	$1,445

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

Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation and Significant Accounting Policies

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.

The year-end Consolidated Balance Sheet data was derived from audited statements but does not include all disclosures required for complete financial statements by accounting principles generally accepted in the United States of America (U.S. GAAP). The other information in these financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair statement of the results for the periods covered. All such adjustments are of a normal recurring nature unless disclosed otherwise. These financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. Additional information is contained in the United States Steel Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which should be read in conjunction with these financial statements.

Change in Accounting Estimate - Capitalization and Depreciation Method

During 2017, U. S. Steel completed a review of its accounting policy for property, plant and equipment depreciated on a group basis. As a result of this review, U. S. Steel changed its accounting method for property, plant and equipment from the group method of depreciation to the unitary method of depreciation, effective as of January 1, 2017. The Company believes the change from the group method to the unitary method of depreciation is preferable under U.S. GAAP as it will result in a more precise estimate of depreciation expense. Additionally, the change to the unitary method of depreciation is consistent with the depreciation method applied by our competitors, and improves the comparability of our results to the results of our competitors. Our change in the method of depreciation is considered a change in accounting estimate effected by a change in accounting principle and has been applied prospectively. Due to the application of the unitary method of depreciation and resultant change in our capitalization policy, maintenance and outage spending that had previously been expensed as well as capital investments associated with our asset revitalization program will now be capitalized if it extends the useful life of the related asset.

When property, plant, and equipment are disposed of by sale, retirement, or abandonment, the gross value of the property, plant and equipment and corresponding accumulated depreciation are removed from the Company’s financial accounting records. Due to the application of the unitary method of depreciation, any gain or loss resulting from an asset disposal by sale will now be immediately recognized as a gain or loss on the disposal of assets line in our consolidated statement of operations. Assets that are retired or abandoned will be reflected as an immediate charge to depreciation expense for any remaining book value in our consolidated statement of operations. Gains (losses) on disposals of assets for the three and nine months ended September 30, 2017 were immaterial.

For the three months ended September 30, 2017, the effect of the change was an increase in both income from continuing operations and net earnings of $95 million (which consists of a $97 million decrease in cost of sales due to the capitalization of maintenance and outage spending that would have been previously expensed, partially offset by increased depreciation expense of $2 million, as a result of the impact of unitary depreciation on the existing net book value of fixed assets, as noted below, and the capitalization of maintenance and outage spending) and an increase in diluted earnings per share of $0.54. For the nine months ended September 30, 2017, the effect of the change was an increase in both income from continuing operations and net earnings of $205 million (which consists of a $233 million decrease in cost of sales due to the capitalization of maintenance and outage spending that would have been previously expensed, partially offset by increased depreciation expense of $28 million, as a result of the impact of unitary depreciation on the existing net book value of fixed assets, as noted below, and the capitalization of maintenance and outage spending) and an increase in diluted earnings per share of $1.16. The tax effect of this change was immaterial to the consolidated financial statements.

U. S. Steel's property, plant and equipment totaled $3,979 million at December 31, 2016. U. S. Steel allocated the existing net book value of group assets at the transition date to approximate a unitary depreciation methodology, and the fixed assets are being depreciated over their estimated remaining useful lives as follows:

Remaining Useful Life of Assets	(In millions) Net Book Value at December 31, 2016
Under 5 years	$ 597
6-10 years	629
11-15 years	765
16-20 years	654
21-25 years	363
Over 25 years	479
Assets not subject to depreciation	492
Total	$ 3,979

2. New Accounting Standards

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. U. S. Steel is currently evaluating the impact the adoption of ASU 2017-12 will have on its Consolidated Financial Statements, but does not expect there to be a material impact.

On May 10, 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation: Scope of Modification Accounting (ASU 2017-09). The amendments included in ASU 2017-09 provide guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update will be applied prospectively to an award modified on or after the adoption date. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. U. S. Steel is currently evaluating the impact the adoption of ASU 2017-09 will have on its Consolidated Financial Statements, but does not expect there to be a material impact.

On March 10, 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (ASU 2017-07). ASU 2017-07 requires an employer who offers defined benefit and post retirement benefit plans to report the service cost component of the net periodic benefit cost in the same line item or items as other compensation cost arising from services rendered by employees during the period. The other components of net periodic benefit costs are required to be presented on a retrospective basis in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net periodic benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net periodic benefit cost must be disclosed. The ASU also allows for the service cost component of net periodic benefit cost to be eligible for capitalization into inventory when applicable. ASU 2017-07 is effective for periods beginning after December 15, 2017, including interim periods within those annual periods; early adoption is permitted. The adoption of this ASU will not have an impact on U. S. Steel's net earnings (loss) but will be a reclassification from a line on the income statement within earnings (loss) before interest and income taxes to a line on the income statement below earnings (loss) before interest and income taxes.

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). ASU 2016-15 reduces diversity in practice in how certain transactions are classified in the statement of cash flows by addressing eight specific cash receipt and cash payment issues. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim

periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. U. S. Steel is evaluating the financial statement implications of adopting ASU 2016-15, but anticipates it will not have an overall impact to the Company's consolidated statement of cash flows, but may result in a reclassification between cash flow line items.

On February 25, 2016, the FASB issued ASU 2016-02, Leases (ASU 2016-02). ASU 2016-02 supersedes prior lease accounting guidance. Under ASU 2016-02, for operating leases, a lessee should recognize in its statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term; recognize a single lease cost, which is allocated over the lease term, generally on a straight line basis, and classify all cash payments within the operating activities in the statement of cash flows. For financing leases, a lessee is required to recognize a right-of-use asset and a lease liability; recognize interest on the lease liability separately from amortization of the right-of-use asset, and classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability within the operating activities in the statement of cash flows. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. In addition, at the inception of a contract, an entity should determine whether the contract is, or contains a lease. ASU 2016-02 is effective for public entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, using a modified retrospective approach. U. S. Steel is currently evaluating the financial statement implications of adopting ASU 2016-02, and has begun an inventory of its global leasing arrangements. U. S. Steel has also begun to review its information technology systems, internal controls, and accounting policies in relation to the ASU's accounting and reporting requirements to recognize the respective right-of-use assets and the related lease liabilities.

On May 28, 2014, the FASB and the International Accounting Standards Board issued ASU 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 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 has completed a review of its significant customer contracts and is finalizing its evaluation of those contracts in relation to the recognition of revenue under the new standard. U. S. Steel is currently developing disclosures, finalizing its review of information technology systems, and key internal controls related to our ability to process, record and account for revenue under the new standard. U. S. Steel does not expect a material financial statement impact related to the full retrospective adoption of this ASU on January 1, 2018.

3. Recently Adopted Accounting Standards

On March 30, 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (ASU 2016-09). ASU 2016-09 simplifies the accounting and reporting of certain aspects of share-based payment transactions, including income tax treatment of excess tax benefits, forfeitures, classification of share-based awards as either equity or liabilities, and classification in the statement of cash flows for certain share-based transactions related to tax benefits and tax payments. ASU 2016-09 was effective for public business entities for annual periods beginning after December 15, 2016.

On January 1, 2017, the Company adopted the provisions of ASU 2016-09. The adoption of ASU 2016-09 did not have a significant impact on the Company's Consolidated Financial Statements and included the following items: (1) adoption on a prospective basis of the recognition of excess tax benefits and tax deficiencies in the Company's income tax expense line in the Consolidated Statement of Operations for vested and exercised equity awards as discrete items in the period in which they occur; (2) adoption on a prospective basis of the classification of excess tax benefits in cash flows from operations in the Company's Consolidated Statement of Cash Flows; (3) adoption on a retrospective basis of the classification of cash paid by the Company for directly withholding shares for tax withholding purposes in cash flows from financing activities, and (4) adoption on a prospective basis for the exclusion of the amount of excess tax benefits when applying the treasury stock method for the Company's diluted earnings per share calculation. Additionally, the Company continues to withhold the statutory minimum taxes for participants in the Company's stock-based compensation plans and estimates forfeiture rates at the grant date and the expected term of its equity awards based on historical results.

On July 22, 2015, the FASB issued ASU 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 does not apply to inventories that are measured using either the last-in, first-out (LIFO) method or the retail inventory method. ASU 2015-11 was effective for public entities for financial statements issued for fiscal years beginning after December 15, 2016. U. S. Steel adopted ASU 2015-11 on January 1, 2017. The adoption did not have a significant financial statement impact to U. S. Steel.

4. Segment Information

U. S. Steel has three reportable segments: Flat-Rolled Products (Flat-Rolled), which consists of the following three commercial entities that directly interact with our customers and service their needs: (1) automotive solutions, (2) consumer solutions, and (3) industrial, service center and mining solutions; 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 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. Earnings (loss) before interest and income taxes 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 chief operating decision maker assesses the Company's assets on an enterprise wide level, based upon the projects that yield the greatest return to the Company as a whole, and not on an individual segment level.

The accounting principles applied at the operating segment level in determining earnings (loss) before interest and income taxes are generally the same as those applied at the consolidated financial statement level. Intersegment sales and transfers are accounted for at market-based prices and are eliminated at the corporate consolidation level. Corporate-level selling, general 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 for three months ended September 30, 2017 and 2016 are:

(In millions)	Customer Sales	Intersegment Sales	Net Sales	Earnings (Loss) from Investees	Earnings (Loss) Before Interest and Income Taxes
Three Months Ended September 30, 2017					
Flat-Rolled	$ 2,249	$ 42	$ 2,291	$ 7	$ 160
USSE	710	1	711	—	73
Tubular	276	—	276	2	(7)
Total reportable segments	3,235	43	3,278	9	226
Other Businesses	13	29	42	—	12
Reconciling Items and Eliminations	—	(72)	(72)	—	7
Total	$ 3,248	$ —	$ 3,248	$ 9	$ 245
Three Months Ended September 30, 2016					
Flat-Rolled	$ 1,986	$ —	$ 1,986	$ 18	$ 114
USSE	575	1	576	—	81
Tubular	114	—	114	1	(75)
Total reportable segments	2,675	1	2,676	19	120
Other Businesses	11	27	38	(1)	18
Reconciling Items and Eliminations	—	(28)	(28)	—	(6)
Total	$ 2,686	$ —	$ 2,686	$ 18	$ 132

The results of segment operations for the nine months ended September 30, 2017 and 2016 are:

(In millions) Nine Months Ended September 30, 2017	Customer Sales	Intersegment Sales	Net Sales	Earnings (Loss) from Investees	Earnings (Loss) Before Interest and Income Taxes
Flat-Rolled	$ 6,265	$ 154	$6,419	$ 24	$ 288
USSE	2,123	25	2,148	—	215
Tubular	682	—	682	6	(93)
Total reportable segments	9,070	179	9,249	30	410
Other Businesses	47	89	136	(1)	34
Reconciling Items and Eliminations	—	(268)	(268)	—	16
Total	$ 9,117	$ —	$9,117	$ 29	$ 460
Nine Months Ended September 30, 2016					
Flat-Rolled	$ 5,643	$ 16	$5,659	$ 88	$ (68)
USSE	1,616	2	1,618	—	122
Tubular	303	2	305	5	(217)
Total reportable segments	7,562	20	7,582	93	(163)
Other Businesses	49	80	129	(2)	42
Reconciling Items and Eliminations	—	(100)	(100)	—	20
Total	$ 7,611	$ —	$7,611	$ 91	$ (101)

The following is a schedule of reconciling items to Earnings (Loss) Before Interest and Income Taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2017	2016	2017	2016
Items not allocated to segments:				
Postretirement benefit (expense) income[a]	$(14)	$8	$(42)	$36
Other items not allocated to segments:				
Loss on shutdown of certain tubular assets[b]	—	—	(35)	—
Gain on equity investee transactions[c]	21	—	21	—
Gain associated with retained interest in U. S. Steel Canada Inc. (Note 21)	—	—	72	—
Impairment of intangible assets (Note 5)	—	(14)	—	(14)
Restructuring and other charges and adjustments[d]	—	—	—	(2)
Total other items not allocated to segments	21	(14)	58	(16)
Total reconciling items	$7	$(6)	$16	$20

[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 19 to the Consolidated Financial Statements.

[c] The gain in the three and nine month periods ended September 30, 2017 primarily relates to the sale of the Company's ownership interest in Tilden Mining Company L.C. See Note 22 to the Consolidated Financial Statements.

[d] For the nine months ended September 30, 2016, approximately $(2) million is included in Cost of sales and approximately $4 million is included in the Restructuring and other charges in the Consolidated Statement of

Operations. See Note 19 to the Consolidated Financial Statements.

5. Intangible Assets

Intangible assets are being amortized on a straight-line basis over their estimated useful lives and are detailed below:

(In millions)	Useful Lives	As of September 30, 2017 Gross Carrying Amount	Accumulated Amortization	Net Amount	As of December 31, 2016 Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	12 Years	$132	$ 63	$ 69	$132	$ 59	$ 73
Patents	5-12 Years	22	4	18	22	2	20
Other	4-10 Years	14	7	7	14	7	7
Total amortizable intangible assets		$168	$ 74	$ 94	$168	$ 68	$ 100

The carrying amount of acquired water rights with indefinite lives as of September 30, 2017 and December 31, 2016 totaled $75 million. The acquired water rights are tested for impairment annually in the third quarter, or whenever events or circumstances indicate the carrying value may not be recoverable. U. S. Steel performed a quantitative impairment evaluation of its acquired water rights during the third quarter of 2017. Based on the results of the evaluation, the water rights were not impaired.

The research and development activities of the Company's acquired indefinite lived in-process research and development patents was completed during the fourth quarter of 2016 and the carrying amount of the patents is being amortized over the useful lives of the patents (approximately 10 years). As a result of the quantitative impairment evaluation of its in-process research and development patents during the third quarter of 2016, an impairment charge of approximately $14 million was recorded during three months ended September 30, 2016.

Identifiable intangible assets with finite lives are reviewed for impairment whenever events or circumstances indicate the carrying values may not be recoverable.

Amortization expense was $2 million for both of the three month periods ended September 30, 2017 and 2016, respectively, and $6 million for both of the nine month periods ended September 30, 2017 and 2016, respectively. The estimated future amortization expense of identifiable intangible assets during the next five years is $2 million for the remaining portion of 2017 and $9 million each year from 2018 to 2021.

