UNITED STATES STEEL CORP
Form 10-Q
July 27, 2010
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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 June 30, 2010

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

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

Yes __ No Ö

Common stock outstanding at July 22, 2010 143,564,452 shares

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UNITED STATES STEEL CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(Dollars in millions, except per share amounts)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net sales:				
Net sales	**$ 4,283**	$ 1,991	**$ 7,898**	$ 4,596
Net sales to related parties *(Note 21)*	**398**	136	**679**	281
Total	**4,681**	2,127	**8,577**	4,877
Operating expenses (income):				
Cost of sales (excludes items shown below)	**4,184**	2,340	**7,823**	5,347
Selling, general and administrative expenses	**152**	154	**300**	297
Depreciation, depletion and amortization *(Note 6)*	**162**	159	**327**	317
(Income) loss from investees	**(9)**	10	**(4)**	31
Net gain on disposal of assets *(Notes 4 and 22)*	**(2)**	(36)	**(5)**	(133)
Other income, net *(Note 8)*	**(4)**	(35)	**(5)**	(39)
Total	**4,483**	2,592	**8,436**	5,820
Income (loss) from operations	**198**	(465)	**141**	(943)
Interest expense	**52**	38	**95**	74
Interest income	**(1)**	(1)	**(4)**	(3)
Other financial costs (income) *(Note 9)*	**99**	(28)	**167**	9
Net interest and other financial costs	**150**	9	**258**	80
Income (loss) before income taxes	**48**	(474)	**(117)**	(1,023)
Income tax provision (benefit) *(Note 11)*	**72**	(82)	**65**	(192)
Net loss	**(24)**	(392)	**(182)**	(831)
Less: Net income attributable to noncontrolling interests	**1**	-	-	-
Net loss attributable to United States Steel Corporation	**$ (25)**	$ (392)	**$ (182)**	$ (831)
Loss per common share *(Note 12)*:				
Net loss per share attributable to United States Steel Corporation shareholders:				
- Basic	**$ (0.17)**	$ (2.92)	**$ (1.27)**	$ (6.63)
- Diluted	**$ (0.17)**	$ (2.92)	**$ (1.27)**	$ (6.63)

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

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UNITED STATES STEEL CORPORATION

CONSOLIDATED BALANCE SHEET

(Dollars in millions)	(Unaudited) June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 947**	$ 1,218
Receivables, less allowance of $42 and $39	**2,171**	1,423
Receivables from related parties *(Note 21)*	**191**	144
Inventories *(Note 13)*	**2,012**	1,679
Income tax receivable *(Note 11)*	**21**	214
Deferred income tax benefits *(Note 11)*	**298**	299
Other current assets	**169**	38
Total current assets	**5,809**	5,015
Property, plant and equipment	**15,474**	16,030
Less accumulated depreciation and depletion	**9,271**	9,210
Total property, plant and equipment, net	**6,203**	6,820
Investments and long-term receivables, less allowance of $21 and $22	**647**	695
Intangibles net *(Note 6)*	**276**	281
Goodwill *(Note 6)*	**1,730**	1,725
Assets held for sale *(Note 5)*	**33**	33
Deferred income tax benefits *(Note 11)*	**425**	535
Other noncurrent assets	**295**	318
Total assets	**$ 15,418**	$ 15,422
Liabilities		
Current liabilities:		
Accounts payable	**$ 1,836**	$ 1,396
Accounts payable to related parties *(Note 21)*	**65**	61
Bank checks outstanding	**13**	23
Payroll and benefits payable	**754**	854
Accrued taxes *(Note 11)*	**159**	89
Accrued interest	**44**	32
Short-term debt and current maturities of long-term debt *(Note 15)*	**21**	19
Total current liabilities	**2,892**	2,474
Long-term debt, less unamortized discount *(Note 15)*	**3,639**	3,345
Employee benefits	**3,986**	4,143
Deferred credits and other noncurrent liabilities	**451**	481
Total liabilities	**10,968**	10,443
Contingencies and commitments *(Note 22)*		
Stockholders Equity *(Note 20)*:		
Common stock (150,925,911 shares issued) *(Note 12)*	**151**	151
Treasury stock, at cost (7,364,202 and 7,575,724 shares)	**(588)**	(608)
Additional paid-in capital	**3,637**	3,652
Retained earnings	**4,012**	4,209
Accumulated other comprehensive loss	**(2,763)**	(2,728)

Total United States Steel Corporation stockholders equity	**4,449**	4,676
Noncontrolling interests *(Note 2)*	**1**	303
Total liabilities and stockholders equity	**$ 15,418**	$ 15,422

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

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UNITED STATES STEEL CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in millions)	Six Months Ended June 30, 2010	2009
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net loss	**$ (182)**	$ (831)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, depletion and amortization *(Note 6)*	**327**	317
Provision for doubtful accounts	**7**	5
Pensions and other postretirement benefits	**(164)**	1
Deferred income taxes	**41**	(248)
Net gain on disposal of assets *(Notes 4 and 22)*	**(5)**	(133)
Distributions received, net of equity investees income	**1**	40
Changes in:		
Current receivables	**(882)**	1,157
Inventories	**(421)**	718
Current accounts payable and accrued expenses	**609**	(585)
Income taxes receivable/payable *(Note 11)*	**237**	(76)
Bank checks outstanding	**(9)**	(1)
Foreign currency translation of operating items	**157**	(36)
All other, net	**(64)**	33
Net cash (used in) provided by operating activities	**(348)**	361
Investing activities:		
Capital expenditures	**(242)**	(206)
Capital expenditures variable interest entities *(Note 17)*	**-**	(93)
Disposal of assets	**80**	339
Restricted cash, net	**(8)**	(47)
Investments, net	**(15)**	(8)
Net cash used in investing activities	**(185)**	(15)
Financing activities:		
Issuance of long-term debt, net of financing costs	**669**	839
Repayment of borrowings under revolving credit facilities	**(270)**	-
Repayment of long-term debt	**(103)**	(667)
Common stock issued	**2**	666
Distributions from noncontrolling interests	**-**	90
Dividends paid	**(14)**	(42)
Net cash provided by financing activities	**284**	886
Effect of exchange rate changes on cash	**(22)**	(6)
Net increase in cash and cash equivalents	**(271)**	1,226
Cash and cash equivalents at beginning of year	**1,218**	724

Cash and cash equivalents at end of period	**$ 947**	$ 1,950

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

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Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

United States Steel Corporation (U. S. Steel) produces and sells steel mill products, including flat-rolled and tubular products, in North America and Central Europe. Operations in North America also include transportation services (railroad and barge operations), real estate operations and engineering consulting services.

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. The other information in these financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair presentation 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 accounting principles generally accepted in the United States of America for complete financial statements. Additional information is contained in the United States Steel Corporation Annual Report on Form 10-K for the year ended December 31, 2009.

2. New Accounting Standards

Accounting for variable interest entities

On January 1, 2010, U. S. Steel adopted updates to Accounting Standards Codification (ASC) Topic 810 related to improvements to financial reporting by enterprises involved with variable interest entities. The updates to ASC Topic 810 include a criterion that requires the primary beneficiary to have the power to direct the activities that most significantly impact the economic performance of the variable interest entity. Due to the addition of this criterion, the adoption resulted in the deconsolidation of Gateway Energy & Coke Company, LLC and Daniel Ross Bridge, LLC from our consolidated financial statements on a prospective basis. The primary impact from the adoption of the updates to ASC Topic 810 was the removal of approximately $300 million of net assets, comprised mainly of property, plant and equipment, from our consolidated balance sheet. These net assets were entirely offset by noncontrolling interest, which was also removed upon adoption. There was an immaterial impact to our consolidated statement of operations. See note 17 for further details of these entities.

Accounting for transfers of financial assets

On January 1, 2010, U. S. Steel adopted updates to ASC Topic 860 related to the accounting for transfers of financial assets. As a result of the adoption, any transfers of receivables pursuant to our Receivables Purchase Agreement (RPA) no longer qualify as a sale and are now accounted for as secured borrowing transactions. Accordingly, receivable transfers as well as the related borrowings for equal amounts are required to be reflected on the consolidated balance sheet and the proceeds and repurchases related to the securitization program will be included in cash flows from financing activities in the statement of cash flows. U. S. Steel did not have any transactions under the RPA during the first six months of 2010 or 2009. See note 15 for further details of our accounts receivable facility.

3. Segment Information

U. S. Steel has three reportable segments: Flat-rolled Products (Flat-rolled), U. S. Steel Europe (USSE), and Tubular Products (Tubular). The results of several other operating segments that do not constitute reportable segments are combined and disclosed in the Other Businesses category.

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The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being income from operations. Income from operations for reportable segments and Other Businesses does not include net interest and other financial costs, income taxes, benefit expenses for current retirees and certain other items that management believes are not indicative of future results. Information on segment assets is not disclosed, as the chief operating decision maker does not review it.

The accounting principles applied at the operating segment level in determining income from operations are generally the same as those applied at the consolidated financial statement level. The transfer value for steel rounds from Flat-rolled to Tubular is based on cost. All other intersegment sales and transfers are accounted for at market-based prices and are eliminated at the corporate consolidation level. Corporate-level selling, general 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 the three months ended June 30, 2010 and 2009 are:

(In millions)					
Second Quarter 2010	**Customer Sales**	**Intersegment Sales**	**Net Sales**	**Income (loss) from investees**	**Income (loss) from operations**
Flat-rolled	**$ 2,963**	**$ 303**	**$ 3,266**	**$ 9**	**$ 98**
USSE	**985**	**21**	**1,006**	**1**	**19**
Tubular	**679**	**2**	**681**	**(1)**	**96**
Total reportable segments	**4,627**	**326**	**4,953**	**9**	**213**
Other Businesses	**54**	**216**	**270**	**-**	**28**
Reconciling Items and Eliminations	**-**	**(542)**	**(542)**	**-**	**(43)**
Total	**$ 4,681**	**$ -**	**$ 4,681**	**$ 9**	**$ 198**
Second Quarter 2009					
Flat-rolled	$ 1,310	$ 26	$ 1,336	$ (10)	$ (362)
USSE	645	1	646	-	(53)
Tubular	157	-	157	-	(88)
Total reportable segments	2,112	27	2,139	(10)	(503)
Other Businesses	15	41	56	-	(7)
Reconciling Items and Eliminations	-	(68)	(68)	-	45
Total	$ 2,127	$ -	$ 2,127	$ (10)	$ (465)

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The results of segment operations for the six months ended June 30, 2010 and 2009 are:

(In millions)	Customer Sales	Intersegment Sales	Net Sales	Income (loss) from investees	Income (loss) from operations
First Six Months 2010					
Flat-rolled	**$ 5,418**	**$ 522**	**$ 5,940**	**$ 4**	**$ 18**
USSE	**1,949**	**46**	**1,995**	**1**	**31**
Tubular	**1,124**	**3**	**1,127**	**(1)**	**141**
Total reportable segments	**8,491**	**571**	**9,062**	**4**	**190**
Other Businesses	**86**	**195**	**281**	**-**	**38**
Reconciling Items and Eliminations	**-**	**(766)**	**(766)**	**-**	**(87)**
Total	**$ 8,577**	**$ -**	**$ 8,577**	**$ 4**	**$ 141**
First Six Months 2009					
Flat-rolled	$ 2,903	$ 79	$ 2,982	$ (31)	$ (784)
USSE	1,266	2	1,268	-	(212)
Tubular	672	3	675	-	39
Total reportable segments	4,841	84	4,925	(31)	(957)
Other Businesses	36	83	119	-	(10)
Reconciling Items and Eliminations	-	(167)	(167)	-	24
Total	$ 4,877	$ -	$ 4,877	$ (31)	$ (943)

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

(In millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Items not allocated to segments:				
Retiree benefit expenses	**$ (43)**	$ (34)	**$ (87)**	$ (66)
Other items not allocated to segments:				
Federal excise tax refund *(Note 8)*	**-**	34	**-**	34
Net gain on the sale of assets *(Note 4)*	**-**	-	**-**	97
Workforce reduction charges *(Note 7)*	**-**	-	**-**	(86)
Litigation reserve [(a)]	**-**	45	**-**	45
Total other items not allocated to segments	**-**	79	**-**	90
Total reconciling items	**$ (43)**	$ 45	**$ (87)**	$ 24

(a) A litigation reserve of $45 million involving a rate escalation provision in a U. S. Steel power supply contract was established in the first quarter of 2008 as a result of a court ruling and was subsequently reversed in the second quarter of 2009 as that decision was overturned.

4. Acquisitions and Dispositions

Wabush Mines Joint Venture

On February 1, 2010, U. S. Steel Canada Inc. (USSC) completed the previously announced sale of its 44.6 percent interest in the Wabush Mines Joint Venture (Wabush) for approximately $60 million. Wabush owns and operates iron ore mining and pellet facilities in Newfoundland and Labrador and Quebec, Canada. U. S. Steel recognized an immaterial loss on the sale.

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Z-Line Company

As a result of the minority owner s exercise of a put option, U. S. Steel acquired the minority owner s 40 percent ownership interest in Z-Line Company (Z-Line), a partnership, on December 23, 2009 for C$26 million (approximately $24 million). Z-line, which owned and operated a galvanizing/galvannealing line, has subsequently been dissolved and the facility is now operated as part of our Hamilton Works located in Ontario, Canada. The acquisition has been accounted for in accordance with ASC Topic 810, Consolidations.

Elgin, Joliet and Eastern Railway Company

On January 31, 2009, U. S. Steel completed the previously announced sale of the majority of the operating assets of Elgin, Joliet and Eastern Railway Company (EJ&E) to Canadian National Railway Company (CN) for approximately $300 million. U. S. Steel retained railroad assets, equipment, and employees that support the Gary Works. As a result of the transaction, U. S. Steel recognized a net gain of approximately $97 million, net of a $10 million pension curtailment charge (see Note 7), in the first quarter 2009.

5. Assets Held for Sale

On April 28, 2010, USSC announced that it had entered into an agreement to sell its bar mill and bloom and billet mill located at Hamilton Works. Completion of the transaction is subject to customary closing conditions, including regulatory approvals. The transaction is scheduled to close by the end of 2010. As of June 30, 2010 and December 31, 2009, U. S. Steel had classified these assets as held for sale in accordance with ASC Topic 360 on impairment and disposal of long-lived assets. We expect an immaterial financial statement impact from the transaction.

6. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by segment for the six months ended June 30, 2010 are as follows:

	Flat-rolled Segment	USSE Segment	Tubular Segment	Total
Balance at December 31, 2009	$ 876	$ -	$ 849	$ 1,725
Goodwill from acquisitions	**-**	**4**	**-**	**4**
Currency translation	**1**	**-**	**-**	**1**
Balance at June 30, 2010	**$ 877**	**$ 4**	**$ 849**	**$ 1,730**

Goodwill represents the excess of the cost over the fair value of acquired identifiable tangible and intangible assets and liabilities assumed from businesses acquired. We have two reporting units that have a significant amount of goodwill. Our Flat-rolled reporting unit was allocated goodwill from the Stelco and Lone Star acquisitions in 2007. These amounts reflect the benefits we expect the Flat-rolled reporting unit to realize from expanding our flexibility in meeting our customers needs and running our Flat-rolled facilities at higher operating rates to source our semi-finished product needs. Our Texas Operations reporting unit, which is part of our Tubular operating segment, was allocated goodwill from the Lone Star acquisition, reflecting the benefits we expect the reporting unit to realize from the expansion of our tubular operations.

Goodwill is tested for impairment at the reporting unit level annually in the third quarter and whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation of impairment involves comparing the estimated fair value of the associated reporting

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unit to its carrying value, including goodwill. The annual goodwill impairment test for 2009 determined that there was no goodwill impairment for either reporting unit. Goodwill impairment tests in prior years also indicated that goodwill was not impaired for either reporting unit. Accordingly, there are no accumulated impairment losses for goodwill.

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

		As of June 30, 2010			As of December 31, 2009		
(In millions)	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	22-23 Years	**$ 216**	**$ 29**	**$ 187**	$ 216	$ 24	$ 192
Other	2-20 Years	**24**	**10**	**14**	24	10	14
Total amortizable intangible assets		**$ 240**	**$ 39**	**$ 201**	$ 240	$ 34	$ 206

The carrying amount of acquired water rights with indefinite lives as of June 30, 2010 and December 31, 2009 totaled $75 million. The water rights are tested for impairment annually in the third quarter. The 2009 test indicated that the fair value of the water rights exceeded the carrying value. Accordingly, no impairment loss was recognized.

Amortization expense was $2 million and $3 million in the three months ended June 30, 2010 and 2009, respectively, and was $5 million and $6 million in the six months ended June 30, 2010 and 2009, respectively. The estimated future amortization expense of identifiable intangible assets during the next five years is $6 million for the remaining portion of 2010 and $11 million each year from 2011 to 2014.

7. Pensions and Other Benefits

The following table reflects the components of net periodic benefit cost for the three months ended June 30, 2010 and 2009:

	Pension Benefits		Other Benefits	
(In millions)	2010	2009	2010	2009
Service cost	**$ 26**	$ 26	**$ 5**	$ 5
Interest cost	**136**	145	**57**	62
Expected return on plan assets	**(168)**	(177)	**(27)**	(26)
Amortization of prior service cost	**6**	6	**6**	5
Amortization of net loss (gain)	**54**	36	**(3)**	(2)
Net periodic benefit cost, excluding below	**54**	36	**38**	44
Multiemployer plans	**15**	13	**-**	-
Settlement, termination and curtailment benefits	**3**	9	**-**	2
Net periodic benefit cost	**$ 72**	$ 58	**$ 38**	$ 46

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The following table reflects the components of net periodic benefit cost for the six months ended June 30, 2010 and 2009:

	Pension Benefits		Other Benefits	
(In millions)	**2010**	**2009**	**2010**	**2009**
Service cost	**$ 51**	$ 52	**$ 10**	$ 10
Interest cost	**271**	287	**114**	124
Expected return on plan assets	**(335)**	(352)	**(54)**	(53)
Amortization of prior service cost	**12**	12	**12**	11
Amortization of net loss (gain)	**109**	71	**(6)**	(4)
Net periodic benefit cost, excluding below	**108**	70	**76**	88
Multiemployer plans	**28**	25	**-**	-
Settlement, termination and curtailment benefits	**3**	72	**-**	13
Net periodic benefit cost	**$ 139**	$ 167	**$ 76**	$ 101

Nonretirement Postemployment Benefits

U. S. Steel recorded charges of $3 million and $115 million in the three and six months ended June 30, 2009, respectively, to recognize current and estimated future employee costs for supplemental unemployment benefits, salary continuance and continuation of health care benefits and life insurance coverage for employees associated with the temporary idling of certain facilities and reduced production at others. The accrual was recorded in accordance with the guidance in ASC Topic 712, Compensation Nonretirement Postemployment Benefits, which requires that costs associated with such ongoing benefit arrangements be recorded no later than the period when it becomes probable that the costs will be incurred and the costs are reasonably estimable. U. S. Steel recorded immaterial charges in the three and six months ended June 30, 2010 related to these benefits. As of June 30, 2010, there was an immaterial accrual for these benefits.

