UNITED STATES STEEL CORP
Form 424B5
May 06, 2003

THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION. WE ARE NOT USING THIS PROSPECTUS TO OFFER TO SELL THESE SECURITIES OR TO SOLICIT OFFERS TO BUY THESE SECURITIES IN ANY PLACE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Filed Pursuant to Rule 424(b)(5)
File No. 333-99273

Subject to completion, dated May 5, 2003

PRELIMINARY PROSPECTUS SUPPLEMENT
To prospectus dated October 22, 2002

[US STEEL CORPORATION LOGO]

UNITED STATES STEEL CORPORATION

$350,000,000
% SENIOR NOTES DUE 2010

Interest on the notes is payable on and of each year, beginning on , 2003. The notes will mature on , 2010. Interest will accrue from , 2003.

We may redeem up to 35% of the aggregate principal amount of the notes before , 2006, with net proceeds that we raise in public equity offerings at a redemption price equal to % of the principal amount of the notes being redeemed plus accrued interest. Additionally, we may redeem some or all of the notes at any time on and after , 2007 at the redemption prices described on page S-114 of this prospectus supplement. If we sell all or substantially all of our assets or experience specific kinds of changes in control, we must offer to repurchase the notes.

INVESTING IN THE NOTES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-13 OF THIS PROSPECTUS SUPPLEMENT AND ON PAGE 2 OF THE ATTACHED PROSPECTUS FOR A DISCUSSION OF CERTAIN RISKS THAT YOU SHOULD CONSIDER IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PUBLIC OFFERING PRICE(1)	UNDERWRITING DISCOUNT	PROCEEDS, BEFOR TO U.S. ST
Per note	%	%	%
Total	$	$	$

(1) Plus interest, if any, from , 2003 to the date of delivery.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect to deliver the notes to investors in registered book-entry form through The Depository Trust Company on or about , 2003.

Joint book-running managers

JPMORGAN GOLDMAN, SACHS & CO.

LEHMAN BROTHERS SCOTIA CAPITAL

BNY CAPITAL MARKETS, INC. NATCITY INVESTMENTS, INC. PNC CAPITAL MARKETS, INC.

The date of this prospectus supplement is May , 2003

IN MAKING YOUR INVESTMENT DECISION, YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE ATTACHED PROSPECTUS. WE AND THE UNDERWRITERS HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH ANY OTHER INFORMATION. IF YOU RECEIVE ANY OTHER INFORMATION, YOU SHOULD NOT RELY ON IT.

WE AND THE UNDERWRITERS ARE OFFERING TO SELL THE SECURITIES ONLY IN PLACES WHERE OFFERS AND SALES ARE PERMITTED.

YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT OR THE ATTACHED PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT COVER OF THIS PROSPECTUS SUPPLEMENT.

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PROSPECTUS

ALTERNATIVE SETTLEMENT DATE

It is expected that delivery of the notes will be made on or about the date specified on the cover page of this prospectus supplement, which will be the fourth business day following the date of this prospectus supplement. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, the purchasers who wish to trade notes on the date of this prospectus supplement or the next succeeding business day will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of notes who wish to trade notes on the date of this prospectus supplement or the next succeeding business day should consult their own advisors.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the attached prospectus and the documents incorporated herein and therein by reference include "forward-looking statements" that are identified by the use of forward-looking words or phrases, including, but not limited to, "intends," "intended," "expects," "expected," "anticipates" and "anticipated." These forward-looking statements are based on (1) a number of assumptions made by management concerning future events and (2) information currently available to management. Readers are cautioned not to put undue reliance on those forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other facts, many of which are outside our control, that could cause actual events to differ materially from those statements. All statements other than statements of historical facts included in this prospectus supplement and the attached prospectus and the documents incorporated herein and therein by reference, including those regarding our future financial position, results of operations, cash flows and costs, and those regarding our business strategy and growth opportunities, are forward-looking statements. Although we believe that our expectations reflected in those forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations, in addition to those factors disclosed under "Risk factors" beginning on page 2 of the attached prospectus and page S-13 of this prospectus supplement, and in our SEC filings described under "Where you can find more information" on page ii of the attached prospectus, include:

-- prices and volumes of our sales of steel products;

-- levels of imports of steel products into the United States;

-- general economic and financial market conditions;

-- ability to finance our future business requirements through internally generated funds and available external financing sources; and

-- the extent to which we are successful in implementing our consolidation strategy.