6. Pensions and Other Benefits

The following table reflects the components of net periodic benefit cost (income) for the three months ended September 30, 2017 and 2016:

	Pension Benefits		Other Benefits	
(In millions)	2017	2016	2017	2016
Service cost	$13	$14	$4	$5
Interest cost	59	64	23	25
Expected return on plan assets	(98)	(106)	(16)	(38)
Amortization of prior service cost	—	2	8	6
Amortization of actuarial net loss	37	33	1	1
Net periodic benefit cost (income), excluding below	11	7	20	(1)
Multiemployer plans	15	16	—	—
Settlement, termination and curtailment losses	1	10	—	—
Net periodic benefit cost (income)	$27	$33	$20	$(1)

The following table reflects the components of net periodic benefit cost (income) for the nine months ended September 30, 2017 and 2016:

	Pension Benefits		Other Benefits	
(In millions)	2017	2016	2017	2016
Service cost	$37	$40	$13	$15
Interest cost	177	194	70	74
Expected return on plan assets	(292)	(316)	(49)	(113)
Amortization of prior service cost	—	8	22	19
Amortization of actuarial net loss	111	97	3	2
Net periodic benefit cost (income), excluding below	33	23	59	(3)
Multiemployer plans	44	48	—	—
Settlement, termination and curtailment losses	5	13	—	—
Net periodic benefit cost (income)	$82	$84	$59	$(3)

Settlements

During the first nine months of 2017 and 2016, the non-qualified pension plan incurred settlement charges of approximately $5 million and $13 million, respectively, due to lump sum payments for certain individuals.

Employer Contributions

During the first nine months of 2017, U. S. Steel made cash payments of $44 million to the Steelworkers' Pension Trust and $11 million of pension payments not funded by trusts.

During the first nine months of 2017, cash payments of $44 million were made for other postretirement benefit payments not funded by trusts.

Company contributions to defined contribution plans totaled $11 million and $10 million in the three months ended September 30, 2017 and 2016, respectively. Company contributions to defined contribution plans totaled $30 million and $32 million for the nine months ended September 30, 2017 and 2016, respectively.

Pension Funding

In October 2017, U. S. Steel's Board of Directors authorized voluntary contributions to U. S. Steel's trust for its defined benefit pension of up to $200 million through the end of 2018.

Non-retirement postemployment benefits

U. S. Steel recorded a favorable adjustment associated with a change in estimate that resulted in a benefit of approximately $2 million and $3 million for the three and nine months ended September 30, 2017, respectively, compared to costs of $9 million and $7 million for the three and nine months ended September 30, 2016, respectively, related to employee costs for supplemental unemployment benefits and the continuation of health care benefits and life insurance coverage for employees associated with the temporary idling of certain facilities and reduced production at others. Payments for these benefits during the three and nine months ended September 30, 2017 were $3 million and $16 million, respectively. Payments for these benefits during the three and nine months ended September 30, 2016 were $19 million and $58 million, respectively.

7. Net Interest and Other Financial Costs

Net interest and other financial costs includes interest expense (net of capitalized interest), interest income, financing costs, derivatives gains and losses and foreign currency remeasurement gains and losses. Foreign currency gains and losses are primarily a result of foreign currency denominated assets and liabilities that require remeasurement and the impacts of euro-U.S. dollar derivatives activity. During the three months ended September 30, 2017 and 2016, net foreign currency losses of $6 million and $1 million respectively, were recorded in other financial costs. During the nine months ended September 30, 2017 and 2016, net foreign currency losses of $21 million and $2 million respectively, were recorded in other financial costs. Additionally, during the nine months ended September 30, 2017 and 2016, there were losses on debt extinguishments recognized of $32 million and $22 million, respectively.

See Note 12 for additional information on U. S. Steel's use of derivatives to mitigate its foreign currency exchange rate exposure. See Note 13 for further details on U. S. Steel's redemption of its senior debt.

8. Stock-Based Compensation Plans

U. S. Steel has outstanding stock-based compensation awards that were granted by the Compensation & Organization Committee of the Board of Directors (the Committee) under the 2005 Stock Incentive Plan (the Plan) and the 2016 Omnibus Incentive Compensation Plan (the Omnibus Plan), which are more fully described in Note 14 of the United States Steel Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and the 2017 Proxy Statement. On April 26, 2016, the Company's stockholders approved the Omnibus Plan and authorized the Company to issue up to 7,200,000 shares of U. S. Steel common stock under the Omnibus Plan. The Company's stockholders authorized the issuance of an additional 6,300,000 shares under the Omnibus Plan on April 25, 2017. While the awards that were previously granted under the 2005 Plan remain outstanding, all future awards will be granted under the Omnibus Plan. As of September 30, 2017, there were 12,350,805 shares available for future grants under the Omnibus Plan.

Recent grants of stock-based compensation consist of stock options, restricted stock units, and total shareholder return (TSR) performance awards. Stock options are generally issued at the market price of the underlying stock on the date of the grant. Upon exercise of stock options, shares of U. S. Steel common stock are issued from treasury stock. The following table is a general summary of the awards made under the 2005 Plan and the Omnibus Plan during the first nine months of 2017 and 2016.

	2017		2016	
Grant Details	Shares[a]	Fair Value[b]	Shares[a]	Fair Value[b]
Stock Options	647,780	$ 17.28	1,333,210	$ 6.24
Restricted Stock Units	344,500	$ 36.27	1,117,495	$ 14.27
TSR Performance Awards [c]	169,850	$ 40.72	308,130	$ 10.02

[a] The share amounts shown in this table do not reflect an adjustment for estimated forfeitures.
[b] Represents the per share weighted-average for all grants during the period.
[c] The number of performance awards shown represents the target value of the award.

U. S. Steel recognized pretax stock-based compensation expense in the amount of $6 million and $5 million in the three month periods ended September 30, 2017 and 2016, respectively, and $21 million and $16 million in the first nine months of 2017 and 2016, respectively.

As of September 30, 2017, total future compensation expense related to nonvested stock-based compensation arrangements was $24 million, and the weighted average period over which this expense is expected to be recognized is approximately 1 year.

Compensation expense for stock options is recorded over the vesting period based on the fair value on the date of grant, as calculated by U. S. Steel using the Black-Scholes model and the assumptions listed below. The stock options vest ratably over a three-year service period and have a term of ten years.

Black-Scholes Assumptions[a]	2017 Grants	2016 Grants
Grant date price per share of option award	$36.94	$14.78
Exercise price per share of option award	$36.94	$14.78
Expected annual dividends per share, at grant date	$0.20	$0.20
Expected life in years	5.0	5.0
Expected volatility	57 %	53 %
Risk-free interest rate	1.97 %	1.46 %
Grant date fair value per share of unvested option awards as calculated from above	$17.28	$6.24

(a) The assumptions represent a weighted average of all grants during the period.

The expected annual dividends per share are based on the latest annualized dividend rate at the date of grant; the expected life in years is determined primarily from historical stock option exercise data; the expected volatility is based on the historical volatility of U. S. Steel stock; and the risk-free interest rate is based on the U.S. Treasury strip rate for the expected life of the option.

Restricted stock units awarded as part of annual grants generally vest ratably over three years. The fair value is the market price of the underlying common stock on the date of the grant. Restricted stock units granted in connection with new-hire or retention grants generally cliff vest three years from the date of grant.

TSR performance awards vest at the end of a three-year performance period as a function of U. S. Steel's total shareholder return compared to the total shareholder return of a group of peer companies over the three-year performance period. TSR performance awards can vest at between zero and 200 percent of the target award. The fair value of the TSR performance awards is calculated using a Monte-Carlo simulation.

9. Income Taxes

Tax provision

For the nine months ended September 30, 2017 and 2016, we recorded a tax provision of $3 million on our pretax earnings of $231 million and a tax provision of $26 million on our pretax loss of $309 million, respectively. Included in the tax provision in the first nine months of 2017 is a benefit of $13 million related to the carryback of specified liability losses to prior years, as well as a benefit of $25 million related to the Company’s intent to claim a refund of Alternative Minimum Tax credits pursuant to a provision in the Protecting Americans from Tax Hikes Act. As a result, the provision recorded in the third quarter of 2017 was immaterial. Due to the full valuation allowance on our domestic deferred tax assets in 2016 and 2017, the tax provision does not reflect any benefit for domestic pretax losses.

The tax provision for the first nine months of 2017 is based on an estimated annual effective rate, which requires management to make its best estimate of annual pretax income or loss.

During the year, management regularly updates forecasted annual pretax results for the various countries in which we operate based on changes in factors such as prices, shipments, product mix, plant operating performance and cost estimates. To the extent that actual 2017 pretax results for U.S. and foreign income or loss vary from estimates applied herein, the actual tax provision or benefit recognized in 2017 could be materially different from the forecasted amount used to estimate the tax provision for the nine months ended September 30, 2017.

Deferred taxes

Each quarter U. S. Steel analyzes the likelihood that our deferred tax assets will 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 may not be realized.

At September 30, 2017, U. S. Steel reviewed all available positive and negative evidence and determined that it is more likely than not that all of its net domestic deferred tax assets may not be realized.

U. S. Steel will continue to monitor the realizability of its deferred tax assets on a quarterly basis. In the future, if we determine that realization is more likely than not for deferred tax assets with a valuation allowance, the related valuation allowance will be reduced, and we will record a non-cash benefit to earnings.

Unrecognized tax benefits

Unrecognized tax benefits are the differences between a tax position taken, or expected to be taken, in a tax return and the benefit recognized for accounting purposes pursuant to the guidance in ASC Topic 740 on income taxes. As of September 30, 2017 and December 31, 2016, the total amount of gross unrecognized tax benefits was $71 million and $72 million, respectively. The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate was $10 million as of September 30, 2017 and $9 million as of December 31, 2016.

U. S. Steel records interest related to uncertain tax positions as a part of net interest and other financial costs in the Consolidated Statement of Operations. Any penalties are recognized as part of selling, general and administrative expenses. As of September 30, 2017 and December 31, 2016, U. S. Steel had accrued liabilities of $6 million and $4 million, respectively, for interest and penalties related to uncertain tax positions.

10. Earnings and Dividends Per Common Share

Earnings (Loss) Per Share Attributable to United States Steel Corporation Stockholders

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, provided in each case the effect is dilutive.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions, except per share amounts)	2017	2016	2017	2016
Earnings (loss) attributable to United States Steel Corporation stockholders	$147	$ 51	$228	$(335)
Weighted-average shares outstanding (in thousands):				
Basic	175,003	160,513	174,684	151,199
Effect of stock options, restricted stock units and performance awards	1,481	1,187	1,652	—
Adjusted weighted-average shares outstanding, diluted	176,484	161,700	176,336	151,199
Basic earnings (loss) per common share	$0.84	$ 0.32	$1.30	$(2.22)
Diluted earnings (loss) per common share	$0.83	$ 0.32	$1.29	$(2.22)

The following table summarizes the securities that were antidilutive, and therefore, were not included in the computations of diluted earnings (loss) per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2017	2016	2017	2016
Securities granted under the 2005 Stock Incentive Plan, as amended and the 2016 Omnibus Incentive Compensation Plan, as amended	2,679	4,613	1,677	9,568

Dividends Paid Per Share

The dividend for each of the first three quarters of 2017 and 2016 was five cents per common share.

11. Inventories

Inventories are carried at the lower of cost or market for last-in, first-out (LIFO) inventories and lower of cost and net realizable value for first-in, first-out (FIFO) method inventories. The LIFO method is the predominant method of inventory costing in the United States. The FIFO method is the predominant method of inventory costing in Europe. At September 30, 2017 and December 31, 2016, the LIFO method accounted for 74 percent and 75 percent of total inventory values, respectively.

(In millions)	September 30, 2017	December 31, 2016
Raw materials	$ 442	$ 449
Semi-finished products	837	686
Finished products	405	375
Supplies and sundry items	53	63
Total	$ 1,737	$ 1,573

Current acquisition costs were estimated to exceed the above inventory values by $757 million and $489 million at September 30, 2017 and December 31, 2016, respectively. The impact from the liquidation of LIFO inventories

was immaterial in the three and nine months ended September 30, 2017. Cost of sales decreased and earnings (loss) before interest and income taxes increased by $21 million for the three months ended September 30, 2016 as a result of the liquidation of LIFO inventories. For the nine months ended September 30, 2016, cost of sales increased and earnings (loss) before interest and income taxes decreased by $54 million as a result of the liquidation of LIFO inventories.

Inventory includes $46 million and $54 million of property held for residential or commercial development as of September 30, 2017 and December 31, 2016, respectively.

12. Derivative Instruments

U. S. Steel is exposed to foreign currency exchange rate risks as a result of our European operations. USSE's revenues are primarily in euros and costs are primarily in U.S. dollars and euros. In addition, cash requirements may be funded by intercompany loans, creating intercompany monetary assets and liabilities in currencies other than the functional currency of the entities involved and affect income when remeasured at the end of each period.

U. S. Steel uses euro forward sales contracts with maturities no longer than 12 months to exchange euros for U.S. dollars to manage our currency requirements and exposure to foreign currency exchange rate fluctuations. Derivative instruments are required to be recognized at fair value in the Consolidated Balance Sheet. U. S. Steel has not elected to designate these euro forward sales contracts as hedges. Therefore, changes in their fair value are recognized immediately in the Consolidated Statements of Operations.

As of September 30, 2017, U. S. Steel held euro forward sales contracts with a total notional value of approximately $253 million. We mitigate the risk of concentration of counterparty credit risk by purchasing our forward sales contracts from several counterparties.

Additionally, U. S. Steel uses fixed-price forward physical purchase contracts to partially manage our exposure to price risk related to the purchases of natural gas and certain nonferrous metals used in the production process. During 2017 and 2016, the forward physical purchase contracts for natural gas and nonferrous metals qualified for the normal purchases and normal sales exemption described in ASC Topic 815 and were not subject to mark-to-market accounting.

The following summarizes the location and amounts of the fair values and gains or losses related to derivatives included in U. S. Steel's consolidated financial statements as of September 30, 2017 and December 31, 2016 and for the three and nine months ended September 30, 2017 and 2016:

(In millions)	Balance Sheet Location	Fair Value September 30, 2017	Fair Value December 31, 2016
Foreign exchange forward contracts	Accounts receivable	$ —	$ 9
Foreign exchange forward contracts	Accounts payable	$ 12	$ —

(In millions)	Statement of Operations Location	Amount of Gain (Loss) Three Months Ended September 30, 2017	Amount of Gain (Loss) Nine Months Ended September 30, 2017
Foreign exchange forward contracts	Other financial income/ costs	$ (7)	$ (20)

(In millions)	Statement of Operations Location	Amount of Gain (Loss) Three Months Ended September 30, 2016	Amount of Gain (Loss) Nine Months Ended September 30, 2016
Foreign exchange forward contracts		$ —	$ (4)

Other financial income/
costs

In accordance with the guidance found in ASC Topic 820 on fair value measurements and disclosures, the fair value of our euro forward sales contracts was determined using Level 2 inputs, which are defined as "significant other observable" inputs. The inputs used are from market sources that aggregate data based upon market transactions.