Settlements, Terminations and Curtailments

During the first quarter of 2009, approximately 500 non-represented employees in the United States elected to retire under a Voluntary Early Retirement Program (VERP). Expenses for termination benefits, curtailment and settlement charges totaled $53 million for defined benefit plans and $11 million for other benefit plans and were recorded in cost of sales. As discussed below, other pension charges related to the VERP were incurred for defined contribution plans totaling $13 million.

In connection with the sale of the majority of EJ&E on January 31, 2009 (see Note 4), a pension curtailment charge of approximately $10 million, which reduced the gain related to this transaction, was recognized in the first quarter of 2009.

Employer Contributions

During the first six months of 2010, U. S. Steel made a voluntary contribution of $140 million to its main defined benefit pension plan. U. S. Steel also made $42 million in required cash contributions to the main USSC pension plans, cash payments of $27 million to the Steelworkers Pension Trust and $15 million in cash payments to other defined benefit pension plans.

During the first six months of 2010, cash payments of $150 million had been made for other postretirement benefit payments not funded by trusts.

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Company contributions to defined contribution plans totaled $4 million and $3 million for the three months ended June 30, 2010 and 2009, respectively. Company contributions to defined contribution plans totaled $6 million and $20 million for the six months ended June 30, 2010 and 2009, respectively. Contributions for the six months ended June 30, 2009 included $13 million of payments for VERP related benefits as discussed above.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 enacted in the first quarter of 2010 include multiple provisions impacting health care and insurance coverage in the U.S. The long-term impacts of this legislation on U. S. Steel are uncertain as we await further regulatory and rule setting guidance. The legislation eliminates the tax deductibility of Medicare Part D subsidies for retiree prescription drug coverage after 2012. U. S. Steel recorded a tax charge of $27 million in the first six months of 2010 to adjust deferred tax assets in order to recognize the estimated future tax effects of the legislation specifically on Medicare Part D subsidies (see note 11).

8. Other Income

Other income for the three and six months ended June 30, 2009 includes a refund of $34 million received in the second quarter of 2009 associated with the recovery of black lung excise taxes that were paid on coal export sales during the period October 1, 1990 to December 31, 1992. Of the $34 million of cash received, $24 million represented interest.

9. Net Interest and Other Financial Costs

Other financial costs include financing costs as well as foreign currency gains and losses as a result of transactions denominated in currencies other than the functional currencies of U. S. Steel s subsidiaries. During the three months ended June 30, 2010 and 2009, net foreign currency losses of $91 million and gains of $32 million, respectively, were recorded in other financial costs. During the six months ended June 30, 2010 and 2009, net foreign currency losses of $154 million and $2 million, respectively, were recorded in other financial costs. See note 14 for additional information on U. S. Steel s use of derivatives to mitigate its foreign currency exchange rate exposure.

10. 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 under several stock-based employee compensation plans, which are more fully described in Note 14 of the United States Steel Corporation 2009 Annual Report on Form 10-K. At the Company s annual meeting in April 2010, the stockholders approved an amendment to the 2005 Stock Incentive Plan (the Plan) to approve the issuance of an additional 8,700,000 shares of common stock under the Plan, to eliminate the automatic acceleration of vesting of awards in connection with a change in control without a subsequent termination and to make administrative changes. An aggregate of 15,450,000 shares of U. S. Steel common stock may be issued under the Plan, of which 10,083,682 shares are available as of June 30, 2010 for future grants. The Plan expires in 2020.

U. S. Steel recognized pre-tax stock-based compensation cost in the amount of $9 million and $6 million in the three months ended June 30, 2010 and 2009, respectively, and $11 million and $16 million in the first six months of 2010 and 2009, respectively.

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Recent grants of stock-based compensation consist of stock options, restricted stock units and performance awards. The following table is a general summary of the awards made under the Plan.

	May 2010 Grant		May 2009 Grant	
Grant Details	**Shares** [a]	**Fair Value** [b]	**Shares** [a]	**Fair Value** [b]
Stock Options	**612,270**	**$ 24.31**	1,026,580	$ 14.87
Restricted Stock Units	**358,240**	**$ 45.65**	564,210	$ 29.84
Performance Awards [c]	**105,640**	**$ 57.02**	116,410	$ 40.16

[a] The share amounts shown in this table do not reflect an adjustment for estimated forfeitures.
[b] Per share amounts
[c] The number of Performance Awards shown represents the target value of the award.

As of June 30, 2010, total future compensation cost related to nonvested stock-based compensation arrangements was $52 million, and the weighted average period over which this cost is expected to be recognized is approximately 1.5 years.

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	**May 2010 Grant**	**May 2009 Grant**
Grant date price per share of option award	**$ 45.65**	$ 29.81
Expected annual dividends per share, at grant date	**$ 0.20**	$ 0.20
Expected life in years	**5.0**	4.5
Expected volatility	**64%**	62%
Risk-free interest rate	**2.1%**	2.6%
Grant date fair value per share of unvested option awards as calculated from above	**$ 24.31**	$ 14.87

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 generally vest ratably over three years. The fair value of the restricted stock units is the market price of the underlying common stock on the date of the grant.

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. Performance awards can vest at between zero and 200 percent of the target award. The fair value of the performance awards is calculated using a Monte-Carlo simulation.

11. Income Taxes

Tax provision

For the six months ended June 30, 2010, we recorded a tax provision of $65 million on our pretax loss of $117 million. In accordance with accounting guidance, the tax provision does not reflect any tax benefit for pretax losses in Canada and Serbia, which are jurisdictions where we have recorded full valuation allowances on deferred tax assets. Included in the first six months of 2010

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tax provision is a net tax benefit of $30 million relating to adjustments to tax reserves, offset by a tax charge of $27 million as a result of the U.S. health care legislation enacted in the first quarter of 2010 (see note 7).

The tax provision for the first six months of 2010 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 2010 pretax results for U.S. and foreign income or loss vary from estimates applied at the end of the most recent interim period, the actual tax provision or benefit recognized in 2010 could be materially different from the forecasted amount used to estimate the tax provision for the six months ended June 30, 2010.

Income tax receivable

During 2010, U. S. Steel received $208 million representing the majority of its expected federal income tax refund related to the carryback of our 2009 losses to prior years.

Deferred taxes

As of June 30, 2010, the net domestic deferred tax asset was $643 million compared to $731 million at December 31, 2009. A substantial amount of U. S. Steel s domestic deferred tax assets relates to employee benefits that will become deductible for tax purposes over an extended period of time as cash contributions are made to employee benefit plans and retiree benefits are paid from the benefit trusts in the future. As a result of our cumulative historical earnings, we continue to believe it is more likely than not that the net domestic deferred tax asset will be realized.

As of June 30, 2010, the net foreign deferred tax asset was $80 million, net of established valuation allowances of $670 million. At December 31, 2009, the net foreign deferred tax asset was $103 million, net of established valuation allowances of $575 million. Net foreign deferred tax assets will fluctuate as the value of the U.S. dollar changes with respect to the Canadian dollar, the euro, and the Serbian dinar. A full valuation allowance is recorded for both the Canadian and Serbian deferred tax assets due to the absence of positive evidence to support the realizability of the deferred tax assets. If evidence changes and it becomes more likely than not that the Company will realize the deferred tax assets, the valuation allowance of $609 million for Canadian deferred tax assets and $48 million for Serbian deferred tax assets as of June 30, 2010, would be partially or fully reversed. Any reversals of these amounts would result in a decrease to tax expense.

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 found in ASC Topic 740 on income taxes. The total amount of unrecognized tax benefits was $71 million and $106 million as of June 30, 2010 and December 31, 2009, respectively. This decrease was primarily the result of the conclusion of certain tax examinations and the remeasurement of existing tax reserves. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $56 million and $77 million as of June 30, 2010 and December 31, 2009, respectively.

U. S. Steel records interest related to uncertain tax positions as a part of net interest and other financial costs in the Statement of Operations. Any penalties are recognized as part of selling, general and administrative expenses. As of June 30, 2010 and December 31, 2009, U. S. Steel had accrued liabilities of $5 million and $4 million, respectively, for interest related to uncertain tax positions. U. S. Steel currently does not have a liability recorded for income tax penalties.

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12. Common Shares and Income Per Common Share

Common Stock Issued

On May 4, 2009, U. S. Steel issued 27,140,000 shares of common stock (par value of $1 per share) at a price of $25.50 per share. The underwriting discount and third-party expenses related to the issuance of the common stock of $31 million was recorded as a decrease to additional paid-in capital, resulting in net proceeds of $661 million.

Net Loss Per Share Attributable to United States Steel Corporation Shareholders

Basic net income or loss per common share is based on the weighted average number of common shares outstanding during the period.

Diluted net income per common share assumes the exercise of stock options, the vesting of restricted stock, restricted stock units, and performance awards and the conversion of convertible notes (under the if-converted method), provided in each case the effect is dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions, except per share amounts)	**2010**	**2009**	**2010**	**2009**
Net loss attributable to United States Steel Corporation shareholders	**$ (25)**	$ (392)	**$ (182)**	$ (831)
Plus income effect of assumed conversion-interest on convertible notes	**-**	-	**-**	-
Net loss after assumed conversion	**$ (25)**	$ (392)	**$ (182)**	$ (831)
Weighted-average shares outstanding (in thousands):				
Basic	**143,504**	134,634	**143,447**	125,420
Effect of convertible notes	**-**	-	**-**	-
Effect of stock options, resticted stock units and performance awards	**-**	-	**-**	-
Adjusted weighted-average shares outstanding, diluted	**143,504**	134,634	**143,447**	125,420
Basic earnings per common share	**$ (0.17)**	$ (2.92)	**$ (1.27)**	$ (6.63)
Diluted earnings per common share	**$ (0.17)**	$ (2.92)	**$ (1.27)**	$ (6.63)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2010**	**2009**	**2010**	**2009**
Securities granted under the 2005 Stock Incentive Plan	**3,642**	3,677	**3,642**	3,677
Securities convertible under the Senior Convertible Notes	**27,059**	27,059	**27,059**	27,059
Total	**30,701**	30,736	**30,701**	30,736

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Dividends Paid Per Share

The dividend for the three months ended March 31, 2010, June 30, 2010 and June 30, 2009 was five cents per common share. The dividend for the three months ended March 31, 2009 was 30 cents per common share.

13. Inventories

Inventories are carried at the lower of cost or market. The first-in, first-out method is the predominant method of inventory costing in Europe and Canada. The last-in, first-out (LIFO) method is the predominant method of inventory costing in the United States. At June 30, 2010 and December 31, 2009, the LIFO method accounted for 50 percent and 49 percent of total inventory values, respectively.

(In millions)	June 30, 2010	December 31, 2009
Raw materials	**$ 615**	$ 492
Semi-finished products	**835**	741
Finished products	**356**	336
Supplies and sundry items	**206**	110
Total	**$ 2,012**	$ 1,679

Current acquisition costs were estimated to exceed the above inventory values by $850 million and $1.1 billion at June 30, 2010 and December 31, 2009, respectively. Cost of sales was reduced by an immaterial amount and $32 million in the three months ended June 30, 2010 and 2009, respectively, as a result of liquidations of LIFO inventories. Cost of sales was reduced by an immaterial amount and $70 million in the first six months of 2010 and 2009, respectively, as a result of liquidations of LIFO inventories.

Lower of cost or market (LCM) charges were immaterial for the three and six months ended June 30, 2010. During the three and six months ended June 30, 2009, we recorded LCM related charges totaling approximately $85 million and $145 million, respectively.

Inventory includes $93 million and $101 million of land held for residential or commercial development as of June 30, 2010 and December 31, 2009, respectively.

From time to time, U. S. Steel enters into coke swap agreements with other steel manufacturers designed to reduce transportation costs. U. S. Steel shipped and received approximately 360,000 tons of coke under swap agreements during the first six months of 2010. U. S. Steel did not ship or receive any coke under swap agreements during the first six months of 2009.

U. S. Steel also has entered into iron ore pellet swap agreements with an iron ore mining and processing company. Under these agreements, U. S. Steel shipped and received approximately 365,000 tons and 790,000 tons of iron ore pellets during the first six months of 2010 and 2009, respectively.

The coke and iron ore pellet swaps are recorded at cost as nonmonetary transactions. There was no income statement impact related to these swaps in either 2010 or 2009.

14. Derivative Instruments

U. S. Steel is exposed to foreign currency exchange rate risks as a result of our European and Canadian operations. USSE s revenues are primarily in euros and costs are primarily in U.S. dollars and euros. USSC s revenues and costs are denominated in both Canadian and U.S. dollars. In addition, foreign cash requirements have been and in the future may be funded by

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intercompany loans, creating intercompany monetary assets and liabilities in currencies other than the functional currency of the entities involved, which can affect income when remeasured at the end of each quarter. A $1.4 billion U.S. dollar-denominated intercompany loan (the Intercompany Loan) from a U.S. subsidiary to a European subsidiary was the primary exposure at June 30, 2010.

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 exposure to foreign currency exchange rate fluctuations. Derivative instruments are required to be recognized at fair value in the 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 results of operations. The gains and losses recognized on these euro forward sales contracts may also partially offset the accounting remeasurement gains and losses recognized on the Intercompany Loan.

As of June 30, 2010, U. S. Steel held euro forward sales contracts with a total notional value of approximately $395 million. We mitigate the risk of concentration of counterparty credit risk by purchasing our forward sales contracts from several counterparties.

Additionally, we routinely enter into 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. Historically, the forward physical purchase contracts for natural gas and nonferrous metals have qualified for the normal purchases and normal sales exemption described in ASC Topic 815. However, due to reduced natural gas consumption in 2009, we net settled some of our excess natural gas purchase contracts for certain facilities. Therefore, the remaining contracts related to 2009 natural gas purchases for those facilities no longer met the exemption criteria and were subject to mark-to-market accounting.

During 2010, all natural gas purchase contracts qualified and were accounted for in accordance with the normal purchases and normal sales exemption under 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 financial statements as of June 30, 2010 and December 31, 2009 and for the three and six months ended June 30, 2010 and 2009:

(In millions)	Balance Sheet Location	Fair Value June 30, 2010	Fair Value December 31, 2009
Foreign exchange forward contracts	Accounts (payable) receivable	$ 24	$ (2)

	Statement of Operations Location	Amount of Gain (Loss) Three Months ended June 30, 2010	Amount of Gain (Loss) Six Months ended June 30, 2010
Foreign exchange forward contracts	Other financial costs	$ 23	$ 35

	Statement of Operations Location	Amount of Gain (Loss) Three Months ended June 30, 2009	Amount of Gain (Loss) Six Months ended June 30, 2009
Foreign exchange forward contracts	Other financial costs	$ (11)	$ 11
Forward physical purchase contracts	Cost of Sales	$ 3	$ (46)

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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. The fair value of our forward physical purchase contracts for natural gas was also determined using Level 2 inputs. The inputs used included forward prices derived from the New York Mercantile Exchange.

15. Debt

(In millions)	Interest Rates %	Maturity	June 30, 2010	December 31, 2009
2037 Senior Notes	6.65	2037	**$ 350**	$ 350
2020 Senior Notes	7.375	2020	**600**	-
2018 Senior Notes	7.00	2018	**500**	500
2017 Senior Notes	6.05	2017	**450**	450
2014 Senior Convertible Notes	4.00	2014	**863**	863
2013 Senior Notes	5.65	2013	**300**	300
Province Note (C$150 million)	1.00	2015	**142**	142
Environmental Revenue Bonds	4.75 - 6.88	2011 2030	**458**	458
Fairfield Caster Lease		2010 2012	**20**	29
Other capital leases and all other obligations		2010 2014	**24**	30
Amended Credit Agreement, $750 million	Variable	2012	**-**	-
USSK Revolver, 200 million ($245 million and $288 million at June 30, 2010 and December 31, 2009)	Variable	2011	**-**	288
USSK credit facilities, 70 million ($86 million and $101 million at June 30, 2010 and December 31, 2009)	Variable	2011 2012	**-**	-
USSS credit facilities, 40 and 800 million Serbian Dinar ($59 million and $69 million at June 30, 2010 and December 31, 2009)	Variable	2010	**-**	-
Total Debt			**3,707**	3,410
Less Province Note fair value adjustment			**36**	40
Less unamortized discount			**11**	6
Less short-term debt and long-term debt due within one year			**21**	19
Long-term debt			**$ 3,639**	$ 3,345

Issuance of Senior Notes due 2020

On March 19, 2010, U. S. Steel issued $600 million of 7.375% Senior Notes due April 1, 2020 (2020 Senior Notes). The 2020 Senior Notes were issued at 99.125% of their principal amount. U. S. Steel received net proceeds from the offering of $582 million after fees of $13 million related to the underwriting discount and third party expenses. The fees and discount for the issuance of the 2020 Senior Notes will be amortized to interest expense over the term of the 2020 Senior Notes. The net proceeds from the issuance of the 2020 Senior Notes will be used for general corporate purposes.

The 2020 Senior Notes are senior and unsecured obligations that will 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 April 1st and October 1st of each year, commencing on

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October 1, 2010. If an event of default regarding the 2020 Senior Notes should occur and be continuing, either the trustee or the holders of not less than 25% in principal amount of the outstanding 2020 Senior Notes may declare the 2020 Senior Notes immediately due and payable. The 2020 Senior Notes were issued under U. S. Steel s shelf registration statement and are not listed on any national securities exchange.