These forward-looking statements represent our judgment as of the date of this prospectus supplement. All subsequent written and oral forward-looking statements are expressly qualified in their entirety by the factors referred to above. Unless otherwise required by law, we disclaim any intent or obligation to update the respective forward-looking statements.

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SUMMARY

The following information supplements, and should be read together with, the information contained or incorporated by reference in other parts of this prospectus supplement and the attached prospectus. This summary highlights selected information from the prospectus supplement and the attached prospectus. As a result, it does not contain all of the information you should consider before investing in our senior notes. You should carefully read this prospectus supplement and the attached prospectus, including the documents incorporated by reference in it, which are described under "Where you can find more information" in the attached prospectus. Unless the context otherwise requires, references in this prospectus to "U. S. Steel," "USS," "we," "us" and "our" are to United States Steel Corporation and its subsidiaries, and references to "National" are to National Steel Corporation and its subsidiaries. References to tons are to U.S. short or "net" tons (2,000 lbs.) unless otherwise indicated. A metric ton ("mt" or "tonne") is equal to roughly 1.10 U.S. short tons (2,205 lbs).

UNITED STATES STEEL CORPORATION

We are the largest integrated steel producer based in North America with annual global steelmaking capacity of 17.8 million tons. We have a broad and diverse mix of products and customers. We make, sell and transport a wide range of value-added steel products to customers with demanding technical applications in the automotive, appliance, container, industrial machinery, construction and oil and gas industries. We have a significant market presence in each of our major product areas and we have long-term relationships with many of our major customers. We are one of the leading steel sheet suppliers to the North American automotive and appliance industries, one of the largest producers of tin mill products in North America, the largest integrated flat-rolled producer in Central Europe and the largest domestic producer of seamless oil country tubular goods. For the year ended December 31, 2002, we generated revenues and other income of $7,054 million, net income of $61 million, cash flow from operations of $279 million and EBITDA of $478 million. After giving effect to the acquisition of the assets of National (including the effects of the new labor agreement with the United Steelworkers of America (USWA) as it relates to National's employees and the associated financing incurred by U. S. Steel to complete the acquisition), and the sale of the assets of U. S. Steel's coal mining business, all of which are described below, for the year ended December 31, 2002, we had pro forma revenues of $9,411 million, pro forma net income of $43 million and pro forma EBITDA of $553 million. For a reconciliation of EBITDA to net income and operating cash flow and of pro forma EBITDA to pro forma net income, see "--Summary financial data."

We operate three integrated steel mills in North America--Gary Works in Indiana, Mon Valley Works in Pennsylvania and Fairfield Works in Alabama--which have annual steelmaking capacity of 12.8 million tons. We also operate processing and finishing facilities at six locations in those three states and in Ohio. We produce most of the iron ore and coke and a portion of the coal we use as raw materials in our domestic steel-making process, and we sell some of this production to third parties. We also own steel distribution, real estate and engineering and consulting services businesses.

In addition to our domestic facilities, we have significant operations in Central Europe through U. S. Steel Kosice, s.r.o. (USSK), which we acquired in November 2000. USSK, headquartered in Kosice in the Slovak Republic, is the largest integrated steel sheet producer in Central Europe. Currently, USSK has annual steelmaking capacity of 5.0 million tons and produces and sells sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSK has

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enabled us to establish a low-cost manufacturing base in Europe and positioned us to serve our global customers.

PURCHASE OF NATIONAL STEEL ASSETS

On April 21, 2003, we signed an asset purchase agreement with National Steel Corporation, which filed for bankruptcy protection on March 6, 2002, to acquire substantially all of National's assets for approximately $850 million and the assumption of approximately $200 million of liabilities. The Bankruptcy Court for the Northern District of Illinois, Eastern Division, approved the agreement on April 21, 2003. We expect to complete the acquisition of National's assets in May 2003. The assets of National we will acquire in the National transaction include: facilities at National's two integrated steel plants, Great Lakes Steel, in Ecorse and River Rouge, Michigan, and Granite City Division in Granite City, Illinois; the Midwest finishing facility in Portage, Indiana; ProCoil, a steel-processing facility in Canton, Michigan; National Steel Pellet Company, which produces iron ore pellets; and various other subsidiaries and joint-venture interests, including National's interest in Double G Coatings, a hot-dip galvanizing and Galvalume(R) steel facility near Jackson, Mississippi. National's facilities have annual steelmaking capacity of 6.6 million tons. We believe the acquisition of National is consistent with our business strategy to focus on value-added products, expand our business platform and reduce costs per ton.