13. Debt

(In millions)	Interest Rates %	Maturity	September 30, 2017	December 31, 2016
2037 Senior Notes	6.65	2037	$ 350	$ 350
2025 Senior Notes	6.875	2025	750	—
2022 Senior Notes	7.50	2022	—	400
2021 Senior Secured Notes	8.375	2021	980	980
2021 Senior Notes	6.875	2021	—	200
2020 Senior Notes	7.375	2020	432	432
2018 Senior Notes	7.00	2018	—	161
Environmental Revenue Bonds	5.50 - 6.88	2017 - 2042	400	447
Recovery Zone Facility Bonds	6.75	2040	—	70
Fairfield Caster Lease		2022	26	28
Other capital leases and all other obligations		2019	1	1
Third Amended and Restated Credit Agreement	Variable	2020	—	—
USSK Revolver	Variable	2020	—	—
USSK credit facilities	Variable	2017 - 2018	—	—
Total Debt			2,939	3,069
Less unamortized discount and debt issuance costs			40	38
Less short-term debt and long-term debt due within one year			3	50
Long-term debt			$ 2,896	$ 2,981

To the extent not otherwise discussed below, information concerning the senior notes and other listed obligations can be found in Note 16 of the audited financial statements in the United States Steel Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Issuance of Senior Notes due 2025

In August 2017, U. S. Steel issued $750 million of 6.875% Senior Notes due August 15, 2025 (2025 Senior Notes). U. S. Steel received net proceeds from the offering of approximately $737 million after fees of approximately $13 million related to the underwriting and third party expenses. The net proceeds from the issuance of the 2025 Senior Notes, together with cash on hand, were used to redeem portions of our outstanding senior notes as discussed below.

The 2025 Senior Notes are senior and unsecured obligations that rank equally in right of payment with all of our other existing and future senior indebtedness. U. S. Steel will pay interest on the notes semi-annually in arrears on February 15th and August 15th of each year, commencing on February 15, 2018.

Similar to our other senior notes, the indenture governing the 2025 Senior Notes restricts our ability to create certain liens, to enter into sale leaseback transactions and to consolidate, merge, transfer or sell all, or substantially all of our assets. It also contains provisions requiring the purchase of the 2025 Senior Notes upon a change of control under certain specified circumstances, as well as other customary provisions.

U. S. Steel may redeem the 2025 Senior Notes, in whole or in part, at our option at any time, or from time to time, on or after August 15, 2020 at the redemption price for such notes set forth below as a percentage of the

principal amount, plus accrued and unpaid interest, if any, to, but excluding the redemption date, if redeemed during the twelve-month period beginning August 15 of the years indicated below:

Year	Redemption Price	
2020	103.438	%
2021	101.719	%
2022 and thereafter	100.000	%

At any time prior to August 15, 2020, U. S. Steel may also redeem the 2025 Senior Notes, at our option, in whole, or from time to time, at a price equal to the greater of 100 percent of the principal amount of the 2025 Senior Notes to be redeemed, or the sum of the present value of the redemption price of the 2025 Senior Notes if they were redeemed on August 15, 2020 plus interest payments due through August 15, 2020 discounted to the date of redemption, plus 50 basis points.

Under certain specified circumstances we may also purchase up to 35% of the original aggregate principal amount of the 2025 Senior Notes at 106.875%, plus accrued and unpaid interest, if any, to, but excluding the applicable date of redemption, prior to August 15, 2020 with proceeds from equity offerings.

Senior Note Redemption

In September 2017, U. S. Steel redeemed all of its $161 million 7.00% Senior Notes due 2018, $200 million 6.875% Senior Notes due 2021, and $400 million 7.50% Senior Notes due 2022 in accordance with the redemption provisions under the indentures governing these notes. The aggregate redemption cost of approximately $808 million included $761 million for the present value of the remaining principal balances, $21 million in accrued and unpaid interest and $26 million in redemption premiums, of which approximately $4 million was a make-whole premium.

Redemption of Recovery Zone Facility Bonds

On March 10, 2017, U. S. Steel announced the permanent shutdown of the No. 6 Quench & Temper Mill at Lorain Tubular Operations in Lorain, Ohio. Under the terms of the Trust Indenture dated as of December 1, 2010, between the Lorain County Port Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the Indenture), this action and our decision to relocate the Lorain No. 6 Quench & Temper equipment to one of several other sites under consideration to optimize our operations, triggered an Extraordinary Mandatory Redemption of the Lorain County Port Authority Recovery Zone Facility Revenue Bonds (the Recovery Zone Bonds) and accordingly required U. S. Steel to redeem the Recovery Zone Bonds and repay in full the principal amount plus accrued interest. In accordance with the terms of the Indenture, U. S. Steel paid in full all amounts due under the Indenture, comprised of $70 million principal and accrued interest of approximately $2 million, on April 27, 2017.

Third Amended and Restated Credit Agreement

As of September 30, 2017, there were no amounts drawn on the $1.5 billion credit facility agreement (Third Amended and Restated Credit Agreement). U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent four consecutive quarters when availability under the Third Amended and Restated Credit Agreement is less than the greater of 10 percent of the total aggregate commitments and $150 million. Based on the most recent four quarters as of September 30, 2017, we would have met this covenant. If we are unable to meet this covenant in future periods, the amount available to the Company under this facility would be reduced by $150 million.

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. 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.

The Third Amended and Restated Credit Agreement permits incurrence of additional secured debt up to 15% of Consolidated Net Tangible Assets.

U. S. Steel Košice (USSK) revolver and credit facilities

At September 30, 2017, USSK had no borrowings under its €200 million (approximately $236 million) unsecured revolving credit facility (the USSK Credit Agreement). The USSK Credit Agreement contains certain USSK financial covenants, including maximum Leverage, maximum Net Debt to Tangible Net Worth, and minimum Interest Coverage ratios as defined in the USSK Credit Agreement. The covenants are measured semi-annually for the period covering the last twelve calendar months. USSK may not draw on the USSK Credit Agreement if it does not comply with any of the financial covenants until the next measurement date. At September 30, 2017, USSK had full availability under the USSK Credit Agreement. Currently, the USSK Credit Agreement expires in July 2020. The USSK Credit Agreement permits one additional one-year extension to the final maturity date at the mutual consent of USSK and its lenders.

At September 30, 2017, USSK had no borrowings under its €40 million and €10 million unsecured credit facilities (collectively approximately $59 million) and the availability was approximately $58 million due to approximately $1 million of customs and other guarantees outstanding. On October 27, 2017, USSK entered into an amendment to its €10 million unsecured credit agreement to extend the agreement's final maturity date from December 2017 to December 2018. The amendment also permits one additional one-year extension to the final maturity date at the mutual consent of USSK and its lender.

Each of these facilities bear interest at the applicable inter-bank offer rate plus a margin and contain customary terms and conditions.

Change in control event under various financing agreements

If there is a change in control of U. S. Steel, the following may occur: (a) debt obligations totaling $2,512 million as of September 30, 2017 (including the senior notes and the senior secured 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 Works slab caster for $27 million or provide a letter of credit to secure the remaining obligation.

14. Asset Retirement Obligations

U. S. Steel’s asset retirement obligations (AROs) primarily relate to mine and landfill closure and post-closure costs. The following table reflects changes in the carrying values of AROs:

(In millions)	September 30, 2017	December 31, 2016
Balance at beginning of year	$ 79	$ 89
Additional obligations incurred	—	2
Obligations settled	(4)	(15)
Change in estimate of obligations	(6)	—
Foreign currency translation effects	1	—
Accretion expense	2	3
Balance at end of period	$ 72	$ 79

Certain AROs related to disposal costs of the majority of fixed assets at our integrated steel facilities have not been 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.

15. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, current accounts and notes receivable, accounts payable, bank checks outstanding, and accrued interest included in the Consolidated Balance Sheet approximate fair value. See Note 12 for disclosure of U. S. Steel’s derivative instruments, which are accounted for at fair value on a recurring basis.

The following table summarizes U. S. Steel's financial assets and liabilities that were not carried at fair value at September 30, 2017 and December 31, 2016.

(In millions)	September 30, 2017		December 31, 2016	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial liabilities:				
Long-term debt [(a)]	$3,059	$ 2,872	$3,139	$ 3,002

(a)Excludes capital lease obligations.

The following methods and assumptions were used to estimate the fair value of financial instruments included in the table above:

Long-term debt: 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.

Fair value of the financial liabilities disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

Financial guarantees are U. S. Steel's only unrecognized financial instrument. For details relating to financial guarantees see Note 20.

16. Statement of Changes in Stockholders' Equity

The following table reflects the first nine months of 2017 and 2016 reconciliations of the carrying amounts of total equity, equity attributable to U. S. Steel and equity attributable to noncontrolling interests:

Nine Months Ended September 30, 2017 (In millions)	Total	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Common Stock	Treasury Stock	Paid-in Capital	Non-Controlling Interest
Balance at beginning of year	$2,275	$ (250)	$ (1,497)	$ 176	$ (182)	$4,027	$ 1
Comprehensive income (loss):							
Net earnings	228	228					
Other comprehensive income, net of tax: [a]							
Pension and other benefit adjustments	146		146				
Currency translation adjustment	149		149				
Employee stock plans	26				90	(64)	
Dividends paid on common stock	(26)					(26)	
Other	10	4	6				
Balance at September 30, 2017	$2,808	$ (18)	$ (1,196)	$ 176	$ (92)	$3,937	$ 1

[a] Amounts for 2017 do not reflect a tax benefit as a result of a full valuation allowance on our domestic deferred tax assets.

Nine Months Ended September 30, 2016 (In millions)	Total	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Common Stock	Treasury Stock	Paid-in Capital	Non-Controlling Interest
Balance at beginning of year	$2,437	$ 190	$ (1,169)	$ 151	$ (339)	$3,603	$ 1
Comprehensive income (loss):							
Net loss	(335)	(335)					
Other comprehensive income (loss), net of tax: [b]							
Pension and other benefit adjustments	(134)		(134)				
Currency translation adjustment	41		41				
Employee stock plans	16				62	(46)	
Common stock issued	582			25		557	
Dividends paid on common stock	(22)					(22)	
Other	17		17				
Balance at September 30, 2016	$2,602	$ (145)	$ (1,245)	$ 176	$ (277)	$4,092	$ 1

[b] Amounts for 2016 do not reflect a tax benefit as a result of a full valuation allowance on our domestic deferred tax assets.

17. Reclassifications from Accumulated Other Comprehensive Income (AOCI)

(In millions) [a]	Pension and Other Benefit Items	Foreign Currency Items	Other	Total
Balance at December 31, 2016	$ (1,771)	$ 274	$ —	$(1,497)
Other comprehensive income before reclassifications	296	149	6	451
Amounts reclassified from AOCI	(141) [b]	—	—	(141)
Sale of ownership interest in Tilden Mining Company L.C.	(9)	—	—	(9)
Net current-period other comprehensive income	146	149	6	301
Balance at September 30, 2017	$ (1,625)	$ 423	$ 6	$(1,196)

(a)Amounts do not reflect a tax benefit as a result of a full valuation allowance on our domestic deferred tax assets.
(b)See table below for further details.

		Amount reclassified from AOCI			
		Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions) [a]	Details about AOCI components	2017	2016	2017	2016
	Amortization of pension and other benefit items				
	Prior service costs [b]	$8	$(8)	$22	$(27)
	Actuarial losses [b]	38	(34)	114	(99)
	Settlement, termination and curtailment (losses)[b]	1	(10)	5	(13)
	Total before tax	47	(52)	141	(139)
	Tax benefit	—	—	—	—
	Net of tax [c]	$47	$(52)	$141	$(139)

(a)Amounts in parentheses indicate decreases in AOCI.
(b)These AOCI components are included in the computation of net periodic benefit cost (see Note 6 for additional details).
(c)Amounts do not reflect a tax benefit as a result of a full valuation allowance on our domestic deferred tax assets.

18. Transactions with Related Parties

Net sales to related parties and receivables from related parties primarily reflect sales of raw materials and steel products to equity investees and U. S. Steel Canada Inc. (USSC) after the Canada Companies' Creditor Arrangement Act (CCAA) filing on September 16, 2014, but before the sale to an affiliate of Bedrock Industries Group LLC (Bedrock). Generally, transactions are conducted under long-term market-based contractual arrangements. Related party sales and service transactions were $272 million and $316 million for the three months ended September 30, 2017 and 2016, respectively, and $941 million and $895 million for the nine months ended September 30, 2017 and 2016, respectively.

Purchases from related parties for outside processing services provided by equity investees and USSC after the CCAA filing on September 16, 2014, but before the sale to Bedrock amounted to $7 million and $25 million for the three months ended September 30, 2017 and 2016, respectively, and $62 million and $68 million for the nine months ended September 30, 2017 and 2016, respectively. Purchases of iron ore pellets from related parties amounted to $40 million and $43 million for the three months ended September 30, 2017 and 2016, respectively, and $120 million and $131 million for the nine months ended September 30, 2017 and 2016, respectively.

Accounts payable to related parties include balances due to PRO-TEC Coating Company (PRO-TEC) of $77 million and $63 million at September 30, 2017 and December 31, 2016, respectively, for invoicing and receivables collection

services provided by U. S. Steel. U. S. Steel, as PRO-TEC's exclusive sales agent, is responsible for credit risk related to those receivables. U. S. Steel also provides PRO-TEC marketing, selling and customer service functions. Payables to other related parties, including USSC after the CCAA filing on

September 16, 2014, but before the sale Bedrock totaled $2 million and $3 million at September 30, 2017 and December 31, 2016, respectively.

As a result of the completion of the restructuring and disposition of U. S. Steel Canada Inc. on June 30, 2017, subsequent transactions between the Company and U. S. Steel Canada Inc. are no longer considered related party transactions and are accounted for and recognized as third-party transactions. See Note 21 for further details.

19. Restructuring and Other Charges

During the nine months ended September 30, 2017, the Company recorded a net restructuring charge of $30 million, which consists of charges of $35 million related to the permanent shutdown of the No. 6 Quench & Temper Mill at Lorain Tubular Operations and a favorable adjustment of $5 million primarily associated with a change in estimate for previously recorded costs for environmental obligations and Company-wide headcount reductions. Cash payments were made related to severance and exit costs of $24 million.

Restructuring charges recorded during the three and nine months ended September 30, 2016 were immaterial.

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.

The activity in the accrued balances incurred in relation to restructuring and other cost reduction programs during the nine months ended September 30, 2017 were as follows:

(in millions)	Employee Related Costs	Exit Costs	Non-cash Charges	Total
Balance at December 31, 2016	$ 14	$ 60	$ —	$ 74
Additional charges	1	—	35	36
Cash payments/utilization	(7)	(17)	(35)	(59)
Other adjustments and reclassifications	(4)	(2)	—	(6)
Balance at September 30, 2017	$ 4	$ 41	$ —	$ 45

Accrued liabilities for restructuring and other cost reduction programs are included in the following balance sheet lines:

(in millions)	September 30, 2017	December 31, 2016
Accounts payable	$ 30	$ 50
Payroll and benefits payable	3	11
Employee benefits	1	1
Deferred credits and other noncurrent liabilities	11	12
Total	$ 45	$ 74

20. Contingencies and Commitments

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

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

Asbestos matters – As of September 30, 2017, U. S. Steel was a defendant in approximately 830 active cases involving approximately 3,325 plaintiffs. The vast majority of these cases involve multiple defendants. At December 31, 2016, U. S. Steel was a defendant in approximately 845 active cases involving approximately 3,340 plaintiffs. As of September 30, 2017, about 2,500, or approximately 75 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, we believe 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.