U. S. Steel has the option to redeem the 2020 Senior Notes, at any time in whole, or from time to time in part at a price as defined within the 2020 Senior Notes. If a change of control repurchase event occurs, as defined within the 2020 Senior Notes, U. S. Steel will be required to make an offer to each holder of the 2020 Senior Notes to repurchase all or any part of that holder s 2020 Senior Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2020 Senior Notes repurchased plus any accrued and unpaid interest on the 2020 Senior Notes repurchased to, but not including, the date of repurchase.

The 2020 Senior Notes restrict 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.

Obligations relating to Environmental Revenue Bonds

U. S. Steel is the ultimate obligor on $458 million of Environmental Revenue Bonds. During the three months ended June 30, 2010, U. S. Steel refunded $89 million of Environmental Revenue Bonds with newly issued Environmental Revenue Bonds, which have an interest rate of 6.00 percent and a maturity date of 2026. At June 30, 2010, U. S. Steel is the direct underlying obligor on $260 million of these bonds. U. S. Steel is obligated on the remaining $198 million under an agreement that was entered into when it separated from Marathon Oil Corporation (Marathon) on December 31, 2001 (the Separation). The agreement provides that on or before the tenth anniversary of the Separation (December 31, 2011), U. S. Steel will provide for the discharge of Marathon from any remaining liability under any of these bond obligations.

Amended Credit Agreement

As of June 30, 2010, there were no amounts drawn on the $750 million Credit Agreement dated May 11, 2007 (Amended Credit Agreement) and inventory values supported the full $750 million of the facility. The Amended Credit Agreement contains a financial covenant requiring U. S. Steel to maintain a fixed charge coverage ratio (as further defined in the Amended Credit Agreement) of at least 1.10 to 1.00 for the most recent four consecutive quarters when availability under the Amended Credit Agreement is less than the greater of 15% of the total aggregate commitments and $112.5 million. Since availability was greater than $112.5 million, compliance with the fixed charge coverage ratio covenant was not applicable. However, based on the most recent four quarters, as of June 30, 2010, we would not meet this covenant if we were to borrow more than $637.5 million. If the value of inventory decreases or we are not able to meet this covenant in the future, the full amount of this facility would not be available to the Company.

For information concerning the Senior Notes, the Senior Convertible Notes and other listed obligations, please refer to note 16 of the audited financial statements in the 2009 Annual Report on Form 10-K.

Receivables Purchase Agreement

As of June 30, 2010, U. S. Steel has a Receivables Purchase Agreement (RPA) under which trade accounts receivable are sold, on a daily basis without recourse, to U. S. Steel Receivables, LLC (USSR), a wholly owned, bankruptcy-remote, special purpose entity used only for the securitization program. USSR can then sell senior undivided interests in up to $500 million of the receivables to certain third-party commercial paper conduits for cash, while maintaining a subordinated undivided interest in a portion of the receivables. U. S. Steel has agreed to continue servicing the sold receivables at market rates. Because U. S. Steel receives adequate

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compensation for these services, no servicing asset or liability is recorded. On July 21, 2010, U. S. Steel and USSR entered into an amendment of the program documentation that increased the maximum amount of receivables eligible for sale to $525 million and extended the term until July 19, 2013.

Prior to January 1, 2010, U. S. Steel accounted for transfers of receivables pursuant to the RPA as a sale. Accordingly, the accounts receivable were reflected as a reduction of receivables in the balance sheet and the proceeds and repurchases related to the securitization program were included in cash flows from operating activities in the statement of cash flows.

On January 1, 2010, U. S. Steel adopted updates to ASC Topic 860 related to the accounting for transfers of financial assets. As a result of the adoption, transfers of receivables pursuant to our RPA no longer qualify as a sale and are now accounted for as secured borrowing transactions. Accordingly, receivable transfers as well as the related borrowings for equal amounts are required to be reflected on the consolidated balance sheet and the proceeds and repurchases related to the securitization program will be included in cash flows from financing activities in the statement of cash flows. U. S. Steel did not have any transactions under the RPA during the first six months of 2010 or 2009.

At June 30, 2010 and December 31, 2009, there were no receivable transfers under this facility and eligible accounts receivable supported $500 million of availability under the RPA. The net book value of U. S. Steel s retained interest in the receivables represents the best estimate of the fair market value due to the short-term nature of the receivables. The retained interest in the receivables is recorded net of the allowance for bad debts, which has historically not been significant.

USSR pays the conduits a discount based on the conduits borrowing costs plus incremental fees. We incurred insignificant costs for the three and six months ended June 30, 2010 and 2009 relating to fees on the RPA.

Generally, the facility provides that as payments are collected from the sold accounts receivables, USSR may elect to have the conduits reinvest the proceeds in new eligible accounts receivable. As there was no activity under this facility during the six months ended June 30, 2010 and 2009, there were no collections reinvested.

The table below summarizes the trade receivables for USSR:

(In millions)	June 30, 2010	December 31, 2009
Balance of accounts receivable-net, purchased by USSR	**$ 1,164**	$ 792
Revolving interest sold to conduits	**-**	-
Accounts receivable net, included in the accounts receivable balance on the balance sheet of U. S. Steel	**$ 1,164**	$ 792

The facility may be terminated on the occurrence and failure to cure certain events, including, among others, failure of USSR to maintain certain ratios related to the collectability of the receivables and failure to make payment under its material debt obligations and may also be terminated upon a change of control.

Change in control event

In the event of a change in control of U. S. Steel, debt obligations totaling $3,062 million at June 30, 2010, which includes the Senior Notes and Senior Convertible Notes, may be declared immediately due and payable. In addition, the Amended Credit Agreement may be terminated and

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any amount outstanding thereunder may be declared immediately due and payable. In such event, U. S. Steel may also be required to either repurchase the leased Fairfield slab caster for $37 million or provide a letter of credit to secure the remaining obligation.

Other obligations

In the event of a bankruptcy of Marathon, $254 million of obligations related to Environmental Revenue Bonds, the Fairfield Caster Lease and the coke battery lease at the Clairton Plant may be declared immediately due and payable.

U. S. Steel Ko ice (USSK) credit facilities

In March 2010, USSK repaid the outstanding borrowings under its 200 million (which approximated $245 million at June 30, 2010) revolving unsecured credit facility and had no borrowings against this facility at June 30, 2010.

At June 30, 2010, USSK had no borrowings against its 40 million, 20 million and 10 million credit facilities (which approximated $86 million) and the availability was approximately $80 million due to approximately $6 million of customs and other guarantees outstanding.

U. S. Steel Serbia (USSS) credit facilities

At June 30, 2010, USSS had no borrowings against its 40 million revolving credit facility and 800 million Serbian dinar overdraft facility (which totaled approximately $59 million). At June 30, 2010, availability, which is limited to the value of USSS s inventory of finished and semi-finished goods, was approximately $59 million. The facilities expire on August 31, 2010. On July 23, 2010, USSS entered into new facilities on substantially similar terms except that the revolving credit facility capacity was reduced to 20 million and the overdraft facility was increased to 1 billion Serbian dinars (which totaled approximately $38 million at July 23, 2010). The new facilities are effective September 1, 2010 and expire on August 31, 2011.

16. Asset Retirement Obligations

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

(In millions)	June 30, 2010	December 31, 2009
Balance at beginning of year	**45**	48
Obligations settled	**(4)**	(7)
Foreign currency translation effects	**(4)**	1
Accretion expense	**1**	3
Balance at end of period	**38**	45

Asset retirement obligations related to disposal costs of the majority of fixed assets at our steel facilities have not been recorded because they have an indeterminate settlement date. These asset retirement obligations will be initially recognized in the period in which sufficient information exists to estimate their fair value.

17. Variable Interest Entities

Effective January 1, 2010, U. S. Steel adopted updates to ASC Topic 810 related to improvements to financial reporting by enterprises involved with variable interest entities. The updates to ASC Topic 810 include a criterion that requires the primary beneficiary to have the power to direct

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activities that most significantly impact the economic performance of the variable interest entity. Due to the addition of this criterion, the adoption resulted in the deconsolidation of the following entities from our consolidated financial statements on a prospective basis.

Gateway Energy & Coke Company, LLC

Gateway Energy & Coke Company, LLC (Gateway) is a wholly owned subsidiary of SunCoke Energy, Inc. in which U. S. Steel has no ownership interest. Gateway has constructed a heat recovery coke plant with an expected annual capacity of 651,000 tons of coke at U. S. Steel s Granite City Works that began operations in the fourth quarter of 2009. U. S. Steel has a 15-year arrangement to purchase coke from Gateway under which Gateway is obligated to supply 90 percent to 105 percent of the expected annual capacity of the heat recovery coke plant, and U. S. Steel is obligated to purchase the coke from Gateway at the contract price. As of June 30, 2010, a maximum default payment of approximately $270 million would apply if U. S. Steel terminates the agreement.

There are three activities that most significantly impact Gateway s economic performance: procurement of coking coal used in the production of coke, direction of the operations associated with the production of coke and steam and direction of the sale of coke and steam. U. S. Steel and Gateway jointly direct the sale of coke and steam due to the 15-year arrangement described above; however, U. S. Steel does not have the power to direct the other activities that most significantly impact Gateway s economic performance. Since the only activity in which U. S. Steel shares power is less significant than the combination of the other significant activities, U. S. Steel is not the primary beneficiary. Accordingly, as of January 1, 2010, U. S. Steel deconsolidated Gateway and all activity with Gateway is now accounted for as third party transactions.

Daniel Ross Bridge, LLC

Daniel Ross Bridge, LLC (DRB) was established for the development of a 1,600 acre master-planned community in Hoover, Alabama. The economic performance of DRB is significantly impacted by the fair value of the underlying property. The activities that most directly impact DRB s economic performance are the development, marketing, and sale of the underlying property, none of which are directed by U. S. Steel. Since U. S. Steel does not have the power to direct the activities that most significantly impact DRB s economic performance, U. S. Steel is not the primary beneficiary. Accordingly, U. S. Steel deconsolidated DRB and began accounting for this entity using the equity method of accounting effective January 1, 2010.

18. 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 14 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 June 30, 2010 and December 31, 2009.

	June 30, 2010		December 31, 2009	
(In millions)	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**
Financial assets:				
Investments and long-term receivables [(a)]	**$ 47**	**$ 47**	$ 26	$ 26
Financial liabilities:				
Debt [(b)]	**$ 3,940**	**$ 3,616**	$ 4,004	$ 3,307

(a) Excludes equity method investments.
(b) Excludes capital lease obligations.

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

Investments and long-term receivables: Fair value is based on discounted cash flows. U. S. Steel is subject to market risk and liquidity risk related to its investments; however, these risks are not readily quantifiable.

Long-term debt instruments: 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 assets and 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 22.

19. Comprehensive Income (Loss)

The following table reflects the components of comprehensive income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2010**	**2009**	**2010**	**2009**
Net loss	**$ (24)**	$ (392)	**$ (182)**	$ (831)
Changes in foreign currency translation adjustments, net of tax	**(116)**	202	**(134)**	132
Changes in employee benefit accounts, net of tax	**39**	22	**99**	40
Comprehensive income (loss)	**$ (101)**	$ (168)	**$ (217)**	$ (659)

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20. Statement of Changes in Stockholders Equity

The following table reflects the first six months of 2010 and 2009 reconciliation of the carrying amount of total equity, equity attributable to United States Steel Corporation and equity attributable to the noncontrolling interests:

Six Months Ended June 30, 2010	Total	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock	Paid-in Capital	Non-Controlling Interest
Balance at beginning of year	$ 4,979		$ 4,209	$ (2,728)	$ 151	$ (608)	$ 3,652	$ 303
Comprehensive income:								
Net loss	(182)	(182)	(182)					
Other comprehensive income (loss), net of tax:								
Pension and other benefit adjustments	99	99		99				
Currency translation adjustment	(134)	(134)		(134)				
Employee stock plans	5					20	(15)	
Dividends paid on common stock	(14)		(14)					
Adoption of ASC Topic 810	(301)							(301)
Cumulative effect of ASC Topic 810 adoption	(1)		(1)					
Other	(1)							(1)
Balance at June 30, 2010	$ 4,450	$ (217)	$ 4,012	$ (2,763)	$ 151	$ (588)	$ 3,637	$ 1

Six Months Ended June 30, 2009	Total	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock	Paid-in Capital	Non-Controlling Interest
Balance at beginning of year	$ 5,059		$ 5,666	$ (3,269)	$ 124	$ (612)	$ 2,986	$ 164
Comprehensive income:								
Net loss	(831)	(831)	(831)					
Other comprehensive income (loss), net of tax:								
Pension and other benefit adjustments	40	40		40				
Currency translation adjustment	132	132		131				1
Common stock issued	666				27		639	
Employee stock plans	14					2	12	
Dividends paid on common stock	(42)		(42)					
Partner contributions	90							90
Other	1							1
Balance at June 30, 2009	$ 5,129	$ (659)	$ 4,793	$ (3,098)	$ 151	$ (610)	$ 3,637	$ 256

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21. Related Party Transactions

Net sales to related parties and receivables from related parties primarily reflect sales of steel products to equity and certain other investees. Generally, transactions are conducted under long- term market-based contractual arrangements. Related party sales and service transactions were $398 million and $136 million for the three months ended June 30, 2010 and 2009, respectively, and $679 million and $281 million for the six months ended June 30, 2010 and 2009, respectively.

Purchases from related parties for outside processing services amounted to $38 million and $17 million for the three months ended June 30, 2010 and 2009, respectively, and $47 million and $71 million for the six months ended June 30, 2010 and 2009, respectively. Purchases of iron ore pellets from related parties amounted to $44 million and $41 million for the three months ended June 30, 2010 and 2009, respectively and $63 million and $52 million for the six months ended June 30, 2010 and 2009, respectively.

Accounts payable to related parties include balances due to PRO-TEC Coating Company (PRO-TEC) of $63 million and $58 million at June 30, 2010 and December 31, 2009, 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 totaled $2 million and $3 million at June 30, 2010 and December 31, 2009, respectively.

22. 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.

Asbestos matters As of June 30, 2010, U. S. Steel was a defendant in approximately 470 active cases involving approximately 3,025 plaintiffs. Many of these cases involve multiple defendants (typically from fifty to more than one hundred). About 2,560, or approximately 85 percent, of these claims are currently pending in jurisdictions which permit filings with massive numbers of plaintiffs. Based upon U. S. Steel s experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs. During the six months ended June 30, 2010, U. S. Steel paid approximately $5 million in settlements. These settlements and other dispositions resolved approximately 145 claims. New case filings in the first six months of 2010 added approximately 130 claims. At December 31, 2009, U. S. Steel was a defendant in approximately 440 active cases involving approximately 3,040 plaintiffs. During 2009, U. S. Steel paid approximately $7 million in settlements. These settlements and other dispositions resolved approximately 200 claims. New case filings in the year ended December 31, 2009 added approximately 190 claims. Most claims filed in 2010 and 2009 involved individual or small groups of claimants as many jurisdictions no longer permit the filing of mass complaints.

Historically, these claims against U. S. Steel fall into three major groups: (1) claims made by persons who allegedly were exposed to asbestos at U. S. Steel facilities (referred to as premises

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claims); (2) claims made by industrial workers allegedly exposed to products manufactured by U. S. Steel; and (3) claims made under certain federal and general maritime laws by employees of former operations of U. S. Steel. In general, the only insurance available to U. S. Steel with respect to asbestos claims is excess casualty insurance, which has multi-million dollar retentions. To date, U. S. Steel has received minimal payments under these policies relating to asbestos claims.

These asbestos cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos. U. S. Steel is currently a defendant in cases in which a total of approximately 200 plaintiffs allege that they are suffering from mesothelioma. The potential for damages against defendants may be greater in cases in which the plaintiffs can prove mesothelioma.

In many cases in which claims have been asserted against U. S. Steel, the plaintiffs have been unable to establish any causal relationship to U. S. Steel or its products or premises; however, with the decline in mass plaintiff cases, the incidence of claimants actually alleging a claim against U. S. Steel is increasing. In addition, in many asbestos cases, the claimants have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all; that any injuries that they have incurred did in fact result from alleged exposure to asbestos; or that such alleged exposure was in any way related to U. S. Steel or its products or premises.

The amount U. S. Steel has accrued for pending asbestos claims is not material to U. S. Steel s financial position. U. S. Steel does not accrue for unasserted asbestos claims because it is not possible to determine whether any loss is probable with respect to such claims or even to estimate the amount or range of any possible losses. The vast majority of pending claims against U. S. Steel allege so-called premises liability-based alleged exposure on U. S. Steel s current or former premises. These claims are made by an indeterminable number of people such as truck drivers, railroad workers, salespersons, contractors and their employees, government inspectors, customers, visitors and even trespassers. In most cases the claimant also was exposed to asbestos in non-U. S. Steel settings; the relative periods of exposure between U. S. Steel and non-U. S. Steel settings vary with each claimant; and the strength or weakness of the causal link between U. S. Steel exposure and any injury vary widely as do the nature and severity of the injury claimed.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, 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. Among the factors considered in reaching this conclusion are: (1) that over the last several years, the total number of pending claims has generally declined; (2) that it has been many years since U. S. Steel employed maritime workers or manufactured or sold asbestos containing products; and (3) U. S. Steel s history of trial outcomes, settlements and dismissals.

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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 are summarized in the following table:

(In millions)	Six Months Ended June 30, 2010
Beginning of period	**$ 203**
Accruals for environmental remediation deemed probable and reasonably estimable	**1**
Payments	**(4)**
End of period	**$ 200**

Accrued liabilities for remediation activities are included in the following balance sheet lines:

(In millions)	June 30, 2010	December 31, 2009
Accounts payable	**$ 18**	$ 17
Deferred credits and other noncurrent liabilities	**182**	186
Total	**$ 200**	$ 203

Expenses related to remediation are recorded in cost of sales and totaled $1 million and $1 million for the three months ended June 30, 2010 and 2009, respectively, and $2 million and $3 million for the six months ended June 30, 2010 and 2009, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred. Due to uncertainties inherent in remediation projects and the associated liabilities, it is possible that total remediation costs for active matters and projects with ongoing study and scope development 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* are those projects which are still in the study and 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 cost estimates cannot be determined. Therefore, material costs, in addition to the accrued liabilities for these projects, are reasonably possible.