- Strengthen our overall position in domestic value-added materials. With the addition of the National assets, we will be the largest steel producer in North America and the sixth largest in the world. In addition, we will have stronger positions in value-added products to serve the automotive, container and construction end markets.

- Implement new labor agreement. The new labor agreement reached by U. S. Steel and the USWA provides for a workforce restructuring through which U. S. Steel expects to achieve productivity improvements of at least 20% at both U. S. Steel and the acquired National facilities.

- Generate significant cost savings. Based on preliminary assessments, U. S. Steel expects annual acquisition synergies of at least $200 million within two years of completing the transaction. These synergies do not include the elimination of costs related to National's pension and retiree medical and life insurance plans, which have not been assumed by U. S. Steel, nor do they include the impact of the reduced depreciation resulting from the fact that the purchase price we paid for some of National's assets is lower than National's cost basis in these assets. Savings are expected to result from a number of actions, including increased scheduling and operating efficiencies, the elimination of redundant overhead costs, the reduction of freight costs and the effects of the new labor contract as it relates to active employees at the acquired National facilities.

The preceding discussion includes forward-looking statements. Predictions regarding these estimates are subject to substantial uncertainties such as (among other things) our ability to source the combined facilities more efficiently, the number, age and years of service of employees electing early retirement, and the ratification by the union employees of the new labor agreement.

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STEEL INDUSTRY CONDITIONS

RESTRUCTURING AND CONSOLIDATION ARE UNDERWAY. The domestic steel industry is restructuring after many years of low prices and oversupply, which resulted in significant temporary and permanent capacity closures starting in late 2000 and led to the introduction of Section 201 import tariffs in March 2002. The combination of capacity closures, trade restrictions and the imposition of tariffs led to a recovery in steel prices from a 20-year low in late 2001 and early 2002.

The pace of domestic steel industry consolidation has accelerated as evidenced by a number of recent acquisitions, including the acquisition of assets from bankrupt companies. Transactions during 2002 included the purchases of assets of Trico Steel Co. LLC, Acme Metals, Inc. and LTV Corporation out of bankruptcy and the purchase of Birmingham Steel Corporation. In addition, in April 2003 a bankruptcy court approved the sale of substantially all of the assets of Bethlehem Steel Corporation to International Steel Group. One factor facilitating the restructuring of the domestic integrated steel industry has been the elimination of unfunded pension, healthcare and other legacy costs through the bankruptcy process. We believe the continuing consolidation of steelmaking assets will reduce the domestic steel industry's cost basis, creating a more globally competitive industry structure.

STEEL PRICES HAVE RECOVERED. In December of 2001, hot-rolled prices in spot markets hit a 20-year low of $210 per ton, according to published sources. In March 2002, President Bush announced his decision to impose trade restrictions in response to the prior finding of the International Trade Commission under Section 201 of the Trade Act of 1974 that imports were a substantial cause of serious injury to the domestic steel industry. Following this, steel prices recovered. Although, as reported by published sources, average first quarter 2003 spot market prices dropped by approximately $50 per ton from average fourth quarter 2002 levels, domestic spot market hot-rolled prices for March 2003 were $280 per ton, more than $70 per ton higher than those realized in December of 2001. In May 2003 the World Trade Organization issued a final ruling against the Section 201 remedies. Although President Bush's administration has indicated preliminarily that it will appeal the ruling if it is finalized without modification, we cannot predict whether the administration will appeal the ruling or the likelihood of success of any appeal.

COMPETITIVE STRENGTHS

LEADING GLOBAL STEEL PRODUCER. We believe that our size and global market position enable us to serve the needs of our global customers and position us to profitably grow our business. Before giving effect to the acquisition of National, we are the 11th largest global steel producer, as measured by steelmaking capacity, and the largest integrated steel producer based in North America. We are a leading provider of flat-rolled steel to customers with demanding technical applications in the automotive, appliance, container and construction industries. We supply each of the "Big 3" automotive companies and are a growing supplier to foreign automotive companies with manufacturing facilities in the United States. We are a leading supplier of carbon sheet products to the North American appliance industries and one of the largest tin mill product producers in North America. We are the largest domestic producer of seamless oil country tubular goods.