The following table shows the number of asbestos claims in the current period and the prior three years:

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved	New Claims	Closing Number of Claims
December 31, 2014	3,320	190	325	3,455
December 31, 2015	3,455	415	275	3,315
December 31, 2016	3,315	225	250	3,340
September 30, 2017	3,340	200	185	3,325

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.

Environmental matters – U. S. Steel is subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. Changes in accrued liabilities for remediation activities where U. S. Steel is identified as a named party are summarized in the following table:

(In millions)	Nine Months Ended September 30, 2017
Beginning of period	$ 179
Accruals for environmental remediation deemed probable and reasonably estimable	6
Obligations settled	(5)
End of period	$ 180

Accrued liabilities for remediation activities are included in the following Consolidated Balance Sheet lines:

(In millions)	September 30, 2017	December 31, 2016
Accounts payable	$ 20	$ 19
Deferred credits and other noncurrent liabilities	160	160
Total	$ 180	$ 179

Expenses related to remediation are recorded in cost of sales and were immaterial for both the three and nine month periods ended September 30, 2017 and 2016. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed. Due to uncertainties inherent in remediation projects and the associated liabilities, it is reasonably possible that total remediation costs for active matters may exceed the accrued liabilities by as much as 15 to 30 percent.

Remediation Projects

U. S. Steel is involved in environmental remediation projects at or adjacent to several current and former U. S. Steel facilities and other locations that are in various stages of completion ranging from initial characterization through post-closure monitoring. Based on the anticipated scope and degree of uncertainty of projects, we categorize projects as follows:

(1) Projects with Ongoing Study and Scope Development - Projects which are still in the development phase. For these projects, the extent of remediation that may be required is not yet known, the remediation methods and plans are not yet developed, and/or cost estimates cannot be determined. Therefore, significant costs, in addition to the accrued liabilities for these projects, are reasonably possible. There are six environmental remediation projects where additional costs for completion are not currently estimable, but could be material. These projects are at Fairfield Works, Lorain Tubular, USS-POSCO Industries (UPI), the Fairless Plant, Cherryvale Zinc, and the former steelmaking plant at Joliet, Illinois. As of September 30, 2017, accrued liabilities for these projects totaled $1 million for the costs of studies, investigations, interim measures, design and/or remediation. It is reasonably possible that additional liabilities associated with future requirements regarding studies, investigations, design and remediation for these projects could be as much as $30 million to $50 million.

(2) Significant Projects with Defined Scope - Projects with significant accrued liabilities with a defined scope. As of September 30, 2017, there are three significant projects with defined scope greater than or equal to $5 million each, with a total accrued liability of $136 million. These projects are Gary RCRA (accrued liability of $26 million), the former Geneva facility (accrued liability of $63 million), and the former Duluth facility St. Louis River Estuary (accrued liability of $47 million).

(3) Other Projects with a Defined Scope - Projects with relatively small accrued liabilities for which we believe that, while additional costs are possible, they are not likely to be significant, and also include those projects for which we do not yet possess sufficient information to estimate potential costs to U. S. Steel. There are two other environmental remediation projects which each had an accrued liability of between $1 million and $5 million. The total accrued liability for these projects at September 30, 2017 was $4 million. These projects have progressed through a significant portion of the design phase and material additional costs are not expected.

The remaining environmental remediation projects have an accrued liability of less than $1 million each. The total accrued liability for these projects at September 30, 2017 was $7 million. We do not foresee material additional liabilities for any of these sites.

Post-Closure Costs – Accrued liabilities for post-closure site monitoring and other costs at various closed landfills totaled $23 million at September 30, 2017 and were based on known scopes of work.

Administrative and Legal Costs – As of September 30, 2017, U. S. Steel had an accrued liability of $6 million for administrative and legal costs related to environmental remediation projects. These accrued liabilities were based on projected administrative and legal costs for the next three years and do not change significantly from year to year.

Capital Expenditures – For a number of years, U. S. Steel has made substantial capital expenditures to bring existing facilities into compliance with various laws relating to the environment. In the first nine months of 2017 and 2016, such capital expenditures totaled $39 million and $24 million, respectively. U. S. Steel anticipates making additional such expenditures in the future; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

Under the Emission Trading Scheme (ETS), USSK's final allocation of free allowances for the Phase III period, which covers the years 2013 through 2020 is 48 million allowances. Based on projected future production levels, we started to purchase allowances in the third quarter of 2017 to meet the annual compliance submission in the future. As of September 30, 2017, we have purchased 1 million European Union Allowances (EUA) totaling €7 million (approximately $8 million). We estimate a shortfall of approximately 16 million allowances for the

Phase III period. However, due to a number of variables such as the future market value of allowances, future production levels and future emission intensity levels, we cannot reliably estimate the full cost of complying with the ETS regulations at this time.

The EU's Industry Emission Directive requires implementation of EU determined best available techniques (BAT) for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Our most recent broad estimate of future capital expenditures for projects to comply with or go beyond BAT requirements is €138 million (approximately $163 million) over the 2017 to 2020 period. There are ongoing efforts to seek EU grants to fund a portion of these capital expenditures. The actual amount spent will depend largely upon the amount of EU incentive grants received. See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental Matters, Litigation and Contingencies, Slovak Operations.

Due to other EU legislation requirements - BAT for Large Combustion Plants (LCP), we are required to make changes to the boilers at our steam and power generation plant in order to comply with stricter air emission limits for large combustion plants. The new requirements for LCP resulted in the construction of a new boiler and certain upgrades to our existing boilers. In January 2014, the operation of USSK's boilers was approved by the European Commission (EC) as part of Slovakia's Transitional National Plan (TNP) for bringing all boilers in Slovakia into compliance by no later than 2020. The TNP establishes emission ceilings for each category of emissions (total suspended particulate, sulfur dioxide (SO_2) and nitrogen oxide (NOx)) for both stacks within the power plant. The allowable amount of discharged emissions will decrease each year until mid 2020. An emission ceiling will be a limiting factor for future operation of the boilers. The boiler projects have been approved by our Board of Directors and we are now in the execution phase. These projects will result in a reduction in electricity, carbon dioxide (CO_2) emissions and operating, maintenance and waste disposal costs once completed. The construction of the new boiler is complete with a total final installed cost of €76 million (approximately $90 million). Reconstruction of the existing boiler, with a projected cost of €52 million (approximately $61 million), is in progress. The total remaining to be spent on the existing boiler project is projected to be €10 million (approximately $12 million). Broad legislative changes were enacted by the Slovak Republic to extend the scope of support for renewable sources of energy, that are intended to allow USSK to participate in Slovakia's renewable energy incentive program once the boiler projects are completed.

Guarantees – The maximum guarantees of the indebtedness and other obligations of unconsolidated entities of U. S. Steel totaled $4 million at September 30, 2017.

EPA Region V Federal Lawsuit – This is a Clean Air Act (CAA) enforcement action brought in Federal Court in the Northern District of Indiana in 2012. The U.S. Government, joined by the States of Illinois, Indiana, and Michigan initiated the action alleging the Company violated the CAA and failed to have in place appropriate pollution control equipment at Gary Works, Granite City Works, and Great Lakes Works. A Consent Decree with a proposed settlement agreement was filed with the Court on November 22, 2016. As part of the settlement agreement, U. S. Steel agreed to perform seven supplemental environmental projects totaling approximately $3 million and to pay a civil penalty of approximately $2 million. The enforcement action concluded on March 30, 2017 when the Court signed and entered the Consent Decree. In April 2017, U. S. Steel satisfied payment of the approximately $2 million civil penalty and is currently in various phases of implementing the supplemental environmental projects.

CCAA - On September 16, 2014, U. S. Steel Canada Inc. (USSC) commenced court-supervised restructuring proceedings under Canada's Companies' Creditors Arrangement Act (CCAA) before the Ontario Superior Court of Justice (the Court). As part of the CCAA proceedings, U. S. Steel submitted both secured and unsecured claims of approximately C$2.2 billion which were verified by the court-appointed Monitor. U. S. Steel's claims were challenged by a number of interested parties, and on February 29, 2016, the Court denied those challenges and verified U. S. Steel's secured claims in the amount of approximately $119 million and unsecured claims of approximately C$1.8 billion and $120 million. The interested parties had appealed the determinations of the Court, but the appeals have been discontinued as a result of the sale of USSC to Bedrock on June 30, 2017 for approximately $127 million.

Other contingencies – Under certain operating lease agreements covering various equipment, U. S. Steel has the option to renew the lease or to purchase the equipment at the end of the lease term. If U. S. Steel does not exercise the purchase option by the end of the lease term, U. S. Steel guarantees a residual value of the equipment as determined at the lease inception date (totaling approximately $10 million at September 30, 2017). No liability has been recorded for

these guarantees as the potential loss is not probable.

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 auto 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.

U. S. Steel uses surety bonds, trusts and letters of credit to provide whole or partial financial assurance for certain obligations such as workers' compensation. The total amount of active surety bonds, trusts and letters of credit being used for financial assurance purposes was approximately $157 million as of September 30, 2017, which reflects U. S. Steel's maximum exposure under these financial guarantees, but not its total exposure for the underlying obligations. A significant portion of our trust arrangements and letters of credit are collateralized by our Third Amended and Restated Credit Agreement. The remaining trust arrangements and letters of credit are collateralized by restricted cash. Restricted cash, which is recorded in other current and noncurrent assets, totaled $42 million and $40 million at September 30, 2017 and December 31, 2016, respectively.

Capital Commitments – At September 30, 2017, U. S. Steel's contractual commitments to acquire property, plant and equipment totaled $143 million.

Contractual Purchase Commitments – U. S. Steel is obligated to make payments under contractual purchase commitments, including unconditional purchase obligations. Payments for contracts with remaining terms in excess of one year are summarized below (in millions):

Remainder of 2017	2018	2019	2020	2021	Later Years	Total
$147	$734	$402	$316	$309	$1,067	$2,975

The majority of U. S. Steel's unconditional purchase obligations relates to the supply of industrial gases, and certain energy and utility services with terms ranging from two to 15 years. Unconditional purchase obligations also include coke and steam purchase commitments related to a coke supply agreement with Gateway Energy & Coke Company LLC (Gateway) under which Gateway is obligated to supply a minimum volume of the expected targeted annual production of the heat recovery coke plant, and U. S. Steel is obligated to purchase the coke from Gateway at the contract price. As of September 30, 2017, if U. S Steel were to terminate the agreement, it may be obligated to pay in excess of $193 million.

Total payments relating to unconditional purchase obligations were $132 million and $117 million for the three months ended September 30, 2017 and 2016, respectively and $425 million and $372 million for the nine months ended September 30, 2017 and 2016, respectively.

21. U. S. Steel Canada Inc. Retained Interest

On June 30, 2017, U. S. Steel completed the restructuring and disposition of USSC through a sale and transfer of all of the issued and outstanding shares in USSC to an affiliate of Bedrock. In accordance with the Second Amended and Restated Plan of Compromise, Arrangement and Reorganization, approved by the Ontario Superior Court of Justice on June 9, 2017, U. S. Steel received approximately $127 million in satisfaction of its secured claims, including interest, which resulted in a gain of $72 million on the Company's retained interest in USSC. U. S. Steel also agreed to the discharge and cancellation of its unsecured claims for nominal consideration. The terms of the settlement also included mutual releases among key stakeholders, including a release of all claims against the Company regarding environmental, pension and other liabilities.

22. Sale of Ownership Interest in Equity Investee

On September 29, 2017, a subsidiary of U. S. Steel completed the sale of its 15% ownership interest in Tilden Mining Company L.C. for $105 million. As a result of the transaction, U. S. Steel recognized a gain of approximately $26 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net sales by segment for the three and nine months ended September 30, 2017 and 2016 are set forth in the following table:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, excluding intersegment sales)	2017	2016	% Change	2017	2016	% Change
Flat-Rolled Products (Flat-Rolled)	$2,249	$1,986	13 %	$6,265	$5,643	11 %
U. S. Steel Europe (USSE)	710	575	23 %	2,123	1,616	31 %
Tubular Products (Tubular)	276	114	142 %	682	303	125 %
Total sales from reportable segments	3,235	2,675	21 %	9,070	7,562	20 %
Other Businesses	13	11	18 %	47	49	(4)%
Net sales	$3,248	$2,686	21 %	$9,117	$7,611	20 %

Management's analysis of the percentage change in net sales for U. S. Steel's reportable business segments for the three months ended September 30, 2017 versus the three months ended September 30, 2016 is set forth in the following table:

Three Months Ended September 30, 2017 versus Three Months Ended September 30, 2016

	Steel Products [a]					
	Volume	Price	Mix	FX [b]	Coke, Pellets & Other [c]	Net Change
Flat-Rolled	(3)%	1 %	2 %	—%	13 %	13 %
USSE	(3)%	18 %	3 %	5 %	— %	23 %
Tubular	73 %	7 %	58 %	—%	4 %	142 %

[a] Excludes intersegment sales

[b] Foreign currency translation effects

[c] Includes sales of scrap inventory

Net sales were $3,248 million in the three months ended September 30, 2017, compared with $2,686 million in the same period last year. The increase in sales for the Flat-Rolled segment primarily reflected a favorable impact from increased third-party pellet sales, a higher value added product mix, and higher average realized prices (increase of $10 per net ton) as a result of improved market conditions. The increase in sales for the USSE segment was primarily due to higher average realized euro-based prices (increase of €93 per net ton) as a result of lower imports, partially offset by decreased shipments (decrease of 38 thousand net tons). The increase in sales for the Tubular segment primarily reflected increased shipments (increase of 82 thousand net tons), a favorable impact on product mix as a result of increased shipments of seamless tubular products, and higher average realized prices (increase of $384 per net ton) as a result of improved market conditions.

Management's analysis of the percentage change in net sales for U. S. Steel's reportable business segments for the nine months ended September 30, 2017 versus the nine months ended September 30, 2016 is set forth in the following table:

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

	Steel Products [a]					
	Volume	Price	Mix	FX [b]	Coke, Pellets & Other [c]	Net Change
Flat-Rolled	(5)%	22 %	(11)%	—%	5 %	11 %
USSE	3 %	29 %	(1)%	—%	— %	31 %
Tubular	96 %	6 %	16 %	—%	7 %	125 %

[a] Excludes intersegment sales

[b] Foreign currency translation effects

[c] Includes sales of scrap inventory

Net sales were $9,117 million in the nine months ended September 30, 2017, compared with $7,611 million in the same period last year. The increase in sales for the Flat-Rolled segment primarily reflected higher average realized prices (increase of $72 per net ton) and increased third-party pellet sales, partially offset by a decrease in shipments (decrease of 280 thousand net tons) as a result of a planned outage at our Great Lakes Works facility and an unfavorable impact on product mix as a result of increased sales of hot-rolled products. The increase in sales for the USSE segment was primarily due to higher average realized euro-based prices (increase of €121 per net ton) and an increase in shipments (increase of 98 thousand net tons), both as a result of improved market conditions. The increase in sales for the Tubular segment primarily reflected increased shipments (increase of 247 thousand net tons), a higher value product mix, and higher average realized prices (increase of $174 per net ton) as a result of improved market conditions.