(2*) Significant Projects with Defined Scope* are those projects with significant accrued liabilities, a defined scope and little likelihood of material additional costs.

(3) *Other Projects* are those projects with relatively small accrued liabilities for which we believe that, while additional costs are possible, they are not likely to be material, and those projects for which we do not yet possess sufficient information to form a judgment about potential costs.

Projects with Ongoing Study and Scope Development There are five environmental remediation projects where reasonably possible additional costs for completion are not currently estimable, but

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could be material. These projects are four Resource Conservation and Recovery Act (RCRA) programs (at Fairfield Works, Lorain Tubular, USS-POSCO Industries (UPI) and the Fairless Plant) and a voluntary remediation program at the former steel making plant at Joliet, Illinois. As of June 30, 2010, accrued liabilities for these projects totaled $4 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 $25 million to $45 million. Depending on agency negotiations and other factors, the scope of the UPI could become defined later in 2010.

Significant Projects with Defined Scope As of June 30, 2010, a total of $46 million was accrued for projects at or related to Gary Works where the scope of work is defined, including RCRA program projects, Natural Resource Damages (NRD) claims, completion of projects for the Grand Calumet River in northwest Indiana and the related Corrective Action Management Unit (CAMU), and closure costs for three hazardous waste disposal sites and one solid waste disposal site.

Additional projects with defined scope include the Municipal Industrial & Disposal Company (MIDC) site in Elizabeth, Pennsylvania, the St. Louis Estuary and Upland Project in Duluth, Minnesota and a project at U. S. Steel s former Geneva Works in Geneva, Utah. As of June 30, 2010, accrued liabilities for these three additional projects totaled $98 million. U. S. Steel does not expect material additional costs related to these projects.

Other Projects There are seven 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 June 30, 2010 was $15 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 each had an accrued liability of less than $1 million. The total accrued liability for these projects at June 30, 2010 was $10 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 $21 million at June 30, 2010 and were based on known scopes of work.

Administrative and Legal Costs As of June 30, 2010, 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 six months of 2010 and 2009, such capital expenditures totaled $76 million and $26 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.

CO_2 Emissions Current and potential regulation of Greenhouse Gas (GHG) emissions remains a significant issue for the steel industry, particularly for integrated steel producers such as U. S. Steel. The regulation of carbon dioxide (CO_2) emissions has either become law or is being considered by legislative bodies of many nations, including countries where we have operating facilities. The European Union (EU) has established greenhouse gas regulations based upon national allocations and a cap and trade system. In Canada, both the federal and Ontario governments have issued proposed requirements for greenhouse gas emissions. The United States House of Representatives passed the American Clean Energy and Security Act (also known as the Waxman-Markey Bill) on

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June 26, 2009 while in the Senate, Senators Kerry and Lieberman introduced the American Power Act on May 12, 2010. The EU has issued proposed regulations under their cap and trade system for the period 2013-2020 which appear to be more stringent than the current requirements.

On May 13, 2010 the Environmental Protection Agency published its final Greenhouse Gas Tailoring Rule establishing a mechanism for regulating GHG emissions from facilities through the Clean Air Act s Prevention of Significant Deterioration permitting process. Starting in 2011, existing facilities that emit over 75,000 tons per year of GHG emissions will have new requirements based on best available control technology (BACT). This will be followed with new BACT requirements for new sources that emit over 100,000 tons per year of GHGs or modified sources that emit more than 75,000 tons per year. The definitions for BACT requirements are expected from the EPA later this year. Additionally, the EPA is revising the National Ambient Air Quality Standards (NAAQS) for annual 2.5 micron particulate matter and the NAAQS for nitrogen oxide, sulfur dioxide, lead ozone, and carbon monoxide are at various stages of the EPA revision process.

It is impossible to estimate the timing or impact of these or other future government action on U. S. Steel, although it could be significant. Such impacts may include substantial capital expenditures, costs for emission allowances, restriction of production, and higher prices for coking coal and other carbon based energy sources.

In July 2008, following approval by the European Commission of Slovakia s national allocation plan for the 2008 to 2012 trading period (NAP II), Slovakia granted USSK more CO_2 emission allowances per year than USSK received for the 2005 to 2007 trading period. Based on actual CO_2 emissions to date, we believe that USSK will have sufficient allowances for the NAP II period without purchasing additional allowances. USSK entered into transactions to sell and swap a portion of our emissions allowances and recognized gains related to these transactions which are reflected in the net gain on disposal of assets line on the Consolidated Statement of Operations. U. S. Steel entered into no such transactions during the three months ended June 30, 2010. U. S. Steel recognized gains of approximately $6 million in the six months ended June 30, 2010 and approximately $34 million in the three and six months ended June 30, 2009.

Environmental and other indemnifications Throughout its history, U. S. Steel has sold numerous properties and businesses and many of these sales included indemnifications and cost sharing agreements related to the assets that were sold. These indemnifications and cost sharing agreements have related to the condition of the property, the approved use, certain representations and warranties, matters of title and environmental matters. While most of these provisions have not specifically dealt with environmental issues, there have been transactions in which U. S. Steel indemnified the buyer for non-compliance with past, current and future environmental laws related to existing conditions and there can be questions as to the applicability of more general indemnification provisions to environmental matters. Most recent indemnifications and cost sharing agreements are of a limited nature only applying to non-compliance with past and/or current laws. Some indemnifications and cost sharing agreements only run for a specified period of time after the transactions close and others run indefinitely. In addition, current owners of property formerly owned by U. S. Steel may have common law claims and contribution rights against U. S. Steel for environmental matters. The amount of potential environmental liability associated with these transactions and properties is not estimable due to the nature and extent of the unknown conditions related to the properties sold. Aside from the environmental liabilities already recorded as a result of these transactions due to specific environmental remediation activities and cases (included in the $200 million of accrued liabilities for remediation discussed above), there are no other known environmental liabilities related to these transactions.

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Guarantees The guarantees of the indebtedness of unconsolidated entities of U. S. Steel totaled $11 million at June 30, 2010. In the event that any default occurs, U. S. Steel has access to its interest in the assets of the investees to reduce its potential losses under the guarantees.

Contingencies related to the Separation from Marathon In the event of a bankruptcy of Marathon, $254 million of obligations related to Environmental Revenue Bonds, the Fairfield Caster Lease and the coke battery lease at the Clairton Plant as well as $24 million of U. S. Steel s operation lease obligations may be declared immediately due and payable.

Antitrust Class Actions In a series of lawsuits filed in federal court in the Northern District of Illinois beginning September 12, 2008, individual direct or indirect buyers of steel products have asserted that eight steel manufacturers, including U. S. Steel, conspired in violation of antitrust laws to restrict the domestic production of raw steel and thereby to fix, raise, maintain or stabilize the price of steel products in the United States. The cases are filed as class actions and claim treble damages for the period 2005 to present, but do not allege any damage amounts. U. S. Steel is vigorously defending these lawsuits and does not believe that it has any liability regarding these matters.

Investment Canada Action On July 17, 2009, the Attorney General of Canada initiated a proceeding under Section 40 of Canada s Investment Canada Act by filing an application in the Canadian federal court that seeks to impose a financial penalty on U. S. Steel due to the Company s alleged failure to comply with two of the 31 undertakings made by U. S. Steel to the Minister of Industry in connection with the 2007 acquisition of Stelco. The specific undertakings at issue concern production and employment levels anticipated at U. S. Steel Canada Inc. (USSC) assuming certain business conditions. In response to a previous written demand from the Minister with respect to this matter, the Company provided full disclosure regarding the operations at USSC and the impact that the sudden and severe world-wide economic downturn has had on the global steel sector and all of the Company s North American operations, including operations at USSC. In accordance with the specific language of the undertakings at issue, the unprecedented economic downturn, the effects of which were beyond the control of the company, expressly excuse any non-attainment of the production and employment levels targeted by the 2007 submission. The Company is vigorously defending the matter and believes that the action is without justification or authority.

Randle Reef The Canadian and Ontario governments have identified a sediment deposit in Hamilton Harbor near USSC s Hamilton Works for remediation, for which the regulatory agencies estimate expenditures of approximately C$105 million (approximately $100 million). The national and provincial governments have each allocated C$30 million (approximately $28 million) for this project and they have stated that they will be looking for local sources, including industry, to fund C$30 million (approximately $28 million). USSC has committed C$7 million (approximately $7 million) as its contribution. Funding sources for the balance of the estimated project cost remain to be identified and additional contributions may be sought.

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 June 30, 2010). No liability has been recorded for these guarantees as management believes that either the potential recovery of value from the equipment when sold is greater than the residual value guarantee, or the potential loss is not probable and/or estimable.

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

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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 $163 million as of June 30, 2010, which reflects U. S. Steel s maximum exposure under these financial guarantees, but not its total exposure for the underlying obligations. Most of the trust arrangements and letters of credit are collateralized by restricted cash. Restricted cash, which is recorded in other current and noncurrent assets, totaled $162 million at June 30, 2010, of which $39 million was classified as current, and $157 million at December 31, 2009, none of which was classified as current.

Commitments At June 30, 2010, U. S. Steel s contractual commitments to acquire property, plant and equipment totaled $186 million.

Unconditional Purchase Obligations U. S. Steel is obligated to make payments under unconditional purchase obligations, including take-or-pay contracts. Payments for contracts with remaining terms in excess of one year are summarized below (in millions):

Remainder of 2010	2011	2012	2013	2014	Later Years	Total
$1,372	$ 1,878	$ 1,311	$ 1,138	$ 479	$ 4,312	$ 10,490

The majority of U. S. Steel s unconditional purchase obligations relate to the supply of industrial gases, coking coal, coke, and other raw materials used in the ordinary course of U. S. Steel s business with terms ranging from two to 16 years. Total payments under take-or-pay contracts were approximately $120 million and $90 million for the three months ended June 30, 2010 and 2009, respectively, and $260 million and $180 million for the six months ended June 30, 2010 and 2009, respectively.

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

Certain sections of Management s Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of United States Steel Corporation (U. S. Steel). These statements typically contain words such as anticipates, believes, estimates, expects, intends or similar words indicating that future outcomes are not known with certainty and are subject to risk factors that could cause these outcomes to differ significantly from those projected. In accordance with safe harbor provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors that could cause future outcomes to differ materially from those set forth in forward-looking statements. For discussion of risk factors affecting the businesses of U. S. Steel, see Item 1A. Risk Factors and Supplementary Data Disclosures About Forward-Looking Statements in U. S. Steel s Annual Report on Form 10-K for the year ended December 31, 2009, and Item 1A. Risk Factors in this Form 10-Q. References in this Quarterly Report on Form 10-Q to U. S. Steel, the Company, we, us and our refer to U. S. Steel and its consolidated subsidiaries unless otherwise indicated by the context.

U. S. Steel s operating results are beginning to reflect the benefits of the gradual economic recovery that appears to be underway in North America and Europe. Our raw steel capability utilization rate in the first half of 2010 was 78% for North American operations and 88% for European operations, a significant improvement as compared to first half of 2009 operating rates of 35% and 56%, respectively. Adjusting for our Lake Erie Works, which was not available until late in the second quarter, we have operated our North American steelmaking facilities at 91% of raw steel capability during the second quarter of 2010. We reported a second quarter 2010 net loss of $25 million, or $0.17 per diluted share, which included a $96 million, or $0.62 per diluted share loss primarily from the accounting remeasurement of a $1.4 billion U.S. dollar-denominated intercompany loan to a European subsidiary. This compared to a net loss of $157 million, or $1.10 per diluted share, in the first quarter of 2010 which included a $56 million, or $0.39 per diluted share loss primarily from the intercompany loan remeasurement and a net loss of $392 million, or $2.92 per diluted share, in the second quarter of 2009 which included a $41 million, or $0.31 per diluted share gain primarily from the intercompany loan remeasurement. We had operating income of $198 million and $141 million for the second quarter and first half of 2010, respectively, which is a significant improvement from the $465 million and $943 million loss in the second quarter and first half of 2009, respectively.

RESULTS OF OPERATIONS

Net sales by segment for the second quarter and first six months of 2010 and 2009 are set forth in the following table:

(Dollars in millions, excluding intersegment sales)	Quarter Ended June 30, 2010	2009	% Change	Six Months Ended June 30, 2010	2009	% Change
Flat-rolled Products (Flat-rolled)	**$ 2,963**	$ 1,310	126%	**$ 5,418**	$ 2,903	87%
U. S. Steel Europe (USSE)	**985**	645	53%	**1,949**	1,266	54%
Tubular Products (Tubular)	**679**	157	332%	**1,124**	672	67%
Total sales from reportable segments	**4,627**	2,112	119%	**8,491**	4,841	75%
Other Businesses	**54**	15	260%	**86**	36	139%
Net sales	**$ 4,681**	$ 2,127	120%	**$ 8,577**	$ 4,877	76%

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Management s analysis of the **percentage change in net sales** for U. S. Steel s reportable business segments for the quarter ended June 30, 2010 versus the quarter ended June 30, 2009 is set forth in the following table:

Quarter Ended June 30, 2010 versus Quarter Ended June 30, 2009

	Steel Products [a]				Coke &	
	Volume	Price	Mix	FX [b]	Other	Net Change
Flat-rolled	90%	33%	-1%	0%	4%	126%
USSE	32%	30%	-3%	-9%	3%	53%
Tubular	345%	5%	-26%	0%	8%	332%

[a] Excludes intersegment sales
[b] Currency translation effects

Net sales were $4,681 million in the second quarter of 2010, compared with $2,127 million in the same quarter last year. The increase in sales for the Flat-rolled segment primarily reflected increased shipments (up 2.2 million tons) and higher average realized prices (up $23 per ton). The increase in sales for the European segment was primarily due to an increase in shipments (up 0.4 million tons) and higher average realized euro-based prices (up 93 per ton) partially offset by unfavorable changes in foreign currency translation impacts and a lower value-added product mix. The increase in sales for the Tubular segment resulted primarily from higher shipments (up 0.3 million tons) partially offset by a lower value-added product mix.

Management s analysis of the **percentage change in net sales** for U. S. Steel s reportable business segments for the six months ended June 30, 2010 versus the six months ended June 30, 2009 is set forth in the following table:

Six Months Ended June 30, 2010 versus Six Months Ended June 30, 2009

	Steel Products [a]				Coke &	
	Volume	Price	Mix	FX [b]	Other	Net Change
Flat-rolled	76%	8%	5%	-1%	-1%	87%
USSE	49%	11%	-7%	-1%	2%	54%
Tubular	151%	-84%	1%	0%	-1%	67%

[a] Excludes intersegment sales
[b] Currency translation effects

Net sales were $8,577 million in the first six months of 2010, compared with $4,877 million in the same period last year. The increase in sales for the Flat-rolled segment primarily reflected increased shipments (up 3.7 million tons) partially offset by lower average realized prices (down $19 per ton). The increase in sales for the European segment was primarily due to an increase in shipments (up 1.0 million tons) and higher average realized euro-based prices (up 9 per ton) partially offset by unfavorable changes in foreign currency translation impacts and a lower value-added product mix. The increase in sales for the Tubular segment resulted primarily from higher shipments (up 0.4 million tons) partially offset by lower average realized prices (down $648 per ton).

Operating expenses

Pension and other benefits costs

Defined benefit and multiemployer pension plan costs totaled $72 million in the second quarter of 2010, compared to $58 million in the second quarter of 2009. Defined benefit and multiemployer

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pension plan costs totaled $139 million in the first six months of 2010, compared to $167 million in the first six months of 2009. The decrease primarily reflects the absence of expenses incurred related to several Voluntary Early Retirement Programs (VERPs) partially offset by reduced expected returns on lower market related values of pension plan assets and higher amortization of unrecognized losses both of which related to pension plan asset losses experienced in 2008. Pension costs in the second quarter and first six months of 2009 included charges of $9 million and $72 million, respectively, for the VERPs. Defined benefit and multiemployer pension plan costs in the first six months of 2009 also included a $10 million pension curtailment charge in connection with the sale of a majority of the operating assets of Elgin, Joliet and Eastern Railway Company (EJ&E).

Costs related to defined contribution plans totaled $4 million and $6 million in the second quarter and first six months of 2010, respectively, compared to $3 million and $20 million in the comparable periods in 2009. The first six months of 2009 included $13 million for VERP related benefits under these plans.

Other benefits costs, including multiemployer plans, totaled $38 million and $76 million in the second quarter and first six months of 2010, respectively, compared to $46 million and $101 million in the corresponding periods of 2009. The decrease in the six month period was primarily due to favorable 2009 claims experience on our retiree medical plans which impacts 2010 expense and the absence of $11 million of termination charges related to the VERPs.

Nonretirement postemployment benefits

U. S. Steel incurred costs of $3 million and $115 million in the second quarter and first six months of 2009, respectively, to recognize current and estimated future layoff benefits for employees associated with the temporary idling of certain facilities and reduced production at others. U. S. Steel recorded immaterial charges in the three and six months ended June 30, 2010 related to these benefits.

