

UNITED STATES STEEL CORP
Form 10-Q
November 02, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2006

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
(State or other
jurisdiction of
incorporation)

1-16811
(Commission
File Number)

25-1897152
(IRS Employer
Identification No.)

600 Grant Street, Pittsburgh, PA
(Address of principal executive offices)

15219-2800
(Zip Code)

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

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Common stock outstanding at November 1, 2006 118,474,256 shares

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

UNITED STATES STEEL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Third Quarter Ended		Nine Months Ended	
	September 30, Adjusted		September 30, Adjusted	
	<i>(Note 1)</i>		<i>(Note 1)</i>	
(Dollars in millions, except per share amounts)	2006	2005	2006	2005
Net sales:				
Net sales	\$ 3,865	\$ 2,981	\$ 11,243	\$ 9,842
Net sales to related parties	241	219	698	727
Total	4,106	3,200	11,941	10,569
Operating expenses (income):				
Cost of sales (excludes items shown below)	3,308	2,830	9,745	8,660
Selling, general and administrative expenses	144	150	458	473
Depreciation, depletion and amortization <i>(Note 6)</i>	113	88	339	274
Income from investees	(19)	(2)	(39)	(28)
Net gains on disposal of assets	-	(7)	(2)	(17)
Other income, net	(1)	(7)	(4)	(10)
Total	3,545	3,052	10,497	9,352
Income from operations	561	148	1,444	1,217
Net interest and other financial costs <i>(Note 7)</i>	7	20	37	113
Income before income taxes and minority interests	554	128	1,407	1,104
Income tax provision <i>(Note 8)</i>	136	27	317	275
Minority interests	1	8	13	28
Net income	417	93	1,077	801
Dividends on preferred stock <i>(Note 9)</i>	-	(4)	(8)	(13)
Net income applicable to common stock	\$ 417	\$ 89	\$ 1,069	\$ 788
Income per common share <i>(Note 9)</i>:				
Net income per share:				
- Basic	\$ 3.44	\$ 0.77	\$ 9.39	\$ 6.90
- Diluted	\$ 3.42	\$ 0.71	\$ 8.67	\$ 6.13
Weighted average shares, in thousands:				
- Basic	121,270	113,980	113,764	114,054

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- Diluted	121,964	130,339	124,226	130,583
Dividends paid per share	\$ 0.15	\$ 0.10	\$ 0.40	\$ 0.28

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)	
	September 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,410	\$ 1,479
Receivables, less allowance of \$61 and \$68 (Note 13)	1,871	1,520
Receivables from related parties (Note 15)	147	89
Inventories (Note 10)	1,673	1,466
Deferred income tax benefits (Note 8)	167	275
Other current assets	17	13
Total current assets	5,285	4,842
Investments and long-term receivables, less allowance of \$6 and \$2	284	288
Long-term receivables from related parties (Note 15)	4	4
Property, plant and equipment - net (Note 6)	4,269	4,015
Intangible pension asset	252	251
Other intangible assets, less accumulated amortization of \$31 and \$24	23	29
Deferred income tax benefits (Note 8)	170	211
Other noncurrent assets	175	182
Total assets	\$ 10,462	\$ 9,822
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,286	\$ 1,208
Accounts payable to related parties (Note 15)	69	48
Bank checks outstanding	120	115
Payroll and benefits payable	1,102	912
Accrued taxes (Note 8)	123	186
Accrued interest	42	31
Short-term debt and current maturities of long-term debt (Note 11)	26	249
Total current liabilities	2,768	2,749
Long-term debt, less unamortized discount (Note 11)	1,327	1,363
Employee benefits	1,786	2,008
Deferred credits and other liabilities	355	346
Total liabilities	6,236	6,466
Contingencies and commitments (Note 16)		
Minority interests	31	32
Stockholders' Equity:		
Series B Mandatory Convertible Preferred shares (no par value, 0 and 5,000,000 shares issued, liquidation preference \$50 per share) (Note 9)	-	216
Common stock (123,784,911 and 114,585,727 shares issued) (Note 9)	124	115
Treasury stock, at cost (4,995,055 and 5,799,650 shares)	(298)	(253)
Additional paid-in capital	2,942	3,061

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Retained earnings	2,628	1,605
Accumulated other comprehensive loss <i>(Note 14)</i>	(1,201)	(1,418)
Deferred compensation	-	(2)
Total stockholders' equity	4,195	3,324
Total liabilities and stockholders' equity	\$ 10,462	\$ 9,822

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)

	Nine Months Ended	
	September 30, Adjusted	
	(Note 1)	
(Dollars in millions)	2006	2005
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net income	\$ 1,077	\$ 801
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, depletion and amortization	339	274
Provision for doubtful accounts	2	6
Pensions and other postretirement benefits	(199)	(77)
Minority interests	13	28
Deferred income taxes	124	85
Net gains on disposal of assets	(2)	(17)
Property tax settlement gain	-	(95)
Income from equity investees, and distributions received	(2)	2
Changes in:		
Current receivables	(335)	153
Inventories	(180)	(137)
Current accounts payable and accrued expenses	211	(104)
All other, net	(13)	(35)
Net cash provided by operating activities	1,035	884
Investing activities:		
Capital expenditures	(397)	(473)
Disposal of assets	6	25
Restricted cash, net	6	7
Investments, net	-	4
Net cash used in investing activities	(385)	(437)
Financing activities:		
Repayment of debt	(277)	(7)
Common stock issued	16	27
Common stock repurchased	(396)	(52)
Distribution to minority interest owners	(15)	(26)
Dividends paid	(54)	(45)
Change in bank checks outstanding	5	20
Excess tax benefits from stock-based compensation	2	-