Pension and other benefits costs

Pension and other benefit costs are reflected in our cost of sales and selling, general and administrative expense line items in the Consolidated Statements of Operations.

Defined benefit and multi-employer pension plan costs totaled $27 million and $82 million in the three and nine months ended September 30, 2017, respectively, compared to $33 million and $84 million in the comparable periods in 2016.

Costs related to defined contribution plans totaled $11 million and $32 million in the three and nine months ended September 30, 2017, respectively, compared to $10 million and $32 million in the comparable periods in 2016.

Other benefit expense (income), totaled $20 million and $(1) million in the three months ended September 30, 2017 and September 30, 2016, respectively, and $59 million and $(3) million in the nine months ended September 30, 2017 and 2016, respectively. The $21 million and $62 million increases in expense in the 2017 periods are primarily due to a lower return on asset assumption as a result of actions taken in 2016 to de-risk the other postemployment benefit (OPEB) plans.

Net periodic pension cost, including multi-employer plans, is expected to total approximately $105 million in 2017. Total other benefits costs in 2017 are expected to total approximately $78 million. The pension cost projection includes approximately $57 million of contributions to the Steelworkers Pension Trust.

Non-retirement post-employment benefits

U. S. Steel incurred a favorable adjustment associated with a change in estimate that resulted in a benefit of approximately $2 million and $3 million for the three and nine months ended September 30, 2017, respectively, compared to costs of approximately $9 million and $7 million for the three and nine months ended September 30, 2016, respectively, related to employee costs for supplemental unemployment benefits and the continuation of health care benefits and life insurance coverage for employees associated with the temporary idling of certain facilities and reduced production at others. Payments for these benefits during the three and nine months ended September 30, 2017 were $3 million and $16 million, respectively. Payments for these benefits during the three and nine months ended September 30, 2016 were $19 million and $58 million, respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses were $89 million and $265 million in the three and nine months ended September 30, 2017, respectively, compared to $73 million and $206 million in the three and nine months ended September 30, 2016, respectively. The increase is primarily related to increased other benefit costs as described above.

Operating configuration adjustments

Over the past three years, the Company has adjusted its operating configuration in response to challenging market conditions as a result of global overcapacity and unfair trade practices by temporarily idling production at certain of its facilities.

As of September 30, 2017, the following facilities are temporarily idled:

Temporarily Idled:

Tubular Processing (idled in April 2015)

Granite City Works - Steelmaking Operations (idled in December 2015)

The carrying value of the long-lived assets associated with the temporarily idled facilities listed above total approximately $164 million.

Other Strategic Decisions

In March of 2017, U. S. Steel made the strategic decision to permanently shutdown and relocate the Lorain #6 Quench & Temper Mill as a result of the challenging market conditions for tubular products.

In December of 2016, U. S. Steel made the strategic decision to permanently shutdown the Lorain #4 and Lone Star #1 pipe mills and the Bellville Tubular Operations after considering a number of factors, including challenging market conditions for tubular products, reduced rig counts and unfairly traded imports.

U. S. Steel will continue to evaluate potential strategic and organizational opportunities, which may include the acquisition, divestiture or consolidation of assets. Given recent market conditions, the cyclicality of our industry, and

the continued challenges faced by the Company, we are focused on strategically maintaining and spending cash (including capital investments under our asset revitalization program), in order to invest in areas consistent with our long-term strategy, and are considering various possibilities, including exiting lines of business and the sale of certain

assets, that we believe would ultimately result in a stronger balance sheet and greater stockholder value. The Company will pursue opportunities based on its long-term strategy, and what the Board of Directors determines to be in the best interests of the Company's stockholders at the time.

Better operating performance in our Flat-Rolled segment, coupled with relatively stable market conditions during 2017, have resulted in improved segment results in recent quarters. As we continue with the implementation of our asset revitalization plan, as noted below, and as our investments in our facilities continue to increase, we expect the sustainable improvements in safety, quality, delivery and costs we are targeting to position us to succeed over the long term, and support future growth initiatives.

Asset Revitalization

As part of a long-term strategic initiative of the Company, the Board of Directors has approved a multi-year asset revitalization program focused on our Flat-Rolled segment. The program is structured over three to four years, and involves an aggregate capital investment of approximately $1.2 billion. Management evaluated our performance in the key industries we serve, and developed projects across multiple Flat-Rolled segment assets with a continuous focus on improving safety, quality, delivery and costs. The Company views this program as essential to improving predictability and our ability to compete effectively in the industry. As we revitalize our assets, we expect to increase profitability, productivity, operational consistency, and reduce volatility.

The asset revitalization program includes projects to address short-term operational and maintenance enhancements as well as larger initiatives. The projects vary in scope and cost. The investments specifically address issues that are critical to delivering quality products to our customers in a timely manner.

The identified projects and schedule may change to address our customers’ needs, current and future economic operating conditions, and risks identified in the production cycle. Through the multi-year asset revitalization program, we expect to make total capital investments of $1.2 billion, which consist of capital investments in our iron making facilities, steel making facilities, hot rolling facilities, and finishing facilities. The Company plans to fund the program through cash generated from operations and cash on hand.

Our total capital expenditures for 2017 are expected to be approximately $575 million, which includes approximately $200-250 million for the Company’s asset revitalization program.

Restructuring and Other Charges

During the nine months ended September 30, 2017, the Company recorded a net restructuring charge of $30 million, which consists of charges of $35 million related to the permanent shutdown of the No. 6 Quench & Temper Mill at Lorain Tubular Operations and a favorable adjustment of $5 million primarily associated with a change in estimate for previously recorded costs for environmental obligations and Company-wide headcount reductions. Cash payments were made related to severance and exit costs of $24 million.

Restructuring charges recorded during the three and nine months ended September 30, 2016 were immaterial.

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 include severance costs, accelerated depreciation, asset impairments and other closure costs.

Management believes its restructuring actions with regards to the Company’s operations since 2014 will potentially impact the Company’s annual cash flows by approximately $300 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 impact related to the Company’s revenues as a result of these actions. The Company has realized actual cash savings of approximately $300 million related to restructuring efforts through September 30, 2017.

Earnings (loss) before interest and income taxes by segment for the three and nine months ended September 30, 2017 and 2016 is set forth in the following table:

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
(Dollars in millions)	2017	2016		2017	2016	
Flat-Rolled	$160	$114	40 %	$288	$(68)	524 %
USSE	73	81	(10)%	215	122	76 %
Tubular	(7)	(75)	91 %	(93)	(217)	57 %
Total earnings (loss) from reportable segments	226	120	88 %	410	(163)	352 %
Other Businesses	12	18	(33)%	34	42	(19)%
Segment earnings (loss) before interest and income taxes	238	138	72 %	444	(121)	467 %
Items not allocated to segments:						
Postretirement benefit (expense) income	(14)	8	(275)%	(42)	36	(217)%
Other items not allocated to segments:						
Gain associated with retained interest in U. S. Steel Canada Inc.	—	—	— %	72	—	100 %
Gain on equity investee transactions	21	—	100 %	21	—	100 %
Loss on shutdown of certain tubular assets	—	—	— %	(35)	—	(100)%
Impairment of intangible assets	—	(14)	100 %	—	(14)	100 %
Restructuring and other charges and related adjustments	—	—	— %	—	(2)	100 %
Total earnings (loss) before interest and income taxes	$245	$132	86 %	$460	$(101)	555 %

Segment results for Flat-Rolled

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2017	2016		2017	2016	
Earnings (loss) before interest and income taxes ($ millions)	$160	$114	40 %	$288	$(68)	524 %
Gross margin	13 %	13 %	— %	11 %	5 %	6 %
Raw steel production (mnt)	2,821	2,734	3 %	8,247	8,248	— %
Capability utilization	66 %	64 %	2 %	65 %	65 %	— %
Steel shipments (mnt)	2,544	2,535	— %	7,445	7,725	(4)%
Average realized steel price per ton	$728	$718	1 %	$730	$658	11 %

The increase in Flat-Rolled results for the three months ended September 30, 2017 compared to the same period in 2016 primarily resulted from a favorable impact related to our change in accounting method for property, plant and equipment (approximately $85 million), higher average realized prices (approximately $70 million) as a result of improved market conditions and higher results from our mining operations (approximately $50 million), including benefits from the restart of our Keetac facility to support third-party pellet sales. These changes were partially offset by higher raw materials costs (approximately $100 million), increased maintenance costs and asset revitalization spending (approximately $35 million) and higher energy costs (approximately $20 million).

The increase in Flat-Rolled results for the nine months ended September 30, 2017 compared to the same period in 2016 resulted from higher average realized prices (approximately $625 million) as a result of improved market conditions, a favorable impact related to our change in accounting method for property, plant and equipment (approximately $185 million), higher results from our mining operations (approximately $35 million) including benefits from the restart of our Keetac facility to support third-party pellet sales, and decreased costs for profit-based payments (approximately $25 million). These changes were partially offset by increased maintenance costs and asset revitalization spending (approximately $325 million), higher raw materials costs, primarily scrap and coal (approximately $115 million), higher energy costs (approximately $50 million) and decreased shipment volumes as a result of a planned outage at our Great Lakes Works facility (approximately $30 million).

Gross margin for the nine months ended September 30, 2017 as compared to the same period in 2016 increased primarily as a result of higher average realized prices due to improved contract and spot market prices, in addition to the favorable impact on cost of goods sold related to our change in accounting method for property, plant and equipment.

Segment results for USSE

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2017	2016		2017	2016	
Earnings before interest and income taxes ($ millions)	$73	$81	(10)%	$215	$122	76 %
Gross margin	15 %	20 %	(5)%	14 %	14 %	— %
Raw steel production (mnt)	1,235	1,279	(3)%	3,778	3,689	2 %
Capability utilization	98 %	102 %	(4)%	101 %	98 %	3 %
Steel shipments (mnt)	1,067	1,105	(3)%	3,333	3,235	3 %
Average realized steel price per ton ($)	$639	$503	27 %	$617	$483	28 %
Average realized steel price per ton (€)	€544	€451	21 %	€554	€433	28 %

The decrease in USSE results for the three months ended September 30, 2017 compared to the same period in 2016 was primarily due to higher raw materials costs, primarily for coal and iron ore (approximately $120 million), partially offset by higher average realized euro-based prices (approximately $105 million) and the strengthening of the euro versus the U.S. dollar (approximately $10 million).

The increase in USSE results for the nine months ended September 30, 2017 compared to the same period in 2016 was primarily due to higher average realized euro-based prices (approximately $470 million) and increased shipment volumes (approximately $10 million), partially offset by higher raw materials costs, primarily coal and iron ore (approximately $390 million).

Gross margin for the three months ended September 30, 2017 as compared to the same period in 2016 decreased primarily as a result of higher raw materials costs, partially offset by higher average realized euro-based prices.

Segment results for Tubular

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2017	2016		2017	2016	
Loss before interest and income taxes ($ millions)	$(7)	$(75)	91 %	$(93)	$(217)	57 %
Gross margin	4 %	(43)%	47 %	(5)%	(45)%	40 %
Steel shipments (mnt)	185	103	80 %	509	262	94 %
Average realized steel price per ton	$1,433	$1,049	37 %	$1,268	$1,094	16 %

The increase in Tubular results for the three months ended September 30, 2017 as compared to the same period in 2016 was primarily due to increased average realized prices and shipment volumes as a result of improving market conditions (approximately $60 million) and decreased labor and other operating costs (approximately $25 million), partially offset by higher substrate costs ($20 million).

The increase in Tubular results for the nine months ended September 30, 2017 as compared to the same period in 2016 was primarily due to decreased labor and other operating costs (approximately $115 million), increased average realized prices and shipment volumes as a result of improving market conditions (approximately $45 million), partially offset by higher substrate costs (approximately $40 million).

Gross margins for the three and nine months ended September 30, 2017 as compared to the same periods in 2016 increased primarily due to increased average realized prices and shipment volumes and operating efficiencies.

Results for Other Businesses

Other Businesses had earnings of $12 million and $34 million in the three and nine months ended September 30, 2017, compared to earnings of $18 million and $42 million in the three and nine months ended September 30, 2016.

Items not allocated to segments

The increase in postretirement benefit expense in the three and nine months ended September 30, 2017 as compared to the same period in 2016 resulted from lower return on asset assumptions as a result of actions taken in 2016 to de-risk the OPEB plan.

We recognized a $72 million gain associated with our retained interest in U. S. Steel Canada Inc. (USSC) as a result of the restructuring and disposition of USSC on June 30, 2017.

We recognized a $21 million gain on equity investee transactions primarily due to the sale of our 15% ownership interest in Tilden Mining Company, L.C.

We recorded a $35 million loss on the shutdown of certain tubular assets in the nine months ended September 30, 2017 as a result of the permanent shutdown, and relocation, of the No. 6 Quench & Temper Mill at Lorain Tubular Operations.

We recorded an impairment charge of $14 million in the nine months ended September 30, 2016 on our indefinite lived intangible assets related to certain of our patents in our Tubular segment as a result of an annual quantitative evaluation that was performed during the third quarter of 2016.

We recorded a net favorable adjustment of $2 million for restructuring and other charges and related adjustments in the nine months ended September 30, 2016 primarily due to changes in estimates associated with supplemental unemployment and severance cost accruals with respect to our actions to adjust our operating configuration, streamline our operational processes, and reduce costs. The favorable adjustment resulted from a reduction in the estimated number of employees on layoff and the length of time employees are projected to be on layoff.

Net interest and other financial costs

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
(Dollars in millions)	2017	2016		2017	2016	
Interest expense	$60	$58	3 %	$173	$173	— %
Interest income	(5)	(2)	150 %	(13)	(5)	160 %
Loss on debt extinguishment	31	—	100 %	32	22	45 %
Other financial costs (income)	12	6	100 %	37	18	106 %
Total net interest and other financial costs	$98	$62	58 %	$229	$208	10 %

During the three and nine months ended September 30, 2017, U. S. Steel issued $750 million of 6.875% Senior Notes due August 15, 2025 (2025 Senior Notes) and redeemed all of its $161 million 7.00% Senior Notes due 2018, $200 million 6.875% Senior Notes dues 2021, and $400 million 7.50% Senior Notes due 2022 for an aggregate redemption cost of approximately $808 million, which included $761 million for the remaining principal balances, $21 million in accrued and unpaid interest and $26 million in redemption premiums which have been reflected within the loss on

debt extinguishment line in the table above, of which approximately $4 million was a make-whole premium. For further information see Note 13 to the Consolidated Financial Statements.