Income (loss) from operations by segment for the second quarter and first six months of 2010 and 2009 is set forth in the following table:

	Quarter Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Flat-rolled	**$ 98**	$ (362)	127%	**$ 18**	$ (784)	102%
USSE	**19**	(53)	136%	**31**	(212)	115%
Tubular	**96**	(88)	209%	**141**	39	262%
Total income (loss) from reportable segments	**213**	(503)	142%	**190**	(957)	120%
Other Businesses	**28**	(7)	500%	**38**	(10)	480%
Segment income (loss) from operations	**241**	(510)	147%	**228**	(967)	124%
Retiree benefit expenses	**(43)**	(34)	26%	**(87)**	(66)	32%
Other items not allocated to segments:						
Litigation reserve	**-**	45		**-**	45	
Federal excise tax refund	**-**	34		**-**	34	
Net gain on sale of assets	**-**	-		**-**	97	
Workforce reduction charges	**-**	-		**-**	(86)	
Total income (loss) from operations	**$ 198**	$ (465)	143%	**$ 141**	$ (943)	115%

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Segment results for Flat-rolled

	Quarter Ended June 30,		%	Six Months Ended June 30,		%
	2010	**2009**	**Change**	**2010**	**2009**	**Change**
Income (loss) from operations ($ millions)	**$ 98**	$ (362)	127%	**$ 18**	$ (784)	102%
Raw steel production (mnt)	**4,979**	1,964	154%	**9,165**	4,243	116%
Capability utilization	**82%**	32%	156%	**78%**	35%	123%
Steel shipments (mnt)	**4,061**	1,815	124%	**7,633**	3,938	94%
Average realized steel price per ton	**$ 700**	$ 677	3%	**$ 678**	$ 697	-3%

The significant improvement in Flat-rolled results in the second quarter of 2010 compared to the same period in 2009 resulted mainly from significant increases in operating rates from 32% to 82% raw steel capability utilization, net favorable changes in commercial effects (approximately $430 million), the impact of repairs and maintenance spending, including Lake Erie Works facility restart costs, and operating efficiencies due to increased capability utilization (approximately $110 million), reduced energy costs (approximately $80 million), favorable changes from increased steel substrate sales to our Tubular segment (approximately $70 million) and higher income from our equity method investments (approximately $20 million). These improvements were partially offset by higher raw material costs (approximately $225 million) and accruals for profit sharing (approximately $20 million).

The significant improvement in Flat-rolled results in the first half of 2010 as compared to the same period in 2009 resulted mainly from significant increases in operating rates from 35% to 78% raw steel capability utilization, the impact of repairs and maintenance spending, including Lake Erie Works facility restart costs, and operating efficiencies due to increased capability utilization (approximately $315 million), net favorable changes in commercial effects (approximately $350 million), the absence of layoff benefit and natural gas purchase contract mark-to-market charges recorded in the first half of 2009 as a result of plant idlings (approximately $140 million), reduced energy costs (approximately $140 million), favorable changes from increased steel substrate sales to our Tubular segment (approximately $70 million) and higher income from our equity investments (approximately $35 million). These improvements were partially offset by higher raw material costs (approximately $250 million) and accruals for profit sharing (approximately $20 million).

Segment results for USSE

	Quarter Ended June 30,		%	Six Months Ended June 30,		%
	2010	**2009**	**Change**	**2010**	**2009**	**Change**
Income (loss) from operations ($ millions)	**$ 19**	$ (53)	136%	**$ 31**	$ (212)	115%
Raw steel production (mnt)	**1,637**	1,059	55%	**3,225**	2,058	57%
Capability utilization	**89%**	57%	56%	**88%**	56%	57%
Steel shipments (mnt)	**1,386**	1,035	34%	**2,908**	1,932	51%
Average realized steel price per ton	**$ 687**	$ 602	14%	**$ 649**	$ 634	2%

The improvement in USSE results in the second quarter of 2010 compared to the same period in 2009 was primarily due to net favorable changes in commercial effects (approximately $270 million) and reduced energy costs (approximately $10 million). These were partially offset by higher raw material costs (approximately $190 million) and unfavorable changes in foreign currency translation effects (approximately $10 million).

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The improvement in USSE results in the first half of 2010 compared to the same period in 2009 was primarily due to net favorable changes in commercial effects (approximately $250 million), reduced energy costs (approximately $30 million) and favorable changes in foreign currency translation effects (approximately $10 million). These were partially offset by higher raw material costs (approximately $40 million).

Segment results for Tubular

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Income (loss) from operations ($ millions)	**$ 96**	$ (88)	209%	**$ 141**	$ 39	262%
Steel shipments (mnt)	**433**	92	371%	**743**	299	148%
Average realized steel price per ton	**$ 1,496**	$ 1,526	-2%	**$ 1,452**	$ 2,100	-31%

The increase in Tubular results in the second quarter of 2010 as compared to the same period in 2009 resulted mainly from net favorable changes in commercial effects (approximately $160 million), decreased spending and increased operating efficiencies (approximately $60 million), the absence of lower of cost or market charges recorded in the second quarter of 2009 (approximately $30 million) and reduced energy costs (approximately $10 million). These improvements were partially offset by increased costs for steel substrate (approximately $70 million) and accruals for profit sharing (approximately $5 million).

The increase in Tubular results in the first six months of 2010 as compared to the same period in 2009 resulted mainly from decreased spending and increased operating efficiencies (approximately $70 million), the absence of lower of cost or market charges recorded in the second quarter of 2009 (approximately $30 million) and the absence of layoff benefit charges recorded in the second quarter of 2009 (approximately $20 million). These improvements were partially offset by net unfavorable changes in commercial effects (approximately $10 million) and accruals for profit sharing (approximately $5 million).

Results for Other Businesses

Other Businesses generated income of $28 million in the second quarter of 2010, compared to a loss of $7 million in the second quarter of 2009. Other Businesses generated income of $38 million in the first six months of 2010, compared to a loss of $10 million in the first six months of 2009. The increase is primarily due to a sale of land for $18 million by our real estate operations in the second quarter of 2010 and increased results at our transportation businesses in line with the general economic recovery.

Items not allocated to segments

The increase in **retiree benefit expenses** in the second quarter and first six months of 2010 as compared to the same periods of 2009 resulted from reduced expected returns on lower market related values of pension plan assets and higher amortization of unrecognized losses both of which related to pension plan asset losses experienced in 2008.

A **litigation reserve** of $45 million involving a rate escalation provision in a U. S. Steel power supply contract was established in the first quarter of 2008 as a result of a court ruling and was subsequently reversed in the second quarter of 2009 as that decision was overturned.

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During the second quarter of 2009, U. S. Steel received a **federal excise tax refund** of $34 million, including interest, associated with the recovery of black lung excise taxes that were paid on coal export sales during the period October 1, 1990 to December 31, 1992.

We recorded a $97 million pretax **net gain on sale of assets** in the first six months of 2009 as a result of the sale of a majority of the operating assets of EJ&E. The net gain included a pension curtailment charge of approximately $10 million.

Workforce reduction charges of $86 million in the first six months of 2009 reflected employee severance and net benefit charges related to a VERP accepted by approximately 500 non-represented employees in the United States.

Net interest and other financial costs

	Quarter Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Interest and other financial costs	**$ 60**	$ 42	43%	**$ 108**	$ 81	33%
Interest income	**(1)**	(1)	0%	**(4)**	(3)	33%
Foreign currency losses (gains)	**91**	(32)		**154**	2	
Total	**$ 150**	$ 9	1567%	**$ 258**	$ 80	223%

The unfavorable change in net interest and other financial costs in the second quarter and first six months of 2010 compared to the same periods last year were mainly due to increased foreign currency losses, most of which relates to accounting remeasurement effects on a U.S. dollar-denominated intercompany loan (the Intercompany Loan) from a U.S. subsidiary to a European subsidiary that had an outstanding balance of $1.4 billion at June 30, 2010, and euro-U.S. dollar derivatives activity, which we use to mitigate our foreign currency exchange rate exposure. For additional information on U. S. Steel s foreign currency exchange activity, see note 14 to the Financial Statements and Item 3. Quantitative and Qualitative Disclosures about Market Risk Foreign Currency Exchange Rate Risk.

The **income tax provision** was $72 million and $65 million in the second quarter and first six months of 2010, respectively, compared to an income tax benefit of $82 million and $192 million in the second quarter and first six months of 2009, respectively. In accordance with accounting guidance, the tax provision does not reflect any tax benefit for pretax losses in Canada and Serbia, which are jurisdictions where we have recorded a full valuation allowance on deferred tax assets. Included in the first six months of 2010 tax provision is a net tax benefit of $30 million resulting from the conclusion of certain tax return examinations and the remeasurement of existing tax reserves, offset by a tax charge of $27 million as a result of the U.S. health care legislation enacted in the first quarter. The first six months of 2009 tax benefit included $35 million of tax expense related to the net gain on the sale of EJ&E.

The tax provision for the first six months of 2010 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 2010 pretax results for U.S. and foreign income or loss vary from estimates applied at the end of the most recent interim period, the actual tax provision or benefit recognized in 2010 could be materially different from the forecasted amount used to estimate the tax provision for the six months ended June 30, 2010.

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As of June 30, 2010, the net domestic deferred tax asset was $643 million compared to $731 million at December 31, 2009. A substantial amount of U. S. Steel s domestic deferred tax assets relates to employee benefits that will become deductible for tax purposes over an extended period of time as cash contributions are made to employee benefit plans and retiree benefits are paid from the benefit trusts in the future. As a result of our cumulative historical earnings, we continue to believe it is more likely than not that the deferred tax assets will be realized.

As of June 30, 2010, the net foreign deferred tax asset was $80 million, net of an established valuation allowance of $670 million. As of December 31, 2009, the net foreign deferred tax asset was $103 million, net of an established valuation allowance of $575 million. Net foreign deferred tax assets will fluctuate as the value of the U.S. dollar changes with respect to the Canadian dollar, the euro and the Serbian dinar. A full valuation allowance is recorded for both the Canadian and Serbian deferred tax assets due to the absence of positive evidence to support the realizability of the deferred tax assets. If evidence changes and it becomes more likely than not that the Company will realize the deferred tax assets, the valuation allowance of $609 million for Canadian deferred tax assets and $48 million for Serbian deferred tax assets as of June 30, 2010, would be partially or fully reversed. Any reversals of these amounts would result in a decrease to tax expense.

For further information on income taxes see note 11 to the Financial Statements.

The **net loss attributable to United States Steel Corporation** was $25 million and $182 million in the second quarter and first six months of 2010, respectively, compared to $392 million and $831 million in the second quarter and first six months of 2009, respectively. The improvement in both periods primarily reflects the factors discussed above.

BALANCE SHEET

Receivables increased by $795 million from year-end 2009 as second quarter 2010 shipment volumes and average realized prices increased compared to the fourth quarter of 2009.

Inventories increased by $333 million from December 31, 2009 as a result of increased operating levels in the first six months of 2010.

Income tax receivable decreased by $193 million from year-end 2009 primarily due to a $208 million federal income tax refund received in the first six months of 2010 as a result of carrying back our 2009 losses to prior years.

Accounts payable increased by $444 million from year-end 2009 primarily due to increased production levels compared to the fourth quarter of 2009.

Payroll and benefits payable decreased by $100 million from year-end 2009 primarily due to U. S. Steel s $140 million voluntary pension contribution to our main defined benefit pension plan.

CASH FLOW

Net cash used in operating activities was $348 million for the first six months of 2010, compared to net cash provided by operating activities of $361 million in the same period last year, reflecting changes in working capital for the respective periods as we significantly reduced working capital in the first six months of 2009 in line with business conditions at the time, partially offset by improved operating results in the first six months of 2010. Additionally, we made a $140 million voluntary pension contribution to our main defined benefit pension plan in the first six months of 2010 and we received a $208 million U.S. federal tax refund, both as discussed above.

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Capital expenditures in the first six months of 2010 were $242 million, compared with $206 million in the same period in 2009. Flat-rolled expenditures were $154 million and included spending for development of an enterprise resource planning (ERP) system, blast furnace infrastructure projects, large mobile equipment purchases for iron ore operations and various other infrastructure, environmental and strategic projects. USSE expenditures of $72 million were mainly for environmental projects.

Capital expenditures variable interest entities for 2009 reflects spending for the construction of a non-recovery coke plant by Gateway Energy & Coke Company, LLC (Gateway), which will supply Granite City Works. This spending was consolidated in our financial results but was funded by Gateway and, therefore, was completely offset by distributions from noncontrolling interests in financing activities. The plant began operations in the fourth quarter of 2009. As of January 1, 2010, Gateway was deconsolidated from our financial statements on a prospective basis as a result of the adoption of updates to Accounting Standards Codification (ASC) Topic 810 related to improvements to financial reporting by enterprises involved with variable interest entities.

U. S. Steel s domestic contract commitments to acquire property, plant and equipment at June 30, 2010, totaled $186 million.

Capital expenditures for 2010 are now expected to total approximately $710 million primarily due to the acceleration of our strategic coke projects. In support of our long-term coke and coke substitute requirements, we have restarted engineering and construction of a technologically and environmentally advanced battery, at the Clairton Plant of Mon Valley Works in Pennsylvania; applied for permits and started engineering on up to 1 million tons per year of carbon alloy facilities, which utilize an environmentally friendly, energy efficient and flexible production technology, at Gary Works in Indiana; and applied for permits and started engineering on blast furnace coal injection facilities in Serbia. We are also pursuing a number of other projects of long-term strategic importance. In order to better utilize our hot metal capacity over a range of market conditions, we also plan to install a pig iron machine at Gary Works. To allow us to increase our participation in the automotive market as vehicle emission and safety requirements become more stringent, PRO-TEC Coating Company, our joint venture in Ohio with Kobe Steel, Ltd., is applying for permits and has begun engineering work on a new automotive continuous annealing line. In order to more efficiently serve our tubular product customers increased focus on North American shale resources, we have applied for permits and started engineering work on new heat treat and finishing facilities at our Lorain Tubular Operations in Ohio. The majority of the capital spending for these projects will be incurred over a number of years starting in the second half of 2010, subject in all cases to full project authorization.

The preceding statement concerning expected capital expenditures is a forward-looking statement. This forward-looking statement is based on assumptions, which can be affected by (among other things) levels of cash flow from operations, general economic conditions, business conditions, finalization of engineering work and project cost estimates, availability of capital, ability to secure long-term funding, whether or not assets are purchased or financed by operating leases, receipt of necessary permits and unforeseen hazards such as contractor performance, material shortages, weather conditions, explosions or fires, which could delay the timing of completion of particular capital projects. Accordingly, actual results may differ materially from current expectations in the forward-looking statement.

Disposal of assets in the first six months of 2010 primarily reflects cash proceeds of approximately $60 million from the sale of U. S. Steel s 44.6 percent interest in the Wabush Mines Joint Venture. Disposal of assets in the first six months of 2009 reflected cash proceeds of approximately $300 million from the sale of a majority of the operating assets of EJ&E and $34 million from the sale of emissions allowances at USSK.

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Issuance of long-term debt, net of financing costs in the first six months of 2010 reflects the issuance of $600 million of 7.375% Senior Notes due 2020. U. S. Steel received net proceeds of $582 million after related discounts and other fees. Also in the first six months of 2010, we issued $89 million of Environmental Revenue Bonds (ERBs), maturing in 2026. Issuance of long-term debt, net of financing costs in the first six months of 2009 mainly reflected the issuance of $863 million of 4.0% Senior Convertible Notes due 2014. U. S. Steel received net proceeds of $836 million after related discounts and other fees.

Repayment of borrowings under revolving credit facilities in the first six months of 2010 reflects USSK s repayment of the outstanding borrowings under its 200 million revolving unsecured credit facility.

Repayment of long-term debt in the first six months of 2010 primarily reflects the refunding of $89 million of ERBs. Repayment of long-term debt in the first six months of 2009 primarily reflected the repayment of $655 million outstanding under our three-year term loan due October 2010 and five-year term loan due May 2012.

Common stock issued in the first six months of 2009 resulted from our public offering of 27 million common shares.

Dividends paid in the first six months of 2010 were $14 million, compared with $42 million in the same period in 2009. Payments in the first six months of 2010 reflected a quarterly dividend rate of five cents per common share. Payments in the first and second quarters of 2009 reflected quarterly dividend rates of 30 cents and five cents, respectively, per common share.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes U. S. Steel s liquidity as of June 30, 2010:

(Dollars in millions)

Cash and cash equivalents	$ 947
Amount available under $750 Million Credit Facility [(a)]	638
Amount available under Receivables Purchase Agreement	500
Amounts available under USSK credit facilities	325
Amounts available under USSS credit facilities	59
Total estimated liquidity	$ 2,469

(a) As of June 30, 2010, there were no amounts drawn on the Amended Credit Agreement and inventory levels supported the full $750 million capacity of the facility. Since availability under the Amended Credit Agreement was greater than $112.5 million, compliance with the fixed charge coverage ratio was not applicable. However, based on the most recent four quarters, as of June 30, 2010, we would not meet the fixed charge coverage ratio. Therefore, we reduced the availability in the above table to $637.5 million.

On March 16, 2010, U. S. Steel issued $600 million of 7.375% Senior Notes due 2020 (2020 Senior Notes). U. S. Steel received net proceeds of $582 million which will be used for general corporate purposes. The 2020 Senior Notes contain covenants restricting our ability to create liens and engage in sale-leasbacks and requiring the purchase of the 2020 Senior Notes upon a change of control under specified circumstances, as well as other customary provisions. As of June 30, 2010, the principal amount outstanding under the 2020 Senior Notes was $600 million, less unamortized discounts.

On June 12, 2009, U. S. Steel entered into an amendment and restatement of its $750 million Credit Agreement dated May 11, 2007 (Amended Credit Agreement) with a group of lenders and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent (Agent). U. S. Steel simultaneously entered into a security agreement with the Agent (Security Agreement) providing for a security interest in the majority of its domestic inventory.

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The Amended Credit Agreement established a borrowing base formula, which limits the amounts U. S. Steel can borrow to a certain percent of the value of certain domestic inventory less specified reserves, and eliminates the previous financial covenants that consisted of interest and leverage coverage ratios. The Amended Credit Agreement contains a new financial covenant requiring U. S. Steel to maintain a fixed charge coverage ratio (defined as consolidated EBITDA less certain capital expenditures and cash income tax expense to certain fixed charges) of at least 1.10 to 1.00 for the most recent four consecutive quarters when availability under the Amended Credit Agreement is less than the greater of 15 percent of the total aggregate commitments and $112.5 million. The Amended Credit Agreement includes revised pricing and other customary terms and conditions, and will expire on May 11, 2012.