During the nine months ended September 30, 2016, U. S. Steel issued $980 million of 8.375% Senior Secured Notes due July 1, 2021 (2021 Senior Notes) and repurchased several tranches of its outstanding senior notes through various tender offers, redemptions and open market purchases, including the redemption of our remaining 6.05% Senior Notes due 2017 for an aggregate principal amount of approximately $444 million plus a total make-whole premium of approximately $22 million, which has been reflected within the loss on debt extinguishment line in the table above.
The increase in net interest and other financial costs in the three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016 is primarily due to a loss on debt extinguishment as described above and decreased foreign currency gains.
The income tax (benefit) provision was less than $1 million and $3 million in the three and nine months ended September 30, 2017 compared to $19 million and $26 million in the three and nine months ended September 30, 2016. Included in the tax provision in the first nine months of 2017 is a benefit of $13 million related to the carryback of certain losses to prior years, as well as a benefit of $25 million related to the Company’s intent to claim a refund of Alternative Minimum Tax credits pursuant to a provision in the Protecting Americans from Tax Hikes Act. Due to the full valuation allowance on our domestic deferred tax assets, the tax provision does not reflect any tax benefit for domestic pretax losses.
For further information on income taxes see Note 9 to the Consolidated Financial Statements.
Net earnings attributable to United States Steel Corporation were $147 million and $228 million in the three and nine months ended September 30, 2017, compared to net earnings (loss) of $51 million and $(335) million in the three and nine months ended September 30, 2016. The changes primarily reflect the factors discussed above.
BALANCE SHEET
Accounts receivable increased by $279 million from year-end 2016 primarily due to higher average realized prices, as well as increased shipment volumes in our Flat-Rolled and Tubular segments in the third quarter of 2017 compared to the fourth quarter of 2016.
Inventories increased by $164 million from year-end 2016 primarily as a result of increased operating levels and higher raw materials prices in our USSE and Flat-Rolled segments.
Accounts payable and other accrued liabilities increased by $429 million from year-end 2016 primarily as a result of increased operating levels and higher raw materials prices in our USSE and Flat-Rolled segments.
Payroll and benefits payable decreased by $67 million from year-end 2016 primarily due to incentive payments related to 2016 financial performance that we paid in March 2017.
Short-term debt and current maturities of long-term debt decreased by $47 million from year-end 2016 primarily due to the repayment of environmental bonds.
Employee benefits decreased by $97 million from year-end 2016 primarily as a result of impacts from the natural maturation of our pension plans.
Long-term debt decreased by $85 million from year-end 2016 primarily due to the repayment of the Recovery Zone Bonds, for which an "Extraordinary Mandatory Redemption" was triggered under the applicable indenture as a result of the permanent shutdown of and decision to relocate the No. 6 Quench & Temper Mill at Lorain Tubular Operations during the first quarter of 2017. We have decided to relocate the Lorain No. 6 Quench & Temper equipment to one of several other sites under consideration to optimize our operations.
CASH FLOW
Net cash provided by operating activities was $541 million for the nine months ended September 30, 2017 compared to $580 million in the same period last year. The decrease is primarily due to changes in working capital period over period partially offset by improved financial results and the payment received in satisfaction of our secured claims from U. S. Steel Canada Inc.
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 three months and twelve months ended September 30, 2017 and 2016 are as follows:

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
Accounts Receivable Turnover	2.2	2.2	8.6	8.0
Inventory Turnover	1.6	1.4	6.1	4.7

The increase in the inventory turnover approximates 10 days for the three months ended September 30, 2017 as compared to September 30, 2016 and is primarily due to an increase in cost of goods sold mainly attributable to higher raw materials costs across all of our segments.

The increase in the accounts receivable turnover approximates 3 days for the twelve months ended September 30, 2017 as compared to September 30, 2016 and is primarily due to increased sales as a result of increased shipments in our Tubular and USSE segments as well as higher average realized prices across all of our segments in the twelve months ended September 30, 2017 as compared to September 30, 2016. The increase in the inventory turnover approximates 17 days for the twelve months ended September 30, 2017 as compared to September 30, 2016 and is primarily due to an increase in cost of goods sold mainly attributable to higher raw materials costs across all of our segments as well as decreased inventory levels in our Flat-Rolled and Tubular segments resulting from better inventory management.

The last-in, first-out (LIFO) inventory method is the predominant method of inventory costing in the United States. At September 30, 2017 and September 30, 2016, the LIFO method accounted for 74 percent and 77 percent of total inventory values, respectively. In the U.S., management monitors inventory realizability by comparing the LIFO cost of inventory with the replacement cost of inventory. To the extent the replacement cost (i.e., market value) of inventory is lower than the LIFO cost of inventory, management will write the inventory down. As of September 30, 2017 and December 31, 2016 the replacement cost of the inventory was higher by approximately $757 million and $489 million, respectively. Additionally, based on the Company’s latest internal forecasts and its inventory requirements, management does not believe there will be significant permanent LIFO liquidations that would impact earnings for the remainder of 2017.

Capital expenditures for the nine months ended September 30, 2017, were $291 million, compared with $268 million in the same period in 2016. Flat-Rolled capital expenditures were $206 million and included spending for the Great Lakes Works Basic Oxygen Process truss off gas main replacement and blast furnace stove rebuild, Mon Valley Works blast furnace stove rebuild, Midwest Plant galvanneal furnace upgrade, and various other infrastructure, environmental and strategic projects. Tubular capital expenditures of $19 million primarily related to Lone Star pipe mill finishing and Lorain primary electric utility supply, as well as various other strategic capital projects. USSE capital expenditures of $62 million consisted of spending for a boiler house upgrade, pickle line upgrades and various other infrastructure and environmental projects.

Capital expenditures for 2017 are expected to total approximately $575 million and remain focused largely on strategic, infrastructure and environmental projects, as well as asset revitalization of our equipment to improve our operating reliability and efficiency, and product quality and cost by focusing on investments in our North American Flat-Rolled assets.

U. S. Steel’s contractual commitments to acquire property, plant and equipment at September 30, 2017, totaled $143 million.

During the three and nine months ended September 30, 2017, U. S. Steel received approximately $105 million for the sale of its 15% ownership interest in Tilden Mining Company L.C. on September 29, 2017.

During the nine months ended September 30, 2017, U. S. Steel received approximately $127 million in satisfaction of its secured and unsecured claims, including interest, as a result of the restructuring and disposition of USSC on June 30, 2017.

With reduced pricing for iron-ore, management is considering its options with respect to the Company's iron-ore position in the United States, and restarted its Keetac mining operations in February of 2017 as a result of reaching agreements to supply iron ore pellets to third-party customers. 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 completion of the Fairfield EAF has been postponed.

Issuance of long-term debt, net of financing costs, totaled $737 million and $958 million in the nine months ended September 30, 2017 and 2016, respectively. During the nine months ended September 30, 2017 U. S. Steel issued $750 million of 6.875% Senior Notes due August 15, 2025. U. S. Steel received net proceeds from the offering of approximately $737 million after fees of approximately $13 million related to underwriting and third party expenses. During the nine months ended September 30, 2016, U. S. Steel issued $980 million of 8.375% Senior Secured Notes due July 1, 2021. U. S. Steel received net proceeds from the offering of approximately $958 million after fees of approximately $22 million related to underwriting and third party expenses. For further information see Note 13 to the Consolidated Financial Statements.

Repayment of long-term debt totaled $902 million and $1,019 million in the nine months ended September 30, 2017 and 2016, respectively. During the nine months ended September 30, 2017, U. S. Steel redeemed the entire aggregate principal amount of its $70 million of the Lorain County Port Authority Recovery Zone Facility Revenue Bonds. Additionally, U. S. Steel redeemed all of the aggregate principal amount of its $161 million 7.00% Senior Notes due 2018, $200 million 6.875% Senior Notes due 2021, and $400 million 7.50% Senior Notes due 2022 for a total aggregate redemption cost of approximately $785 million.

During the nine months ended September 30, 2016, U. S. Steel repurchased approximately $6 million of its 6.05% Senior Notes due 2017 through open market purchases and redeemed the remaining aggregate principal amount of approximately $444 million. Also, during the nine months ended September 30, 2016, U. S. Steel repurchased portions of our outstanding senior notes which included our 7.00% Senior Notes due 2018, 7.375% Senior Notes due 2020, and our 6.875% Senior Notes due 2021 for a total aggregate principal value of $575 million through a series of issuer tender offers and open market repurchases. For further information see Note 13 to the Consolidated Financial Statements.

During 2016, U. S. Steel paid $15 million for a settlement of contingent consideration, consisting of milestone payments and royalties, related to a 2013 acquisition of intangible assets.

Net proceeds from our public offering of 21,735,000 shares of common stock in August 2016 totaled $482 million in the nine months ended September 30, 2016. Third-party expenses related to the issuance were approximately $18 million.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes U. S. Steel's liquidity as of September 30, 2017:

(Dollars in millions)

Cash and cash equivalents	$1,694
Amount available under $1.5 Billion Credit Facility	1,500
Amount available under USSK credit facilities	294
Total estimated liquidity	$3,488

As of September 30, 2017, $274 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.

U. S. Steel maintains a $1.5 billion asset-backed revolving credit facility. As of September 30, 2017, there were no amounts drawn on the $1.5 billion credit facility agreement (Third Amended and Restated Credit Agreement). U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent four consecutive quarters when availability under the Third Amended and Restated Credit Agreement is less than the greater of 10 percent of the total aggregate commitments and $150 million. Based on the most recent four quarters as of September 30, 2017, we have met this covenant. If we are unable to meet this covenant in future periods, the amount available to the Company under this facility would be reduced by $150 million.

At September 30, 2017, USSK had no borrowings under its €200 million (approximately $236 million) unsecured revolving credit facility (the USSK Credit Agreement). The USSK Credit Agreement contains certain USSK financial covenants as well as other customary terms and conditions. At September 30, 2017, USSK had full availability under the USSK Credit Agreement. The USSK Credit Agreement expires in July 2020. Currently, the USSK Credit Agreement permits one additional one-year extension to the final maturity date with the mutual consent of USSK and its lender.

At September 30, 2017, USSK had no borrowings under its €40 million and €10 million unsecured credit facilities (collectively approximately $59 million) and the aggregate availability was approximately $58 million due to approximately $1 million of customs and other guarantees outstanding. The €40 million facility expires in December 2018. On October 27, 2017, USSK entered into an amendment to its €10 million unsecured credit agreement to extend the agreement's final maturity date from December 2017 to December 2018. The amendment also permits one additional one-year extension to the final maturity date at the mutual consent of USSK and its lender.

In August of 2017, U. S. Steel issued $750 million of 6.875% Senior Notes due August 15, 2025 (2025 Senior Notes). U. S. Steel received net proceeds from the offering of approximately $737 million after fees of approximately $13 million related to the underwriting and third party expenses. The net proceeds from the issuance of the 2025 Senior Notes, together with cash on hand, were used to repurchase portions of our outstanding senior notes (see Note 13 to the Consolidated Financial Statements, "Debt" for further details). Interest on the notes is payable semi-annually in arrears on February 15th and August 15th of each year, commencing on February 15, 2018.

For the twelve months ended September 30, 2017, the Non-Guarantor Subsidiaries (as defined in the Indenture governing the 2021 Senior Secured Notes), which consist principally of our tubular subsidiaries and our foreign subsidiaries, including USSK, represented approximately 39% of our net sales, 16% of our operating income and 37% of our adjusted earnings (loss) before interest, income taxes, depreciation, depletion and amortization (EBITDA) on a consolidated basis. As of September 30, 2017, the Non-Guarantor Subsidiaries represented 40% of our total assets and had $1.4 billion of total liabilities on a consolidated basis, including trade payables but excluding intercompany liabilities, all of which would be structurally senior to the 2021 Senior Secured Notes.

We may from time to time seek to retire or repurchase our outstanding long-term debt through open market purchases, privately negotiated transactions, exchange transactions, redemptions 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.

On March 10, 2017, U. S. Steel announced the permanent shutdown of the No. 6 Quench & Temper Mill at Lorain Tubular Operations in Lorain, Ohio. Under the terms of the Trust Indenture dated as of December 1, 2010, between

the Lorain County Port Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the Indenture), this action and our decision to relocate the Lorain No. 6 Quench & Temper equipment to one of several other sites under consideration to optimize our operations, triggered an Extraordinary Mandatory Redemption of the Recovery Zone Bonds and accordingly required U. S. Steel to redeem the Recovery Zone Bonds and repay in full the principal amount plus accrued interest. In accordance with the terms of the Indenture, U. S. Steel paid in full all amounts due under the Indenture, comprised of $70 million principal and accrued interest of approximately $2 million, on April 27, 2017.

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 $157 million of liquidity sources for financial assurance purposes as of September 30, 2017. Increases in certain of these commitments, which use collateral, are reflected in restricted cash on the Consolidated Statement of Cash Flows.

At September 30, 2017, in the event of a change in control of U. S. Steel, the following may occur: (a) debt obligations totaling $2,512 million as of September 30, 2017 (including the Senior Notes and Senior Secured 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 $27 million or provide a cash collateralized letter of credit to secure the remaining obligation.

The maximum guarantees of the indebtedness and other obligations of unconsolidated entities of U. S. Steel totaled $4 million at September 30, 2017. 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.

Our major cash requirements in 2017 are expected to be for capital expenditures, asset revitalization, employee benefits, and operating costs, including purchases of raw materials. We finished the third quarter of 2017 with $1,694 million of cash and cash equivalents and $3.5 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, repurchase of debt, share buyback, contributions to employee benefit plans, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds (including asset sales), proceeds from the sale of stock, borrowings, refinancings and other external financing sources.

Environmental Matters, Litigation and Contingencies

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.

Midwest Plant Incident

On April 11, 2017, there was a process waste water release at our Midwest Plant in Portage, Indiana that impacted a water outfall that discharges to Burns Waterway near Lake Michigan. U. S. Steel identified the source of the process release and made the necessary repairs. We determined that all repairs were safely working as intended and, on April 14, 2017, we resumed operations in a controlled, phased and highly monitored approach with extensive input from participating government agencies. The Company has been presented with cost reimbursements, loss of use and penalty requests from the involved governmental agencies and intends to amicably resolve the matter.

Slovak Operations

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 European Union (EU), the value of these incentives as stated in the MOU could be as much as €75 million (approximately $89 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 expect the total amount of EU funds will be as much as €85 million (approximately $100 million). The final grant value will depend on public procurement results.

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. The impact of this legislation is estimated to be €2 million (approximately $2 million) annually due to waste stabilization requirements and increased fees for packaging materials recycling fees. Slovakia is considering legislation implementing an EU Directive, which is expected to increase existing fees upon USSK for use of its landfills. Because the legislation has not yet been adopted, the impact on operations at USSK facilities cannot be estimated at this time.