As of June 30, 2010, U. S. Steel has a Receivables Purchase Agreement (RPA) that provides up to $500 million of liquidity and letters of credit depending upon the number of eligible domestic receivables generated by U. S. Steel. Domestic trade accounts receivables are sold, on a daily basis, without recourse, to U. S. Steel Receivables, LLC (USSR), a consolidated wholly owned special purpose entity. If U. S. Steel decides to access this facility, USSR then sells an undivided interest in these receivables to certain conduits. The conduits issue commercial paper to finance the purchase of their interest in the receivables and if any of them are unable to fund such purchases, two banks are committed to do so. U. S. Steel has agreed to continue servicing the sold receivables at market rates. Because U. S. Steel receives adequate compensation for these services, no servicing asset or liability has been recorded. On July 21, 2010, U. S. Steel and USSR entered into an amendment of the program documentation that increased the maximum amount of receivables eligible for sale to $525 million and extended the term until July 19, 2013.

The RPA may be terminated on the occurrence and failure to cure certain events, including, among others, failure by U. S. Steel to make payments under our material debt obligations and any failure to maintain certain ratios related to the collectability of the receivables. As of June 30, 2010, there were no receivable transfers under this facility and eligible accounts receivable supported $500 million of availability under the RPA.

At June 30, 2010, U. S. Steel Ko ice (USSK) had no borrowings against its 40 million, 20 million and 10 million unsecured credit facilities (which approximated $86 million) but had $6 million of customs and other guarantees outstanding, reducing availability under these facilities to $80 million.

In March 2010, USSK repaid the outstanding borrowings under its 200 million (approximately $245 million) revolving unsecured credit facility and had no borrowings against this facility at June 30, 2010.

USSK is the sole obligor on these facilities and they bear interest at the applicable inter-bank offer rate plus a margin and contain other customary terms and conditions. The 10 million facility expires January 2011, the 200 million facility expires July 2011, the 40 million facility expires October 2012 and the 20 million facility expires December 2012.

During 2009, U. S. Steel Serbia (USSS) amended its secured credit facility agreements to limit availability to the value of its inventory of finished and semi-finished goods. These facilities include an 800 million Serbian dinar overdraft facility and a 40 million revolving credit facility (together approximately $59 million at June 30, 2010). USSS is the sole obligor on these facilities and they bear interest at the applicable inter-bank offer rate plus a margin and contain other customary terms and conditions. At June 30, 2010, there were no borrowings against these facilities and availability was approximately $59 million. These facilities expire on August 31, 2010. On July 23, 2010, USSS entered into new facilities on substantially similar terms except that the revolving credit facility capacity was reduced to 20 million and the overdraft facility was increased to 1 billion Serbian dinars (together approximately $38 million at July 23, 2010). The new facilities are effective September 1, 2010 and expire on August 31, 2011.

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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 collateral have a negative impact on liquidity. U. S. Steel has committed $141 million of liquidity sources for financial assurance purposes as of June 30, 2010.

In the event of a bankruptcy of Marathon Oil Corporation, obligations of $254 million relating to Environmental Revenue Bonds and two capital leases, as well as $24 million relating to an operating lease, may be declared immediately due and payable.

The guarantees of the indebtedness of unconsolidated entities of U. S. Steel totaled $11 million at June 30, 2010. In the event that any default related to the guaranteed indebtedness occurs, U. S. Steel has access to its interest in the assets of the investee to reduce its potential losses under the guarantee.

Our major cash requirements in 2010 are expected to be for capital expenditures, employee benefits and working capital requirements. We finished the second quarter of 2010 with $947 million of available cash and $2.5 billion of total liquidity. As business conditions have started to recover, our working capital requirements have begun to increase which may require us to draw upon our credit facilities in the future. 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, contributions to employee benefit plans, payments of retiree benefits 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.

Our opinion regarding liquidity is a forward-looking statement based upon currently available information. To the extent that operating cash flow is materially lower than recent levels or external financing sources are not available on terms competitive with those currently available, future liquidity may be adversely affected.

Debt and Senior Convertible Notes Ratings

The following table shows our ratings as of June 30, 2010:

Ratings Agency	June 30, 2010
Standard & Poor's Ratings Services	BB
Moody's Investors Service	Ba2
Fitch Ratings	BB+

Off-balance Sheet Arrangements

U. S. Steel did not enter into any new material off-balance sheet arrangements during the first six months of 2010.

Environmental Matters, Litigation and Contingencies

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. In recent years, these expenditures have been mainly for process changes in order to meet Clean Air Act obligations and

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similar obligations in Europe and Canada, although ongoing compliance costs have also been significant. To the extent that these expenditures, as with all costs, are not ultimately reflected in the prices of our products and services, operating results will be reduced. U. S. Steel believes that our major North American, and many European, integrated steel competitors are confronted by substantially similar conditions and thus does not believe that our relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on our competitive position with regard to domestic mini-mills, some foreign steel producers (particularly in developing economies such as China) and producers of materials which compete with steel, all of which may not be required to incur equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods. U. S. Steel is also responsible for remediation costs related to our prior disposal of environmentally sensitive materials. Many of our competitors do not have similar historical liabilities.

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

The United States Environmental Protection Agency (EPA) has remanded the Iron and Steel Maximum Achievable Control Technology (MACT) standard, and will issue a new standard after review. Changes in the MACT standard are expected to be minor, but if the changes are major, they may result in significant compliance costs for U. S. Steel.

By order of the District of Columbia Court of Appeals, the EPA is revising the National Ambient Air Quality Standards (NAAQS) for annual 2.5 micron particulate matter. In addition, the NAAQS standards for nitrogen oxide, sulfur dioxide, lead, ozone, and carbon monoxide are at various stages of the EPA revision process. Changes in the standards may significantly effect U. S. Steel operations.

U. S. Steel Canada Inc. (USSC) is subject to the environmental laws of Canada, which are comparable to environmental standards in the United States. Environmental regulation in Canada is an area of shared responsibility between the federal government and the provincial governments, which in turn delegate certain matters to municipal governments. Federal environmental statutes include the federal Canadian Environmental Protection Act, 1999 and the Fisheries Act. Various provincial statutes regulate environmental matters such as the release and remediation of hazardous substances; waste storage, treatment and disposal; and air emissions. As in the United States, Canadian environmental laws (federal, provincial and local) are undergoing revision and becoming more stringent.

USSK is subject to the environmental laws of Slovakia and the European Union (EU). A related law of the EU known as Regulation No. 1907/2006 concerning Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) requires the registration of certain substances that are produced in the EU or imported into the EU. USSK is currently compliant with REACH and intends to register its substances by the applicable deadlines to remain in compliance. USSK currently expects to be able to continue its businesses under REACH without material change. USSK is also preparing for notifications required by the EU s CLP Regulation, a classification and labeling law.

USSS is subject to the environmental laws of Serbia. Under the terms of the acquisition in 2003, USSS is responsible for only those costs and liabilities associated with environmental events occurring subsequent to the completion of an environmental baseline study in June 2004, which was submitted to the Government of Serbia.

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Greenhouse Gas Emissions Regulation

The current and potential regulation of greenhouse gas emissions remains a significant issue for the steel industry, particularly for integrated steel producers such as U. S. Steel. The regulation of carbon dioxide (CO_2) emissions has either become law or is being considered by legislative bodies of many nations, including countries where we have operating facilities. The EU has established greenhouse gas regulations while in Canada, a regulatory framework for greenhouse gas emissions has been published, details of which are discussed below. International negotiations to supplement and eventually replace the 1997 Kyoto Protocol are ongoing. In the United States, the House of Representatives passed the American Clean Energy and Security Act (also known as the Waxman-Markey Bill) on June 26, 2009. The American Power Act was introduced by Senators Kerry and Lieberman on May 12, 2010. Both bills contemplate energy and greenhouse gas reductions with a combination of economy-wide non-binding greenhouse gas goals and mandatory caps on regulated sources. If greenhouse gas cap-and-trade legislation becomes law, it could have far ranging economic and operational consequences for U. S. Steel. It is impossible to estimate the timing or impact of these or other future government action on U. S. Steel, although it could be significant. Such impacts may include substantial capital expenditures, costs for emission allowances, restriction of production, and higher prices for coking coal and other carbon based energy sources.

The EPA has classified CO_2 as a harmful gas. Under this premise, it has implemented a new greenhouse gas emission inventory and reporting requirement for all facilities emitting 25,000 metric tons or more per year of carbon dioxide equivalent (CO_2e) greenhouse gases. The regulation requires facilities to collect information on CO_2e and report emissions to the EPA starting in January 2011, covering the 2010 calendar year. Most domestic U. S. Steel facilities are required to comply with the new reporting requirements. Since it was first proposed by the EPA, U. S. Steel has implemented monitoring plans for meeting this requirement.

On May 13, 2010 the EPA published its final Greenhouse Gas Tailoring Rule establishing a mechanism for regulating greenhouse gas emissions from facilities through the Clean Air Act s Prevention of Significant Deterioration permitting process. Starting in 2011, existing facilities that emit over 75,000 tons per year of greenhouse gas emissions will have new requirements based on best available control technology (BACT). This will be followed with new BACT requirements for new sources that emit over 100,000 tons per year of greenhouse gases or modified sources that emit more than 75,000 tons per year. The definitions for BACT requirements are expected from the EPA later this year. U. S. Steel is currently evaluating the cost of compliance with these regulations.

To comply with the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change, the European Commission (EC) has created an Emissions Trading System (ETS). Under the ETS, the EC establishes CO_2 emissions limits for every EU member state and approves grants of CO_2 emission allowances to individual emitting facilities pursuant to national allocation plans that are proposed by each of the member states. The allowances can be bought and sold by emitting facilities to cover the quantities of CO_2 they emit in their operations.

In July 2008, following approval by the EC of Slovakia s national allocation plan for the second trading period covering 2008 through 2012 (Phase II), Slovakia granted USSK more CO_2 allowances per year than USSK received each year in the 2005 to 2007 trading period. Based on actual carbon emissions to date, we believe that USSK will have sufficient allowances for the Phase II period without purchasing additional allowances. During the first six months of 2010, USSK entered into transactions to sell and swap a portion of our emissions allowances and recognized approximately $6 million of gains related to these transactions. In June 2009, a revision of the EU Directive establishing emission trading scheme was published that foresees a fundamental change for the third trading period covering 2013 through 2020 (Phase III). From the available published information it appears that the new regime would be more stringent and cost intensive. It is currently expected that the final set of rules will be adopted by the end of 2010.

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On April 26, 2007, Canada s federal government announced an Action Plan to Reduce Greenhouse Gases and Air Pollution (the Plan). The Plan would set mandatory reduction targets on all major greenhouse gas producing industries to achieve an absolute reduction of 150 megatonnes in greenhouse gas emissions from 2006 levels by 2020. On March 10, 2008, Canada s federal government published details of its Regulatory Framework for Industrial Greenhouse Gas Emissions (the Framework). The Plan and the Framework provide that facilities existing in 2004 will be required to cut their greenhouse gas emissions intensity by 18 percent below their 2006 baseline by 2010, with a further two percent reduction in each following year. The Framework provided that newer and future facilities would be subject to phased in two percent annual emissions intensity reduction obligations and clean fuel standards. Companies will be able to choose the most cost-effective way to meet their targets from a range of options which include carbon trading, offsets and credit for early action (between 1992 and 2006). The Framework effectively exempts fixed process emissions of CO_2, which could exclude certain iron and steel producing CO_2 emissions from mandatory reductions. More recently, the federal government has indicated that while it remains committed to reducing Canada s total greenhouse gas emissions by 17 percent from 2005 levels by 2020, it is taking the opportunity to fine-tune its approach to tackling climate change. At this point, it is unclear when Canadian federal regulations on greenhouse gas emissions will be developed and whether they will reflect aspects of the approach set out in the Plan and the Framework. More recently, the federal government has indicated that it is working in collaboration with the provinces towards the development of a cap-and-trade system that will ultimately be aligned with the emerging cap-and-trade program in the United States. On June 12, 2009, Canada s federal government released for comment two draft guides related to the establishment of an Offset System in Canada. These draft documents propose rules and provide guidance on the requirements and processes to create offset credits and the requirements and processes to verify the eligible greenhouse gas reductions achieved from an offset project. Canada s federal government has stated that, once in place, the Offset System will compliment the proposed cap-and-trade system and help in generating greenhouse gas emissions reductions across the country.

In December 2007, the Ontario government announced its own Action Plan on Climate Change (the Ontario Action Plan). The Ontario Action Plan targets reductions in Ontario greenhouse gas emissions of six percent below 1990 levels by 2014, 15 percent below 1990 levels by 2020 and 80 percent below 1990 levels by 2050. In December 2008, Ontario launched a consultation process towards the development of a cap-and-trade system to be implemented as early as 2010. In May 2009, the Ontario government released a discussion paper, Moving Forward: A Greenhouse Gas Cap-and-Trade System for Ontario which (i) helps clarify the cap-and-trade approach being considered in Ontario and the different options for elements of the approach and (ii) seeks stakeholder input on various elements of the proposed cap-and-trade system. Comments were accepted until July 26, 2009. The Ontario government recently amended the Environmental Protection Act in order to provide the regulatory authority to set-up a greenhouse gas cap-and-trade system. Such a system has not yet been developed. The Ontario government also passed a Greenhouse Gas Emissions Reporting Regulation (the Regulation) on December 1, 2009. The Regulation is intended to provide the foundation for Ontario to implement a cap-and-trade program for greenhouse gases. The Regulation requires facilities that emit more than 25,000 tons of CO_2e or more per year to annually report their emissions, starting with 2010 emissions. The Ontario government has indicated that it plans to develop a cap-and-trade system that aligns with other systems being developed in North America, including in the United States.

Environmental Remediation

In the United States, U. S. Steel has been notified that we are a potentially responsible party (PRP) at 22 sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as of June 30, 2010. In addition, there are 9 sites related to U. S. Steel where we have

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received information requests or other indications that we may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or make any judgment as to the amount thereof. There are also 45 additional sites related to U. S. Steel where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. At many of these sites, U. S. Steel is one of a number of parties involved and the total cost of remediation, as well as U. S. Steel s share thereof, is frequently dependent upon the outcome of 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 additional remediation obligations arise, charges in excess of those previously accrued may be required. See note 22 to the Financial Statements.

For discussion of relevant environmental items, see Part II. Other Information Item 1. Legal Proceedings Environmental Proceedings.

During the second quarter of 2010, U. S. Steel recorded no additional accruals for environmental matters for U.S. and international facilities. The total accrual for such liabilities at June 30, 2010 was $200 million. These amounts exclude liabilities related to asset retirement obligations, disclosed in note 16 to the 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 U. S. Steel Financial Statements. However, management believes that U. S. Steel will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably to U. S. Steel.

OUTLOOK

We expect to report an overall operating profit in the third quarter as the U.S. and European economies continue to work their way through a gradual and uneven recovery process. Operating results are expected to be below the second quarter largely due to a decrease in shipping and production volumes for our Flat-rolled segment, reflecting slower order rates, primarily from spot market customers thus far in the quarter, which likely includes some normal seasonal variations and the impact of shorter lead times; however, reported carbon flat rolled inventory levels on a months-of-supply basis at North American service centers remain below historical averages and end user demand appears stable. Similar market conditions prevail for our European operations.

Third quarter 2010 results for Flat-rolled are expected to be near break-even levels due to lower trade and intersegment shipments and production volumes, and increased costs for raw materials and energy. The favorable effect due to the absence of Lake Erie Works repair and maintenance costs is expected to be offset by increased costs related primarily to planned maintenance work on several blast furnaces and repairs of the transportation system used to deliver raw materials to Gary Works blast furnaces. We expect average realized prices for the third quarter to be in line with the second quarter as the benefits of a higher value-added mix of shipments and increased prices for both index-based contracts and recently negotiated contracts offset decreases in spot market prices.

Third quarter results for USSE are expected to be comparable to the second quarter as the benefits of higher euro-based transaction prices are offset by increased raw materials costs. We expect slightly lower shipments due to reduced order rates from our spot market customers and normal seasonal variations. In response to these lower order rates, we have idled a blast furnace at U. S. Steel Serbia. We also have begun planned maintenance work on a blast furnace at U. S. Steel Ko ice.

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Third quarter results for Tubular are expected to improve as compared to the second quarter. The benefits of higher average realized prices and decreased costs for steel substrate are expected to be only partially offset by the impact of lower carbon oil country tubular goods (OCTG) and welded line pipe shipments.

The results for Other Businesses are expected to be lower in the third quarter due primarily to the second quarter impact of a land sale by our real estate operations.

INTERNATIONAL TRADE

On April 8, 2009, U. S. Steel, Maverick Tube Corporation, TMK Ipsco, V&M Star LP, Evraz, Rocky Mountain Steel, Wheatland Tube Corporation and the USW filed anti-dumping and countervailing duty (subsidy) petitions regarding certain oil country tubular goods (OCTG) from China. The petitions were filed in response to an unprecedented surge of imports from China, increasing from 900 thousand net tons in 2007 to nearly 2.3 million net tons in 2008. On November 24, 2009, the Department of Commerce (DOC) announced final countervailing duties ranging from 10.49 to 15.78 percent. On December 30, 2009, the U.S. International Trade Commission (ITC) determined that the U.S. industry is materially injured or threatened with material injury due to subsidized imports. On April 9, 2010, the DOC announced final anti-dumping duties ranging from 32.07 percent to 99.14 percent. On May 3, 2010, the ITC determined that the U.S. industry is materially injured or threatened with material injury due to the dumped imports. As a result of these actions, countervailing duties and anti-dumping duties have been ordered against the import of these products.

On September 16, 2009, U. S. Steel and V&M Star LP filed anti-dumping and countervailing duty petitions regarding certain seamless carbon and alloy steel standard, line and pressure pipe from China. Subsequently, TMK Ipsco and the United Steelworkers (USW) joined the case as petitioners. The petitions were filed in response to an incredible surge of seamless pipe imports from China. The volume of U.S. imports from China soared from 158,128 net tons in 2006 to 366,091 net tons in 2008. The ITC voted unanimously on October 30, 2009 that there is a reasonable indication that the U.S. industry is threatened with material injury by reason of subsidized and dumped imports of these products from China. On February 24, 2010, the DOC issued preliminary countervailing duties ranging from 11.06% to 12.97%. On April 22, 2010 the DOC announced preliminary anti-dumping duties of between 22.67% and 98.37%. Final duty percentages and a final injury determination are expected later this year.