The EU’s Industry Emission Directive requires 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 were required to be in compliance with the iron and steel BAT by March 8, 2016, unless specific exceptions or extensions were granted by the Slovak environmental authority. USSK updated 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, USSK has obtained 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 €138 million (approximately $163 million) over the 2017 to 2020 time period.

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 an 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 €138 million (approximately $163 million) of spending noted, we currently believe we will be eligible to receive up to €85 million (approximately $100 million) of incentive grants. This could potentially reduce our net cash expenditures to approximately €53 million (approximately $63 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.

On March 28, 2017, the Regional Court in Košice issued an ex parte judicial lien on USSK's real property to plaintiffs in an ongoing legal case. Following a decision of the Supreme Court, which reversed and remanded the lien petition to the Regional Court, the lien has been removed. The case is still ongoing. We do not expect this matter to have an impact on the eligibility of USSK to obtain EU funding support for BAT projects.

For further discussion of laws applicable in Slovakia and the EU and their impact on USSK, see Note 20 to the Consolidated Financial Statements, “Contingencies and Commitments - Environmental Matters, EU Environmental Requirements.”

New and Emerging Environmental Regulations

United States and European Greenhouse Gas Emissions Regulations

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. On March 28, 2017, President Trump signed Executive Order 13783 instructing the Environmental Protection Agency (EPA) to review the Clean Power Plan. In early October 2017, the EPA Administrator Scott Pruitt publicly stated that the EPA will propose a rule to repeal the Clean Power Plan. Any repeal and/or replacement of the Clean Power Plan is likely to be challenged by various proponents of the plan, such as environmental groups and certain states. Any impacts to our operations as a result of any future greenhouse gas regulations are not estimable at this time since the matter is unsettled. In any case, to the extent expenditures associated with any greenhouse gas regulation, as with all costs, are not ultimately reflected in the prices of U. S. Steel's products and services, operating results will be reduced. There were no material changes in U. S. Steel’s exposure to European Greenhouse Gas Emissions regulations since December 31, 2016.

United States - 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 coke making, iron making, steel making and iron ore processing.

The EPA is currently in the process of completing a Residual Risk and Technology Review of the Integrated Iron and Steel regulations and Coke MACT regulations as required by the CAA. Because the EPA has not completed its review, any impacts related to the EPA’s review of these standards cannot be 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 standard for the SO_2 NAAQS. The non-attainment designation will require the facilities to implement operational and/or capital improvements 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 relevant regulatory agencies in completing the evaluation process as required by the Consent Decree. While U. S. Steel has determined that it will face increased capital, operating and compliance costs, the operational and financial impact of the SO_2 NAAQS is not estimated to be material at this time.

In October 2015, the EPA lowered the NAAQS for ozone from 75 ppb to 70 ppb. The EPA has designated certain areas in which we operate as nonattainment with the 2008 ozone standard. In addition, some areas in which we operate have been recommended as nonattainment with the 2015 ozone standard by the respective states. The EPA has yet to act on the recommendations. In June 2017, the EPA had published a notice extending the deadline to promulgate initial designations by one year, extending the deadline from October 1, 2017 to October 1, 2018. However, in August 2017, the EPA withdrew the notice; and therefore, the designation deadline remains October 1, 2017. However, the EPA has yet to make the designations. Because attainment designation and any implementation plans to bring the

ozone nonattainment areas into attainment have yet to be proposed or developed, the operational and financial impact of the ozone NAAQS cannot be reasonably estimated at this time.

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 development stages, any impacts to U. S. Steel cannot be reasonably estimated 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 reasonably estimated at this time.

United States - CERCLA 108(b) Financial Assurance

In December 2016, the EPA published a proposed rule focused on developing financial assurance for managing hazardous substances in the hard rock, mining industry, in accordance with CERCLA Section 108(b). The EPA has a court-mandated deadline for publication of the final rule by December 1, 2017. The proposed rule requires subject facilities to calculate their level of financial responsibility based on a formula included in the rule, secure an instrument or otherwise self-assure for the calculated amount, demonstrate to the EPA the proof of the security, and maintain the security until the EPA releases facilities from the CERCLA 108(b) regulations. The draft form of the proposed rule has been commented upon by the public and the regulated community, and the EPA is currently evaluating the comments to determine if changes to the draft rule are needed. The final impact of the rule upon U. S. Steel taconite mines is unknown at this time, but could have a material adverse impact on the Company's liquidity.

Environmental Remediation

In the United States, U. S. Steel has been identified as a potentially responsible party (PRP) at seven sites under CERCLA as of September 30, 2017. Of these, there are 2 sites 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 a reasonable estimate with respect to any potential liabilities. There are also 19 additional sites where U. S. Steel may be liable for remediation costs in excess of $100,000 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, 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 costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as remediation obligations arise, charges in excess of those previously accrued may be required.

For further discussion of relevant environmental matters, see "Part II. Other information - Item 1. Legal Proceedings - Environmental Proceedings."

The total accrual for environmental remediation liabilities at September 30, 2017 was $180 million. These amounts exclude liabilities related to asset retirement obligations, disclosed in Note 14 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 Consolidated Financial Statements.

Other Relevant Matters

Apolo Tubulars

Apolo Tubulars S.A. (Apolo), an unconsolidated Brazilian joint venture of which the Company owns 50%, was the subject of a search of its premises by Brazilian federal authorities on May 24, 2016. Apolo's CEO was among those subsequently indicted by the Brazilian federal prosecutor on June 27, 2016 for corruption, money laundering and organized crime in connection with alleged payments to government officials in exchange for contracts with Petróleo Brasileiro S.A. (commonly known as “Petrobras”), Brazil’s state-run energy company. In March 2017, Apolo's CEO

was acquitted of all charges due to a lack of evidence as to him personally, although the court did find that there was a misuse of certain Apolo funds by others not employed by Apolo. The prosecution has appealed that acquittal. The Company is actively monitoring this matter. While there can be no assurance that a successful appeal by the prosecution would not have an adverse effect on the joint venture or result in an impairment of the Company's investment in the joint venture, it would not have a material impact on the Company as a whole. The prosecutor has not alleged any violations of law by, or initiated any investigation of, the Company or any of its employees.

OFF-BALANCE SHEET ARRANGEMENTS

U. S. Steel did not enter into any new material off-balance sheet arrangements during the third quarter of 2017.

CHANGE IN ACCOUNTING ESTIMATE

Capitalization and Depreciation Method

During 2017, U. S. Steel completed a review of its accounting policy for property, plant and equipment depreciated on a group basis. As a result of this review, U. S. Steel changed its accounting method for property, plant and equipment from the group method of depreciation to the unitary method of depreciation, effective as of January 1, 2017. The change from the group method to the unitary method of depreciation is preferable under U.S. GAAP as it will result in a more precise estimate of depreciation expense. Additionally, the change to the unitary method of depreciation is consistent with the depreciation method applied by our competitors, and improves the comparability of our results to our competitors. Our change in the method of depreciation is considered a change in accounting estimate effected by a change in accounting principle and has been applied prospectively.

When property, plant, and equipment are disposed of by sale, retirement, or abandonment, the gross value of the property, plant and equipment and corresponding accumulated depreciation are removed from the Company’s financial accounting records. Due to the application of the unitary method of depreciation, any gain or loss resulting from an asset disposal by sale will now be immediately recognized as a gain or loss on the disposal of assets line in our consolidated statement of operations. Assets that are retired or abandoned will be reflected as an immediate charge to depreciation expense for any remaining book value in our consolidated statement of operations. Gains (losses) on disposals of assets for the three and nine months ended September 30, 2017 were immaterial.

For the three months ended September 30, 2017, the effect of the change was an increase in both income from continuing operations and net earnings of $95 million (which consists of a $97 million decrease in cost of sales due to the capitalization of maintenance and outage spending that would have been previously expensed, partially offset by increased depreciation expense of $2 million, as a result of the impact of unitary depreciation on the existing net book value of fixed assets and the capitalization of maintenance and outage spending) and an increase in diluted earnings per share of $0.54. For the nine months ended September 30, 2017, the effect of the change was an increase in both income from continuing operations and net earnings of $205 million (which consists of a $233 million decrease in cost of sales due to the capitalization of maintenance and outage spending that would have been previously expensed, partially offset by increased depreciation expense of $28 million, as a result of the impact of unitary depreciation on the existing net book value of fixed assets and the capitalization of maintenance and outage spending) and an increase in diluted earnings per share of $1.16. The tax effect of this change was immaterial to the consolidated financial statements.

Due to the application of the unitary method of depreciation and resultant change in our capitalization policy, spending associated with major maintenance and outage work, that had previously been expensed, will now be capitalized if it extends the useful life of the related asset. Based upon our average spending in years prior to 2017, we have estimated the impact on 2017 results to be a reduction of approximately $175 million in cost of sales on the Consolidated Statement of Operations. Additionally, due to the projected increased spending related to maintenance under our asset revitalization program, we expect approximately $100 million of incremental expenditures to be capitalized in 2017.

Total capital expenditures are estimated to be approximately $575 million in 2017 and total depreciation, depletion and amortization is estimated to be approximately $525 million in 2017.

The impact of the change in accounting method is included in the Outlook for 2017 below.

OUTLOOK

We remain focused on our operations, revitalizing our assets, and developing our talent. We are seeing operating improvements in the assets in which we are investing. This increases our confidence that we will achieve the 2020 improvement targets we have disclosed. We believe the attention to our assets and employees, with continued focus on improving safety, quality, delivery, and cost, will result in improved operating reliability and enable us to remain a strong business partner for our customers.

If market conditions remain at their current levels, we expect 2017 net earnings of approximately $323 million, or $1.83 per share, 2017 adjusted net earnings of approximately $300 million, or $1.70 per share, and consolidated adjusted EBITDA of approximately $1.075 billion.

We believe market conditions, which include spot prices, raw material costs, customer demand, import volumes, supply chain inventories, rig counts and energy prices, will change, and as changes occur during the balance of 2017, we expect these changes to be reflected in our net earnings and adjusted EBITDA.

Please refer to the table below for the reconciliation of the Outlook net earnings to adjusted EBITDA.

UNITED STATES STEEL CORPORATION
RECONCILIATION OF ANNUAL ADJUSTED EBITDA OUTLOOK

(Dollars in millions)	Year Ended Dec. 31 2017
Reconciliation to Projected Annual Adjusted EBITDA Included in Outlook	
Projected net earnings attributable to United States Steel Corporation included in Outlook	$323
Gain associated with retained interest in U. S. Steel Canada Inc.	(72)
Gain on equity investee transactions	(21)
Loss on shutdown of certain tubular assets	35
Loss on debt extinguishment and other related costs	35
Adjusted net earnings attributable to United States Steel Corporation included in Outlook	$300
Estimated income tax expense	10
Estimated net interest and other financial costs	250
Estimated depreciation, depletion and amortization	515
Projected annual adjusted EBITDA included in Outlook	$1,075

We present adjusted net earnings (loss), adjusted net earnings (loss) per diluted share, earnings (loss) before interest, income taxes, depreciation and amortization (EBITDA) and adjusted EBITDA, which are non-GAAP measures, as additional measurements to enhance the understanding of our operating performance. We believe that EBITDA, considered along with net earnings (loss), is a relevant indicator of trends relating to our operating performance and provides management and investors with additional information for comparison of our operating results to the operating results of other companies.

Adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share are non-GAAP measures that exclude the effects of gains (losses) associated with our retained interest in U. S. Steel Canada Inc., gains (losses) on the sale of ownership interests in equity investees, restructuring charges, impairment charges and debt extinguishment and other related costs that are not part of the Company's core operations. Adjusted EBITDA is also a non-GAAP measure that excludes the effects of gains (losses) associated with our retained interest in U. S. Steel Canada Inc., gains (losses) on the sale of ownership interests in equity investees, restructuring charges and impairment charges. We present

adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and adjusted EBITDA to enhance the understanding of our ongoing operating performance and established trends affecting our core operations, by excluding the effects of gains (losses) associated with our retained interest in U. S. Steel Canada Inc., gains (losses) on the sale

of ownership interests in equity investees, restructuring charges, impairment charges and debt extinguishment and other related costs that can obscure underlying trends. U. S. Steel's management considers adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and adjusted EBITDA as alternative measures of operating performance and not alternative measures of the Company's liquidity. U. S. Steel's management considers adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and adjusted EBITDA useful to investors by facilitating a comparison of our operating performance to the operating performance of our competitors. Additionally, the presentation of adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and adjusted EBITDA provides insight into management's view and assessment of the Company's ongoing operating performance, because management does not consider the adjusting items when evaluating the Company's financial performance or in preparing the Company's annual financial Outlook. Adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and adjusted EBITDA should not be considered a substitute for net earnings (loss), earnings (loss) per diluted share or other financial measures as computed in accordance with U.S. GAAP and is not necessarily comparable to similarly titled measures used by other companies.

INTERNATIONAL TRADE

U. S. Steel continues to face competition from foreign steel producers, many of which are heavily subsidized by their governments and dump steel into the United States (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. U. S. Steel continues to lead the industry in efforts to address dumped and subsidized steel imports that injure the Company, our workers, and our country's national and economic security.

U. S. Steel is actively involved in several appeals before the Court of International Trade (CIT) concerning the orders imposed in 2016 on flat-rolled steel cases as well as several Oil Country Tubular Goods (OCTG) cases. In addition to the ongoing appeals before the CIT, U. S. Steel is litigating several cases at the U.S. Court of Appeals for the Federal Circuit.

U. S. Steel also continues to be actively engaged in relevant administrative reviews and five-year (sunset) reviews before the U.S. International Trade Commission (USITC) and the U. S. Department of Commerce (DOC). The DOC issued preliminary results in the second administrative review of the AD order on OCTG from Korea for the period of review of September 2015 through August 2016. In its preliminary results, the DOC calculated the dumping margins of 46.37% for Nexteel Co., Ltd., 6.66% for SeAH Steel Corporation and 19.58% for non-examined companies. On May 1, 2017, the DOC automatically initiated a five-year (sunset) review ("Sunset Review") of the antidumping order on tin mill products from Japan. The USITC concurrently published its notice of institution of the Sunset Review which covers the same order. On May 11, 2017, U. S. Steel filed a notice to participate in the Sunset Review of the antidumping order on tin mill products from Japan. The DOC proceedings have ended with margins of up to 95.29%. The USITC has yet to release its schedule. If U. S. Steel is successful, the order will remain in effect for another five years.

In April 2016, U. S. Steel launched a case under Section 337 of the Tariff Act of 1930 against several Chinese producers and their distributors. All but seven of the producers did not respond and are considered to be in default. The complaint alleged three causes of action: 1) illegal conspiracy to fix prices and control output and export volumes; 2) the theft of trade secrets through industrial espionage; and 3) circumvention of duties by false labeling and transshipment. On May 26, 2016, the USITC instituted an investigation on all three causes of action. On February 15, 2017, U. S. Steel voluntarily withdrew the trade secrets claim preserving its right to resurrect the claim when additional information becomes available. The false designation of origin claim continues to be aggressively litigated. A scheduling order was entered and the target date to conclude the investigation has been set for May 2018, with hearings on the foreign designation of origin claim proceeding on October 16-20, 2017. All of the non-defaulting respondents filed Motions for Summary Determination in the false designation of origin claim seeking to dismiss the claim. On October 2, 2017, the Administrative Law Judge (ALJ) assigned to the case granted those motions. The Company has elected not to pursue an appeal leaving the price fixing claim as the remaining claim. That claim is

pending before the USITC. The remedy sought by U. S. Steel in that claim is the barring of all Chinese carbon and alloy steel from the U. S. market.