ACCOUNTING STANDARDS

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

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the first quarter of 2010, the outstanding balance of a U.S. dollar-denominated intercompany loan (Intercompany Loan) from a U.S. subsidiary to a European subsidiary was increased in connection with the repayment of outstanding borrowings under USSK s 200 million unsecured credit facility. Volatility in the foreign currency markets could have significant implications for U. S. Steel as a result of foreign currency accounting remeasurement effects, primarily on the Intercompany Loan. As of June 30, 2010, the outstanding balance on the Intercompany Loan was $1.4 billion. A one percent change in the June 30, 2010 exchange rate of US$1.22 for each 1.00 would result in an approximately $14 million impact to the income statement due to remeasurement effects of the Intercompany Loan. We also utilize euro-U.S. dollar derivatives to mitigate our currency exposure at USSE. For additional information on U. S. Steel s foreign currency exchange activity, see note 14 to the financial statements.

Future foreign currency impacts will depend upon changes in currencies, the extent to which we engage in derivatives transactions and the balance of the Intercompany Loan. The amount and timing of any repayments or borrowings on the Intercompany Loan will depend upon profits and cash flows of our international operations, future international investments and financing activities, all of which will be impacted by market conditions, operating costs, shipments, prices and foreign exchange rates.

There were no other material changes in U. S. Steel s exposure to market risk from December 31, 2009.

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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 June 30, 2010. 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 is: (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 law and regulations. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2010, 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.

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UNITED STATES STEEL CORPORATION

SUPPLEMENTAL STATISTICS (Unaudited)

(Dollars in millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
INCOME (LOSS) FROM OPERATIONS				
Flat-rolled	**$ 98**	$ (362)	**$ 18**	$ (784)
U. S. Steel Europe	**19**	(53)	**31**	(212)
Tubular	**96**	(88)	**141**	39
Other Businesses	**28**	(7)	**38**	(10)
Segment Income (Loss) from Operations	**241**	(510)	**228**	(967)
Retiree benefit expenses	**(43)**	(34)	**(87)**	(66)
Other items not allocated to segments**:**				
Litigation reserve	**-**	45	**-**	45
Federal excise tax refund	**-**	34	**-**	34
Net gain on sale of assets	**-**	-	**-**	97
Workforce reduction charges	**-**	-	**-**	(86)
Total Income (Loss) from Operations	**$ 198**	$ (465)	**$ 141**	$ (943)
CAPITAL EXPENDITURES				
Flat-rolled	**$ 74**	$ 65	**$ 154**	$ 163
U. S. Steel Europe	**28**	18	**72**	28
Tubular	**13**	3	**13**	6
Other Businesses	**2**	2	**3**	9
Total	**$ 117**	$ 88	**$ 242**	$ 206
OPERATING STATISTICS				
Average realized price: ($/net ton) [(a)]				
Flat-rolled	**700**	677	**678**	697
U. S. Steel Europe	**687**	602	**649**	634
Tubular	**1,496**	1,526	**1,452**	2,100
Steel Shipments: [(a)(b)]				
Flat-rolled	**4,061**	1,815	**7,633**	3,938
U. S. Steel Europe	**1,386**	1,035	**2,908**	1,932
Tubular	**433**	92	**743**	299
Total Steel Shipments	**5,880**	2,942	**11,284**	6,169
Raw Steel-Production: [(b)]				
Flat-rolled	**4,979**	1,964	**9,165**	4,243
U. S. Steel Europe	**1,637**	1,059	**3,225**	2,058
Raw Steel-Capability Utilization: [(c)]				
Flat-rolled	**82%**	32%	**78%**	35%
U. S. Steel Europe	**89%**	57%	**88%**	56%

(a) Excludes intersegment transfers.

(b) Thousands of net tons.

(c) Based on annual raw steel production capability of 24.3 million net tons for Flat-rolled and 7.4 million net tons for U. S. Steel Europe.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS
GENERAL LITIGATION

In a series of lawsuits filed in federal court in the Northern District of Illinois beginning September 12, 2008, individual direct or indirect buyers of steel products have asserted that eight steel manufacturers, including U. S. Steel, conspired in violation of antitrust laws to restrict the domestic production of raw steel and thereby to fix, raise, maintain or stabilize the price of steel products in the United States. The cases are filed as class actions and claim treble damages for the period 2005 to present, but do not allege any damage amounts. U. S. Steel is vigorously defending these lawsuits and does not believe that it has any liability regarding these matters.

On July 17, 2009, the Attorney General of Canada initiated a proceeding under Section 40 of Canada s Investment Canada Act by filing an application in the Canadian federal court that seeks to impose a financial penalty on U. S. Steel due to the Company s alleged failure to comply with two of the 31 undertakings made by U. S. Steel to the Minister of Industry in connection with the 2007 acquisition of Stelco. The specific undertakings at issue concern production and employment levels anticipated at U. S. Steel Canada Inc. (USSC) assuming certain business conditions. In response to a previous written demand from the Minister with respect to this matter, the Company provided full disclosure regarding the operations at USSC and the impact that the sudden and severe world-wide economic downturn has had on the global steel sector and all of the Company s North American operations, including operations at USSC. In accordance with the specific language of the undertakings at issue, the unprecedented economic downturn, the effects of which were beyond the control of the Company, expressly excuse any non-attainment of the production and employment levels targeted by the 2007 submission. The Company is vigorously defending the matter and believes that the action is without justification or authority.

ENVIRONMENTAL PROCEEDINGS

Gary Works

On January 26, 1998, pursuant to an action filed by the U.S. Environmental Protection Agency (EPA) in the United States District Court for the Northern District of Indiana titled United States of America v. USX, U. S. Steel entered into a consent decree with EPA which resolved alleged violations of the Clean Water Act National Pollutant Discharge Elimination System (NPDES) permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. On March 4, 2010, EPA provided written confirmation that the project objectives of the sediment remediation project have been satisfied and, as such, the consent decree shall terminate upon motion by U. S. Steel. As of June 30, 2010, project costs have amounted to $60.2 million. The Corrective Action Management Unit (CAMU) which received dredged materials from the Grand Calumet River, is expected to be used, following EPA approval, for containment of approved material from other corrective measures conducted at Gary Works pursuant to an Administrative Order on Consent (1998) for corrective action. CAMU maintenance and wastewater treatment costs are anticipated to be an additional $732,000 through December 2011. In 1998, U. S. Steel also entered into a consent decree with the public trustees, which resolves liability for natural resource damages on the same section of the Grand Calumet River. U. S. Steel, following the Court s termination of the Clean Water Act consent decree, will pay the public trustees $1.0 million for ecological monitoring costs. In addition, U. S. Steel is obligated to perform, and has initiated, ecological restoration in this section of the Grand Calumet River. The costs required to complete the ecological restoration work are estimated to be $794,000. In total, the accrued liability for the above projects based on the estimated remaining costs was approximately $3 million at June 30, 2010.

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At Gary Works, U. S. Steel has agreed to close three hazardous waste disposal sites: D5, along with an adjacent solid waste disposal unit, Terminal Treatment Plant (TTP) Area; T2; and D2 combined with a portion of the Refuse Area, where a solid waste disposal unit overlaps with the hazardous waste disposal unit. The sites are located on plant property. U. S. Steel has submitted a closure plan to the Indiana Department of Environmental Management (IDEM) for D2 and the known tar areas of the Refuse Area. U. S. Steel has proposed that the remainder of the Refuse Area be addressed as a Solid Waste Management Unit (SWMU) under corrective action. In addition, U. S. Steel has submitted a revised closure plan for T2 and separate closure plans for D5 and the TTP Area. IDEM approved the closure plans for D5, TTP Area and T2 on October 15, 2009, June 23, 2010 and December 1, 2009, respectively. Implementation of all plans is expected to begin later in 2010. The related accrued liability for estimated costs to close each of the hazardous waste sites and perform groundwater monitoring prior to closure is $3 million for D5 and TTP, $4 million for T2 and $11 million for D2 including a portion of the Refuse Area, as of June 30, 2010.

On October 23, 1998, EPA issued a final Administrative Order on Consent addressing Corrective Action for SWMUs throughout Gary Works. This order requires U. S. Steel to perform a Resource Conservation and Recovery Act (RCRA) Facility Investigation (RFI), a Corrective Measure Study (CMS) and Corrective Measure Implementation at Gary Works. Reports of field investigation findings for Phase I work plans have been submitted to EPA. Through June 30, 2010, U. S. Steel had spent $28.4 million for the studies, work plans, field investigations and self-implementing interim measures. U. S. Steel has submitted a proposal to EPA seeking approval for a perimeter groundwater monitoring plan and is developing a proposal for a corrective measure to address impacted sediments in the West Grand Calumet Lagoon. In addition, U. S. Steel is currently implementing a sampling and analysis plan (SAP) for several SWMUs in the Solid Waste Management Areas east of the Vessel Slip Turning Basin and has submitted a second SAP for a portion of the sediments behind the East Breakwall. U. S. Steel has begun operation of a full scale groundwater treatment system approved by EPA as a Self-Implementing Stabilization Measure to address benzene impacted groundwater east of the vessel slip, and continues to operate a seasonal groundwater treatment system near the coke plant. The costs for the above mentioned activities are estimated to be approximately $19 million. U. S. Steel has submitted a proposal to EPA seeking approval to implement corrective measures necessary to address soil contamination at Gary Works. U. S. Steel estimates the minimum cost of the corrective measures for soil contamination to be approximately $3 million. Closure costs for the CAMU are estimated to be an additional $6 million. Until the remaining Phase I work and Phase II field investigations are completed, it is impossible to assess what additional expenditures will be necessary for Corrective Action projects at Gary Works. In total, the accrued liability for the above projects was approximately $28 million as of June 30, 2010, based on the estimated remaining costs.

On November 26, 2007, IDEM issued a Notice of Violation (NOV) alleging three pushing violations and one door violation on the No. 2 Battery that were to have occurred on July 11, 2007. On December 20, 2007, IDEM made a verbal penalty demand of $123,000 to resolve these alleged violations. U. S. Steel provided written responses to the NOVs. Negotiations regarding these NOVs are ongoing.

On October 3, 2007, November 26, 2007, March 2, 2008 and March 18, 2008, IDEM issued NOVs alleging opacity limitation violations from the coke plant and Blast Furnaces Nos. 4 and 8. To date, no penalty demand has been made by IDEM regarding these NOVs. U. S. Steel is currently negotiating resolution of these NOVs with IDEM.

On July 3, 2008, EPA Region V issued a Notice of Violation/Finding of Violation (NOV/FOV) alleging violations resulting from a multi-media inspection conducted in May 2007 and subsequent information collection requests pursuant to Section 114 of the Clean Air Act. These alleged violations include those currently being prosecuted by IDEM that are identified above. Other alleged violations include the reline of No. 4 Blast Furnace in 1990 without a New Source Review/Prevention of Significant

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Deterioration permit, and opacity limit excursions from hot iron transfer cars, slag skimming, slag pits, and the blast furnace casting house. The NOV/FOV also alleges violations relating to hydrochloric acid pickling, blast furnace relief valves and blast furnace flares. While a penalty demand is expected, EPA Region V has not yet made such a demand. Since issuing the NOV/FOV, EPA Region V has issued additional Section 114 information requests to Gary Works. U. S. Steel has responded to the requests and is currently negotiating resolution of the NOV/FOV and other request issues with EPA Region V and IDEM. The EPA has indicated that it has referred the matter to the Department of Justice.

On February 18, 2009, U. S. Steel received a letter from IDEM alleging that Gary Works was culpable for an ambient air quality exceedance for PM10 at the IITRI Monitoring Site. U. S. Steel responded to the letter on March 13, 2009. U. S. Steel met with IDEM on April 28, 2009 to resolve the issue. If Gary Works is determined to be culpable, U. S. Steel may be required to install and maintain two additional on-site PM10 monitoring stations per the December 2006 Air Agreed Order. U. S. Steel continues to discuss the matter with IDEM.

On April 13, 2009, Gary Works received an NOV from EPA Region V for alleged violations for New Source Review for reline of No. 13/14 during 2004-2005. U. S. Steel continues to meet with IDEM and EPA to negotiate resolution of the NOV. EPA has indicated that it has referred the matter to the Department of Justice.

Mon Valley Works

On March 17, 2008, U. S. Steel entered a Consent Order and Agreement (COA) with the Allegheny County Health Department (ACHD) to resolve alleged opacity limitation and pushing and traveling violations from older coke oven batteries at its Clairton Plant and to resolve alleged opacity violations from its Edgar Thomson Plant. The COA required U. S. Steel to pay a civil penalty of $301,800 to resolve past alleged violations addressed by the COA. U. S. Steel paid the civil penalty on March 25, 2008. The COA requires U. S. Steel to conduct interim repairs on existing batteries and make improvements at the Ladle Metallurgical Facility and Steelmaking Shop at the Edgar Thomson Plant. The COA also requires that Batteries 7, 8 and 9 be shutdown by January 24, 2013 and Batteries 1, 2 and 3 be shutdown by August 11, 2015. Batteries 7 through 9 were shutdown in April 2009. We are repairing existing Batteries 19 and 20 and we continue to evaluate plans to construct new coke batteries at the Clairton Plant. U. S. Steel is also making upgrades at its Edgar Thomson Plant that would reduce emissions.

On September 3, 2009, U. S. Steel s Mon Valley Clairton Plant incurred a catastrophic failure of its Desulfurization Plant. Because of this event, the Clairton, Edgar Thomson, and Irvin plants exceeded their sulfur limit for air emissions when burning coke oven gas. The Desulfurization Plant was inoperable from September 3, 2009 through early January 2010. On March 25, 2010, the ACHD issued an NOV and a Settlement Offer for the Statement of Violation for the Clairton plant for the last three quarters of 2009, which included alleged violations attributable to the outage of the Desulfurization Plant. The NOV was settled in the second quarter of 2010 without admission of liability with a penalty payment of $61,225.

On October 8, 2009, Mon Valley Clairton Plant received an NOV from ACHD alleging that the Clairton Plant was culpable for hydrogen sulfide (H2S) Pennsylvania ambient air quality standard exceedances. The NOV requires U. S. Steel to submit a plan with milestones to reduce and minimize fugitive emissions of coke oven gas from the coke producing operations at Clairton including identification of coke oven gas emission sources and method of improved emission prevention and control. While U. S. Steel appealed the NOV on October 16, 2009, U. S. Steel submitted an Action Plan to ACHD that was required by the NOV. U. S. Steel and ACHD have performed H2S modeling and are in the process of evaluating all potential sources of H2S in the area. U. S. Steel and ACHD continue to meet and discuss resolution.

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Midwest Plant

A former disposal area located on the east side of the Midwest Plant was designated a SWMU (East Side SWMU) by IDEM before U. S. Steel acquired this plant from National Steel Corporation. After the acquisition, U. S. Steel conducted further investigations of the East Side SWMU. As a result, U. S. Steel has submitted a Closure Plan to IDEM recommending consolidation and in-place closure of the East Side SWMU. IDEM approved the Closure Plan in January 2010. Implementation of the Closure Plan is expected to begin during the third quarter of 2010. The cost to close the East Side SWMU is expected to be approximately $4 million and was recorded as an accrued liability as of June 30, 2010.

Fairless Plant

In January 1992, U. S. Steel commenced negotiations with EPA regarding the terms of an Administrative Order on consent, pursuant to RCRA, under which U. S. Steel would perform an RFI and a CMS at our Fairless Plant. A Phase I RFI report was submitted during the third quarter of 1997. A Phase II/III RFI will be submitted following EPA approval of the Phase I report. While the RFI/CMS will determine whether there is a need for, and the scope of, any remedial activities at the Fairless Plant, U. S. Steel continues to maintain interim measures at the Fairless Plant and has completed investigation activities on specific parcels. No remedial activities are contemplated as a result of the investigations of these parcels. The cost to U. S. Steel to continue to maintain the interim measures and develop a Phase II/III RFI Work Plan is estimated to be $560,000. It is reasonably possible that additional costs of as much as $25 to $45 million may be incurred at this site in combination with four other projects. See note 22 to the 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, EPA and the U.S. Department of Justice (DOJ) and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) on December 11, 1997. In accordance with the consent decree, U. S. Steel paid a civil penalty of $1 million, completed two supplemental environmental projects at a cost of $1.75 million and initiated a RCRA corrective action program at the Fairfield Works facility. The Alabama Department of Environmental Management (ADEM) with the approval of EPA assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works. ADEM is currently reviewing the Phase II RFI work plan. The remaining cost to develop and implement the Phase II RFI work plan is estimated to be $703,000. U. S. Steel has completed the investigation and remediation of Lower Opossum Creek under a joint agreement with Beazer, Inc., whereby U. S. Steel has agreed to pay 30 percent of the costs. U. S. Steel s remaining share of the costs for sediment remediation is $210,000. In 2006, U. S. Steel completed the remediation of Upper Opossum Creek at a cost of $2.95 million, with a remaining contingency of $18,000. In January 1999, ADEM included the former Ensley facility site in Fairfield Corrective Action. In 2007, U. S. Steel completed the remediation of approximately two acres of land at the former Ensley coke plant. As of June 30, 2010, costs to complete the remediation of this area have amounted to $1.3 million. An additional $49,000 remains accrued for project contingencies at Ensley with an additional $65,000 accrued for an environmental assessment of contiguous properties. In total, the accrued liability for the projects described above was approximately $1 million as of June 30, 2010, based on estimated remaining costs. It is reasonably possible that additional costs of as much as $25 to $45 million may be incurred at this site in combination with four other projects. See note 22 to the Financial Statements Contingencies and Commitments Environmental Matters Remediation Projects Projects with Ongoing Study and Scope Development.

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Lorain Tubular Operations

In September 2006, U. S. Steel received a letter from the Ohio Environmental Protection Agency (Ohio EPA) inviting U. S. Steel to enter into discussions about RCRA Corrective Action at Lorain Tubular Operations. Those discussions resulted in the identification of ten SWMUs and three Areas of Concern (AOC) requiring further investigation and evaluation. In addition, U. S. Steel notified Ohio EPA in August 2009 of an additional SWMU based upon its field observations and a preliminary assessment. A Phase I RFI on the identified SWMUs and AOCs is complete and under review by Ohio EPA. As of June 30, 2010, U. S. Steel has spent $247,000 on studies at this site. Costs to complete additional studies are estimated to be $523,000. It is reasonably possible that additional costs of as much as $25 to $45 million may be incurred at this site in combination with four other projects. See note 22 to the Financial Statements Contingencies and Commitments Environmental Matters Remediation Projects Projects with Ongoing Study and Scope Development.

Great Lakes Works

On January 6, 2006, U. S. Steel received a proposed administrative consent order from the Michigan Department of Environmental Quality (MDEQ) that alleged violations of NPDES permits at the Great Lakes Works facility. On February 13, 2007, MDEQ and U. S. Steel agreed to a revised Administrative Consent Order (the Order) that resolves this matter. As required by the Order, U. S. Steel has paid a civil penalty of $300,000 and has reimbursed MDEQ $50,000 in costs. The Order identifies certain compliance actions that address the alleged violations. U. S. Steel has completed work on most of these compliance actions, and has initiated work on the others. One of the compliance actions addresses three river basins along the Detroit River and U. S. Steel has completed the corrective measure necessary to remove historical basin sediments from these areas. As of June 30, 2010, $1.8 million has been spent on the project. In addition, $161,000 remains accrued for possible additional requirements to obtain MDEQ approval. Another compliance action includes modifications to the Cold Mill Wastewater Treatment Plant where U. S. Steel has agreed to rehabilitate four clarifiers and two wastewater conveyance pipelines, upgrade the computer control system and evaluate other potential improvements of this system. The vast majority of the elements of this project have been completed at a cost of $8.6 million and U. S. Steel anticipates spending an additional $200,000, most of which will be capitalized. Costs to complete the few remaining compliance actions are presently not determinable.

On October 5, 2009, after an inspection of Great Lakes Works and receiving responses to its 114 Request, as part of EPA Region V s regional enforcement initiative, U. S. Steel received an NOV/FOV from EPA Region V alleging that Great Lakes Works violated casthouse roof monitor and baghouse opacity limits; slag pit opacity limits; Basic Oxygen Process roof monitor opacity limits; and certain permit recordkeeping and parametric monitoring requirements. Great Lakes Works has met with EPA regarding the alleged violations and continues to negotiate resolution of the matter. EPA advised U. S. Steel that it has referred the matter to the DOJ.

Granite City Works

U. S. Steel received two NOVs, dated February 20, 2004 and March 25, 2004, for air violations at the coke batteries, the blast furnace and the steel shop at our Granite City Works facility. All of the issues have been resolved except for an issue relating to air emissions that occurs when coke is pushed out of the ovens, for which a compliance plan has been submitted to the Illinois Environmental Protection Agency (IEPA). IEPA referred the two NOVs to the Illinois Attorney General s Office for enforcement. On September 14, 2005, the Illinois Attorney General filed a complaint in the Madison County Circuit Court, titled People of the State of Illinois ex. rel. Lisa Madigan vs. United States Steel Corporation, which included the issues raised in the two NOVs. In December 2006, IEPA added to its complaint by

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adding a release of coke oven gas in February 2006. In October 2007, the Court entered a Second Supplemental Complaint in which IEPA added alleged violations regarding excessive opacity emissions from the blast furnace, and incorrect sulfur dioxide (SO_2) emission factors regarding blast furnace gas emissions. On December 18, 2007, U. S. Steel entered into a Consent Order (the Order) with the Illinois Attorney General and IEPA that resolved the Complaint, as supplemented. The Order required that U. S. Steel: (1) pay a penalty of $300,000, which U. S. Steel paid on January 10, 2008; (2) demonstrate compliance with Coke Oven Pushing Operations in accordance with the compliance schedule provided in the Order; (3) comply with the basic oxygen furnace (BOF) opacity emissions in accordance with the schedule provided in the Order; and (4) submit to IEPA a revised permit application with the correct SO_2 emission factors, which U. S. Steel submitted in January 2008. In December 2009, U. S. Steel and the Illinois Attorney General, by order of the Court, modified the Consent Order to establish a March 31, 2011 deadline for U. S. Steel to demonstrate compliance with existing standards at the BOF.

At Granite City Works, U. S. Steel and Gateway Energy & Coke Company, LLC (Gateway), a subsidiary of SunCoke Energy, Inc., have agreed with two environmental advocacy groups to establish an Environmental Trust Fund (Trust), which requires the permittees (U. S. Steel and Gateway) to collectively deposit $1.0 million by September 30th of each year, beginning September 30, 2008 and ending September 30, 2012. The capital contributions and all net income of the Trust are to be used for the purposes of promoting energy efficiency, greenhouse gas reductions and PM2.5 emission reduction, to be implemented in the community, including the Granite City municipality, local schools, parks and library districts. To date, U. S. Steel and Gateway have paid the first two of five installments towards the fund.

On February 2, 2009, U. S. Steel received an NOV from IEPA alleging approximately 16 separate violations. Specifically, IEPA alleged that Granite City Works: inappropriately charged a battery while off the collecting mains because of (1) damaged coke guides on one occasion and (2) derailment of the pushing control system on two occasions; failed to perform some monthly and quarterly inspections required by Iron & Steel Maximum Achievable Control Technology (MACT) standards or Coke MACT standards; failed to initiate repairs within 30 days after recording that the baffles on the quench tower were damaged on the monthly inspection report; failed to adequately wash the baffles on the quench tower per the MACT standard; inappropriately used the emergency pour station at the BOP during routine, non-emergency maintenance; failed to sufficiently apply a wetting agent to the slag from BF-A to minimize fugitive emissions while loading trucks and failed to update and properly implement its Fugitive Dust Program. Resolution of the issues identified in the NOV continues to be negotiated with IEPA. On November 16, 2009, Granite City Works received a notice of intent to pursue legal action regarding the alleged violations from IEPA. U. S. Steel last met with IEPA on December 8, 2009 to discuss resolution.

On March 17, 2009, U. S. Steel received an NOV from IEPA alleging the following at Granite City Works: door leaks from B Battery; volatile organic compounds from pressure relief valves from gas blanketing tank; coke by products process unit and information (lacking); failure to report retagging project for benzene in service equipment; and, failure to maintain records for benzene in service equipment repairs. IEPA has not made a penalty demand to date. Resolution of the issues identified in the NOV continues to be negotiated with IEPA. On November 16, 2009, Granite City Works received a notice of intent to pursue legal action regarding the alleged violations from IEPA. U. S. Steel last met with IEPA on December 8, 2009 to discuss resolution and the issue has been referred to the Attorney General for resolution.

In late January 2009, Granite City Works exceeded its natural gas usage and corresponding emission limits for 2008 at designated combustion units, including boilers and ladle drying. A notification letter was submitted to IEPA by U. S. Steel on January 30, 2009. Per U. S. Steel s January 30, 2009

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correspondence, U. S. Steel provided a Compliance Plan regarding fuel use and fuel balance to IEPA on February 28, 2009. IEPA has not responded to the self-reported violations or made any penalty demand.

On October 5, 2009, U. S. Steel received an NOV/FOV from EPA Region V alleging that Granite City Works: failed to apply for and obtain a Prevention of Significant Deterioration/New Source Review permit for the 1994 B Blast Furnace reline (while the furnace was owned by National Steel Corporation); exceeded BOP roof monitor opacity limits, exceeded blast furnace casthouse roof monitor opacity limits; and failed to complete certain permit recordkeeping and parameteric monitoring requirements. Granite City Works has met with EPA regarding the alleged violations and continues to negotiate resolution of the matter. The EPA advised U. S. Steel that it has referred the matter to the Department of Justice.

On July 1, 2010, U. S. Steel entered into a Memorandum of Understanding (MOU) with the Illinois EPA that requires the Granite City Works to achieve reductions in emissions of particulate matter. U. S. Steel will evaluate and install appropriate controls to achieve this purpose. The cost of the appropriate controls are not known at this time but may be significant.

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 asset sales agreement and a permit issued by the Utah Department of Environmental Quality. U. S. Steel developed work plans and as of June 30, 2010, U. S. Steel has spent $16.8 million to complete remediation on certain areas of the site. Having completed the investigation on a majority of remaining areas identified in the permit, U. S. Steel has determined that 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). U. S. Steel has recorded a liability of $66 million as of June 30, 2010, for our estimated share of the remaining costs of remediation, including the construction, waste management, closure and post closure of a CAMU.

USS-POSCO Industries (UPI)

At UPI, a joint venture between subsidiaries of U. S. Steel and POSCO Industries, corrective measures have been implemented for the majority of the former SWMUs. Seven SWMUs remain at the facility, five of which require further remediation. Prior to the formation of UPI, U. S. Steel owned and operated the Pittsburg, California facility and retained responsibility for the existing environmental conditions. Two SWMUs may not require further action pending a No Further Action decision by the California Department of Toxic Substances Control (DTSC). Of the five SWMUs requiring remediation, investigatory work has been completed at a coal tar pitch impacted soils area and a remedial workplan has been submitted to DTSC. U. S. Steel has also completed the investigation of the impacted groundwater SWMU at the former wire mill. Investigation of the three remaining SWMUs within the facility has been initiated and discussions with the DTSC continue regarding additional corrective measures that may be required. Arsenic impacted soils and groundwater have been delineated at these three SWMUs. While it is likely that corrective measures will be required at these SWMUs, it is not possible at this time to define a scope or estimate costs for what may be required by DTSC. It is reasonably possible that additional costs of as much as $25 to $45 million may be incurred at this site in combination with four other projects. See note 22 to the Financial Statements Contingencies and Commitments Environmental Matters Remediation Projects Projects with Ongoing Study and Scope Development.

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Other

On December 20, 2002, U. S. Steel received a letter from the Kansas Department of Health & Environment (KDHE) requesting U. S. Steel s cooperation in cleaning up the National Zinc site located in Cherryvale, Kansas, a former zinc smelter operated by Edgar Zinc from 1898 to 1931. In April 2003, U. S. Steel and Salomon Smith Barney Holdings, Inc. (SSB) entered into a consent order to conduct an investigation and develop remediation alternatives. Implementation of the preferred remedy was essentially completed in late 2007. The respondents are finalizing the Removal Action Summary report by addressing some minor site maintenance issues, deed restrictions and operating and maintenance plans for approval by KDHE. U. S. Steel and SSB continue to work with KDHE to address site maintenance issues. At June 30, 2010, an accrual of $120,000 remains available for these project contingencies.

On January 23, 2006, the KDHE sent a letter to U. S. Steel requesting that U. S. Steel address a former zinc smelter site in Girard, Kansas. U. S. Steel completed a site investigation and submitted a Corrective Action Study (CAS) necessary to address the impacted soils at this site. KDHE approved the CAS on November 17, 2009 and is preparing a Corrective Action Decision based upon U. S. Steel s recommended remedial measure. In addition, a Consent Agreement and Final Order, through which the remediation will be conducted, is under negotiation with KDHE. At June 30, 2010, U. S. Steel has an accrued liability of $1 million to conduct the remedial measure as proposed in the CAS.

In January of 2004, U. S. Steel received notice of a claim from the Texas Commission on Environmental Quality (TCEQ) and notice of claims from citizens of a cap failure at the Dayton Landfill. U. S. Steel, Lubrizol and ExxonMobil are the largest PRPs at the site and have agreed to equally share costs for investigating the site. The Remedial Action Plan for the site was approved by TCEQ in June 2009. On December 10, 2009, pursuant to the Texas Solid Waste Disposal Act, U. S. Steel, Lubrizol and ExxonMobil filed a contribution/cost of recovery action against approximately 50 parties. Implementation of remedial measures is expected to be initiated later in 2010. The accrued liability to complete U. S. Steel s portion of the site investigations and implement the remedial measure was $1,774,000 as of June 30, 2010.

The Canadian and Ontario governments have identified a sediment deposit, commonly referred to as Randle s Reef, in Hamilton Harbor near USSC s Hamilton Works for remediation, for which the regulatory agencies estimate expenditures of approximately C$105 million (approximately $100 million). The national and provincial governments have each allocated C$30 million (approximately $28 million) for this project and they have stated that they will be looking for local sources, including industry, to fund C$30 million (approximately $28 million). USSC has committed C$7 million (approximately $7 million) as its contribution. Funding sources for the balance of the estimated project cost remain to be identified and additional contributions may be sought.

ASBESTOS LITIGATION

As of June 30, 2010, U. S. Steel was a defendant in approximately 470 active cases involving approximately 3,025 plaintiffs. At December 31, 2009, U. S. Steel was a defendant in approximately 440 active cases involving approximately 3,040 plaintiffs.

About 2,560, or approximately 85 percent, of these claims are currently pending in jurisdictions which permit filings with massive numbers of plaintiffs. Based upon U. S. Steel s experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs. Most of the claims filed in 2007 through 2010 involve individual or small groups of claimants.

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Historically, these claims against U. S. Steel fall into three major groups: (1) claims made by persons who allegedly were exposed to asbestos at U. S. Steel facilities (referred to as premises claims); (2) claims made by industrial workers allegedly exposed to products formerly manufactured by U. S. Steel; and (3) claims made under certain federal and general maritime laws by employees of former operations of U. S. Steel. The ultimate outcome of any claim depends upon a myriad of legal and factual issues, including whether the plaintiff can prove actual disease, if any; actual exposure, if any, to U. S. Steel products; the duration of exposure to asbestos, if any, on U. S. Steel s premises and the plaintiff s exposure to other sources of asbestos. In general, the only insurance available to U. S. Steel with respect to asbestos claims is excess casualty insurance, which has multi-million dollar self-insured retentions. To date, U. S. Steel has received minimal payments under these policies relating to asbestos claims.

These asbestos cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos. U. S. Steel is currently a defendant in cases in which a total of approximately 200 plaintiffs allege that they are suffering from mesothelioma. The potential for damages against defendants may be greater in cases in which the plaintiffs can prove mesothelioma.

In many cases in which claims have been asserted against U. S. Steel, the plaintiffs have been unable to establish any causal relationship to U. S. Steel or our products or premises; however, with the decline in mass plaintiff cases the incidence of claimants actually alleging a claim against U. S. Steel is increasing. In addition, in many asbestos cases, the plaintiffs have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all; that any injuries that they have incurred did in fact result from alleged exposure to asbestos; or that such alleged exposure was in any way related to U. S. Steel or our products or premises.

In every asbestos case in which U. S. Steel is named as a party, the complaints are filed against numerous named defendants and generally do not contain allegations regarding specific monetary damages sought. To the extent that any specific amount of damages is sought, the amount applies to claims against all named defendants and in no case is there any allegation of monetary damages against U. S. Steel. Historically, approximately 89 percent of the cases against U. S. Steel did not specify any damage amount or stated that the damages sought exceeded the amount required to establish jurisdiction of the court in which the case was filed. (Jurisdictional amounts generally range from $25,000 to $75,000.) U. S. Steel does not consider the amount of damages alleged, if any, in a complaint to be relevant in assessing our potential exposure to asbestos liabilities.

U. S. Steel aggressively pursues grounds for the dismissal of U. S. Steel from pending cases and litigates cases to verdict where we believe litigation is appropriate. U. S. Steel also makes efforts to settle appropriate cases, especially mesothelioma cases, for reasonable, and frequently nominal, amounts.

The following table shows activity with respect to asbestos litigation:

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved	New Claims	Closing Number of Claims	Amounts Paid to Resolve Claims (in millions)
December 31, 2007	3,700	1,230	530	3,000	$ 9
December 31, 2008	3,000	400	450	3,050	$ 13
December 31, 2009	3,050	200	190	3,040	$ 7
June 30, 2010	3,040	145	130	3,025	$ 5

The amount U. S. Steel has accrued for pending asbestos claims is not material to U. S. Steel s financial position. U. S. Steel does not accrue for unasserted asbestos claims because it is not

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possible to determine whether any loss is probable with respect to such claims or even to estimate the amount or range of any possible losses. The vast majority of pending claims against us allege so-called premises liability-based exposure on U. S. Steel s current or former premises. These claims are made by an indeterminable number of people such as truck drivers, railroad workers, salespersons, contractors and their employees, government inspectors, customers, visitors and even trespassers. In most cases, the claimant also was exposed to asbestos in non-U. S. Steel settings; the relative periods of exposure between U. S. Steel and non-U. S. Steel settings vary with each claimant; and the strength or weakness of the causal link between U. S. Steel exposure and any injury vary widely as do the nature and severity of the injury claimed.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company s financial condition, although the resolution of such matters could significantly impact results of operations for a particular quarter. Among the factors considered in reaching this conclusion are: (1) that over the last several years, the total number of pending claims has declined; (2) that it has been many years since U. S. Steel employed maritime workers or manufactured or sold asbestos containing products; and (3) U. S. Steel s history of trial outcomes, settlements and dismissals.

The foregoing statements of belief are forward-looking statements. Predictions as to the outcome of pending litigation are subject to substantial uncertainties with respect to (among other things) factual and judicial determinations, and actual results could differ materially from those expressed in these forward-looking statements.

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Item 1A. RISK FACTORS

There was no material change in U. S. Steel s risk factors from the risks disclosed in U. S. Steel s Form 10-K for the year ended December 31, 2009.

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Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

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

Issuer Purchases of Equity Securities

The following table contains information about purchases by U. S. Steel of its equity securities during the period covered by this report.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 30, 2010[a]	33	$ 56.08	-	[b]
May 1 31, 2010	-	-	-	-
June 1 30, 2010[a]	12,467	$ 45.31	-	[b]
Total	12,500	$ 45.34	-	[b]

(a) U. S. Steel effectively purchased shares of Restricted Stock in connection with participant stock-for-tax withholding elections under U. S. Steel's 2005 Stock Incentive Plan.

(b) The repurchase of Restricted Stock was made pursuant to the 2005 Stock Incentive Plan and not pursuant to a stock repurchase plan or program. As of June 30, 2010, 9,395 Restricted Stock shares remain outstanding under the 2005 Stock Incentive Plan.

Item 6. EXHIBITS

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

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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/ Gregory A. Zovko

Gregory A. Zovko
Vice President and Controller
July 27, 2010

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.