On December 12, 2016, China filed a complaint at the World Trade Organization (WTO) against the U.S. and the European Union (EU) alleging that the U.S. and EU are violating their treaty obligations by continuing to use the non-market economy (NME) methodology for price comparisons in antidumping duty investigations. On April 3, 2017, the DOC issued a notice requesting comments and information on whether China should continue to be treated as a NME country under U.S. antidumping laws. U. S. Steel and other domestic producers submitted comments to the DOC on May 10, 2017. The outcome of the ongoing litigation may impact U.S. dumping orders on Chinese goods, including many steel products.

On April 19, 2017, the DOC initiated an investigation under Section 232 of the Trade Expansion Act of 1962 to determine the effects of steel imports on U.S. national security. On May 24, 2017, U. S. Steel testified at the DOC public hearing and remains active in the investigation. Under the statute, the Administration has 270 days for completion of an investigation, and DOC officials have publicly stated it will be completed within that deadline.

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. In an effort to mitigate the negative impact of unfairly traded steel imports on our business, U. S. Steel has commenced substantive work with regional trade partners and organizations, and outlined a robust engagement with the Administration to tackle global overcapacity. Across diverse 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.

NEW ACCOUNTING STANDARDS

See Note 2 to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in U. S. Steel's exposure to market risk from December 31, 2016.

Item 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

U. S. Steel has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2017. These disclosure controls and procedures are the controls and other procedures that were designed to ensure that information required to be disclosed in reports that are filed with or submitted to the U.S. Securities and Exchange Commission are: (1) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in applicable laws and regulations. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2017, U. S. Steel's disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have not been any changes in U. S. Steel's internal control over financial reporting that occurred during the fiscal quarter covered by this quarterly report, which have materially affected, or are reasonably likely to materially affect, U. S. Steel's internal control over financial reporting.

UNITED STATES STEEL CORPORATION
SUPPLEMENTAL STATISTICS (Unaudited)

(Dollars in millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
SEGMENT EARNINGS (LOSS) BEFORE INTEREST AND INCOME TAXES:				
Flat-Rolled	$160	$114	$288	$(68)
U. S. Steel Europe	73	81	215	122
Tubular	(7)	(75)	(93)	(217)
Total reportable segments	226	120	410	(163)
Other Businesses	12	18	34	42
Items not allocated to segments:				
Postretirement benefit (expense) income	(14)	8	(42)	36
Other items not allocated to segments:				
Gain associated with retained interest in U. S. Steel Canada Inc.	—	—	72	—
Gain on equity investee transactions	21	—	21	—
Loss on shutdown of certain tubular assets	—	—	(35)	—
Impairment of intangible assets	—	(14)	—	(14)
Restructuring and other charges and adjustments	—	—	—	(2)
Total earnings (loss) before interest and income taxes	$245	$132	$460	$(101)
CAPITAL EXPENDITURES				
Flat-Rolled	$134	$23	$206	$97
U. S. Steel Europe	28	17	62	68
Tubular	8	11	19	81
Other Businesses	1	—	4	22
Total	$171	$51	$291	$268
OPERATING STATISTICS				
Average realized price: ($/net ton) [a]				
Flat-Rolled	$728	$718	$730	$658
U. S. Steel Europe	639	503	617	483
Tubular	1,433	1,049	1,268	1,094
Steel Shipments: [a][b]				
Flat-Rolled	2,544	2,535	7,445	7,725
U. S. Steel Europe	1,067	1,105	3,333	3,235
Tubular	185	103	509	262
Intersegment Shipments: [b]				
Flat-Rolled to Tubular	43	—	137	42
U. S. Steel Europe to Flat-Rolled	—	—	47	—
Raw Steel Production: [b]				
Flat-Rolled	2,821	2,734	8,247	8,248
U. S. Steel Europe	1,235	1,279	3,778	3,689
Raw Steel Capability Utilization: [c]				
Flat-Rolled	66 %	64 %	65 %	65 %
U. S. Steel Europe	98 %	102 %	101 %	98 %

[a] Excludes intersegment transfers.
[b] Thousands of net tons.

(c) Based on annual raw steel production capability of 17.0 million net tons for Flat-Rolled and 5.0 million net tons for USSE.

PART II. OTHER INFORMATION
Item 1. LEGAL PROCEEDINGS
GENERAL LITIGATION

On April 26, 2016, the Company filed a complaint with the U.S. International Trade Commission (USITC) to initiate an investigation under Section 337 of the Tariff Act of 1930 against Chinese steel producers and their distributors. The complaint alleges three causes of action: 1) illegal conspiracy to fix prices and control output and export volumes; 2) the theft of trade secrets through industrial espionage; and 3) circumvention of duties by false designation of origin (FDO). The remedy sought by U. S. Steel in that claim is the barring of all Chinese carbon and alloy steel from the U. S. market. In February 2017, U. S. Steel voluntarily withdrew its trade secrets claim, but preserved the right to refile at a later date. On November 25, 2016, the ALJ issued an order dismissing the price fixing claims. However, the USITC granted U. S. Steel's petition to review the ALJ's initial determination to terminate the price fixing portion of the litigation. A hearing on that review was held on April 20, 2017. We are awaiting the USITC's decision. On January 11, 2017, the ALJ issued an order dismissing the FDO claims. U. S. Steel filed a petition to review the ALJ's order with the USITC commissioners. The USITC reinstated the FDO claim on February 27, 2017. After an aggressive discovery schedule, the Respondent manufacturers filed Motions for Summary Determination seeking to dismiss the claim. On October 2, 2017, the ALJ granted those motions. The Company has elected not to pursue an appeal leaving the price fixing claim as the remaining claim.

U. S. Steel v. Minnesota Pollution Control Agency (MPCA) and Commissioner John Linc Stine: On February 21, 2017, U. S. Steel filed a Verified Complaint and Writ of Mandamus against the MPCA for failure to act on U. S. Steel's request for revisions to water quality standards which will affect the draft National Pollutant Discharge Elimination System (water) permit at Minntac. MPCA filed an Answer and Counterclaim and U. S. Steel responded to the Counterclaim on April 5, 2017. Three citizen groups, Minnesota Center for Environmental Advocacy, Save Lake Superior Association and Save Our Sky Blue Waters (collectively MCEA), filed a Notice of Intervention, which was granted by the district court. Both parties have filed cross-motions for summary judgment, which remain outstanding pending a court-ordered mediation.

On October 2, 2017, an Amended Class Action Complaint was filed in Federal Court in the Western District of Pennsylvania consolidating previously-filed actions. Separately, four related shareholder derivative lawsuits were filed in State and Federal courts in Pittsburgh. The underlying consolidated class action lawsuit alleges that U. S. Steel, Mario Longhi, Dave Burritt, Dan Lesnak and the financial Underwriters who participated in the August 2016 secondary public offering violated federal securities laws in making false statements and/or failing to discover and disclose material information regarding the financial condition of the Company. The lawsuit claims that this conduct caused a prospective class of plaintiffs to sustain damages during the period of January 27, 2016 and April 25, 2017 as a result of the prospective class purchasing the Company's common stock at artificially inflated prices and/or suffering losses when the price of the common stock dropped. The derivative lawsuits generally make the same allegations against Mario Longhi and Dave Burritt and also allege that the members of the Board of Directors failed to exercise appropriate control and oversight over the Company and seeks to recover losses sustained by the Company. The Company is vigorously defending these matters.

ENVIRONMENTAL PROCEEDINGS

The following is a summary of the proceedings of U. S. Steel that were pending or contemplated as of September 30, 2017, 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 the Comprehensive Environmental Response, Compensation and Liability Act (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.

As of September 30, 2017, U. S. Steel has received information requests or been identified as a PRP at a total of seven CERCLA sites, two of which have liabilities that have 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 four of the sites, 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.

While work continues on obtaining additional information for remedial design, there has been no material change in the status of the project during the nine months ended September 30, 2017. Additional study, investigation, design, oversight costs, and implementation of U. S. Steel's preferred remedial alternatives on the upland property and Estuary are currently estimated as of September 30, 2017 at approximately $47 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 19 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 9 sites have potential costs between $100,000 and $1 million per site, 5 sites may involve remediation costs between $1 million and $5 million per site and 5 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

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 Resource Conservation and Recovery Act (RCRA) Facility Investigation (RFI), a Corrective Measures Study (CMS) and Corrective Measure Implementation. While work continues on several items, there has been no material change in the status of the project during the nine months ended September 30, 2017. 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 $26 million as of September 30, 2017, 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). While preliminary approval of the conceptual CAMU design has been granted by the UDEQ, there has been no material change in the status of the project during the nine months ended September 30, 2017. U. S. Steel has an accrued liability of approximately $63 million as of September 30, 2017, 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. During 2016, U. S. Steel implemented its preferred remedial plan to address groundwater impacts from trichloroethylene at SWMU 4. Evaluations continue for the three SWMUs known as the Northern Boundary Group 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 California Department of Toxic Substances Control. As such, there has been no material change in the status of the project during the nine months ended September 30, 2017. As of September 30, 2017, approximately $1 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 20 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) in December 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. While work continues on different aspects of the program, there has been no material change in the status of the project during the nine months ended September 30, 2017. In total, the accrued liability for remaining work under the Corrective Action Program, was approximately $229,000 at September 30, 2017. Significant additional costs associated with this site are possible and are referenced in Note 20 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), an RFI and CMS at our Fairless Plant. A Phase I RFI Final Report was submitted in September of 1997. With EPA’s agreement, in lieu of 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. While work continues on these items, there has been no material change in the status of the project during the nine months ended September 30, 2017. As of September 30, 2017, the accrued liability to maintain the interim measures, and clear properties through the Act 2 process is approximately $156,000. Significant additional costs associated with this site are possible and are referenced in Note 20 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 Areas of Contamination was submitted in March 2012. While work continues on the Phase II RFI report that addresses additional investigations of soil, site wide groundwater and the pipe mill lagoon, there has been no material change in the status of the project during the nine months ended September 30, 2017. As of September 30, 2017, costs to complete additional projects are estimated to be approximately $113,000. Significant

additional costs associated with this site are possible and are referenced in Note 20 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. The Program requires investigation and establishment of cleanup objectives followed by submission/approval of a Remedial Action Plan to meet those objectives. The 50-acre parcel was divided into four (4) subareas with remedial activities completed in 2015 for three (3) of the subareas. While work continues to define the requirements for further investigation of the remaining parcel, there has been no material change in the

status of the project during the nine months ended September 30, 2017. U. S. Steel has an accrued liability of $294,000 as of September 30, 2017. Significant additional costs associated with this site are possible and are referenced in Note 20 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 of the site proper was essentially completed in 2007. The Consent Order was amended on May 3, 2013, to require investigation (but not remediation) of potential contamination beyond the boundary of the former zinc smelting operation. On November 22, 2016, KDHE approved a State Cooperative Final Agency Decision Statement that identified the remedy selected to address potential contamination beyond the boundary of the former zinc smelting site. Work continues on developing the Removal Action Design Plan. As of September 30, 2017, an accrual of approximately $448,000 remains available for addressing these outstanding issues. Significant additional costs associated with this site are possible and are referenced in Note 20 to the Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Air Related Matters

Great Lakes Works

In June 2010, the EPA significantly lowered the primary NAAQS for SO_2 from 140 parts per billion (ppb) on a 24-hour basis to an hourly standard of 75 ppb. Based upon the 2009-2011 ambient air monitoring data, the EPA designated the area in which Great Lakes Works is located as nonattainment with the 2010 SO_2 NAAQS.

As result, MDEQ must submit a State Implementation Plan (SIP) to the EPA that demonstrates that the entire nonattainment area (and not just the monitor) will be in attainment by October 2018 by using conservative air dispersion modeling. U. S. Steel met with MDEQ on multiple occasions and had offered reduction plans to MDEQ but the parties could not agree to a plan. MDEQ, instead promulgated Rule 430 which was solely directed to U. S. Steel. The Company challenged Rule 430 before the Michigan Court of Claims who by Order dated October 4, 2017, granted the Company’s motion for summary disposition voiding Rule 430 finding that it violated rule-making provisions of the Michigan Administrative Procedures Act and Michigan Constitution. The impacts of the nonattainment designation to the Company are not estimable at this time.

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. While the resolution of the matter is uncertain at this time, it is not anticipated that the resolution 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. In 2013, U. S. Steel filed a petition for administrative reconsideration to the EPA and a petition for judicial review of the 2013 FIP and denial of the Minnesota State Implementation Plan (SIP) to the Eighth Circuit of the 2013 FIP. In April 2016, U.S. EPA promulgated a revised FIP with the same substantive requirements for U. S. Steel. In June 2016, U. S. Steel filed a petition for administrative reconsideration of the 2016 FIP to the EPA and a petition for judicial review of the 2016 FIP before the Eighth Circuit Court of Appeals. The EPA has yet to publish a response to either petition for administrative reconsideration in the Federal Register as required, and both petitions for judicial review remain with the Eighth Circuit.

ASBESTOS LITIGATION

As of September 30, 2017, U. S. Steel was a defendant in approximately 830 active cases involving approximately 3,325 plaintiffs. The vast majority of these cases involve multiple defendants. At December 31, 2016, U. S. Steel was a defendant in approximately 845 active cases involving approximately 3,340 plaintiffs. As of September 30, 2017, about 2,500, or approximately 75 percent, of these plaintiff claims are 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.

The following table shows the number of asbestos claims in the current period and the prior three years:

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved	New Claims	Closing Number of Claims
December 31, 2014	3,320	190	325	3,455
December 31, 2015	3,455	415	275	3,315
December 31, 2016	3,315	225	250	3,340
September 30, 2017	3,340	200	185	3,325

Historically, asbestos-related claims against U. S. Steel fall into three major 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.

Item 4. MINE SAFETY DISCLOSURES

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

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

10.1	Form of Offer Letter to Kevin Bradley.
31.1	Certification of Chief Executive Officer required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as promulgated by the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as promulgated by the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety Disclosure required under Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
101 INS	XBRL Instance Document
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document
101 LAB	XBRL Taxonomy Extension Label Linkbase Document
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

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

UNITED STATES STEEL
CORPORATION

By /s/ Colleen M. Darragh

Colleen M. Darragh
Vice President & Controller

November 1, 2017

WEB SITE POSTING

This Form 10-Q will be posted on the U. S. Steel web site, www.ussteel.com, within a few days of its filing.