The acquisition of USSK in 2000 has enabled us to establish a low-cost manufacturing base in Central Europe and positioned us to serve our global customers. In March 2003 we entered into

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agreements to purchase out of bankruptcy, Sartid a.d., a steel producer located in Serbia for a purchase price of $23 million, in addition to certain other commitments. Sartid's production facilities include an integrated mill with annual raw steel design production capability of 2.4 million net tons, although Sartid is currently operating at less than half of capacity. Sartid primarily produces sheet products and its tinning facility has an annual capability of 130,000 tons. In April 2003 we submitted an offer to purchase Polskie Huty Stali, a holding company that owns four steel mills, including the two largest integrated steel mills, in Poland.

Upon completion of the National transaction, we will be the largest steel producer in North America and the sixth largest steel producer in the world, as measured by steelmaking capacity. The acquisition of National's assets would complement our existing product base and end markets, further enhancing our strong market position.

HIGH QUALITY ASSET BASE. We operate four globally competitive integrated steel manufacturing facilities. Since 1998, we have invested $1.4 billion to reduce costs and improve efficiency. Our 2000 acquisition of USSK has enabled us to establish a low-cost manufacturing base in Central Europe and positioned us to serve our global customers. With National Steel's assets, most of which are located in the midwestern United States, we will be able to reduce transportation costs, employ more facilities that produce value-added products for the automotive and container industry, and enjoy a much more significant presence in the construction industry.

DIVERSIFIED PRODUCT BASE AND STRONG CUSTOMER RELATIONSHIPS. We have a diversified asset base including facilities that produce sheet, tin, plate and tubular products, as well as coke, iron ore and coal. We focus on providing high quality products and services to our customers, which we believe leads to longstanding customer relationships. Our customers include the automotive, appliance, container, industrial machinery, construction and oil and gas industries. None of our customers represented more than 5% of our revenues in 2002. We believe that we have an excellent reputation with our customers for providing top quality products and customer service, as well as for timely delivery. We believe our existing product and market diversity combined with National's products and markets decreases the potential impact of a downturn in any product or industry.

EXPERIENCED, COMMITTED MANAGEMENT TEAM. Our business is managed by an experienced team of executive officers, led by Thomas J. Usher, our chairman and chief executive officer and John P. Surma, our president. Our management team includes many other experienced officers in each of the key functional areas, including operations, sales, marketing, accounting and finance. Together, our executives bring a substantial amount of steel industry experience to our business.

BUSINESS STRATEGY

CONTINUE TO GROW OUR HIGHER VALUE-ADDED CAPABILITIES. We are focused on providing value-added steel products to our target markets where we believe our leadership position, production and processing capabilities and technical service give us a competitive advantage. We continue to enhance our value-added businesses through the upgrading and modernization of our production facilities. We intend to expand our capabilities and market positions in our key markets. The acquisition of National's assets, which will further strengthen our position in automotive and tin mill products and enhance our value-added construction products business, is evidence of our commitment to this strategy.

EXPAND OUR GLOBAL BUSINESS PLATFORM. We plan to create a global company through the utilization of our European and domestic assets and the pursuit of further strategic opportunities that are consistent with our business strategy. Through our purchase of USSK, we initiated a major offshore expansion and followed many of our customers into the European market. Our subsidiary, U. S. Steel Balkan, has entered into agreements to acquire Sartid, a.d., an integrated steel producer in Serbia. We continue to explore additional opportunities for investment in Central and Western Europe to serve those customers who are seeking worldwide supply arrangements. We have submitted an offer to purchase Polskie Huty Stali, a holding company that owns four steel mills, including the two largest integrated steel mills, in Poland. We have also entered into a number of joint ventures with domestic and international partners to take advantage of market or manufacturing opportunities in the sheet, tin mill, tubular and plate consuming industries. Our long-range strategy is to operate a global company, integrating our European and domestic operations to best serve customers.

CONTINUE TO REDUCE COSTS. We previously announced a plan to reduce our domestic costs by $30 per ton over a three-year period beginning with 2002. Currently we are on pace to achieve this objective, which should ultimately result in annual operating savings of over $300 million, from 2001 levels, by the end of 2004. We also have a cost savings program at USSK, which has achieved cost savings of more than $30 per ton since our acquisition of USSK in November 2000. We are also targeting an additional $10 per ton in savings at USSK in 2003. In connection with our acquisition of National's assets, we have negotiated a new labor agreement with the United Steelworkers of America, which covers employees at our facilities and the acquired National facilities. We believe this new labor agreement provides us the flexibility to staff and operate the combined facilities with a more competitive cost structure. We believe the acquisition of National's assets would further reduce our costs per ton as a result of, among other things, increased scheduling and operating efficiencies, elimination of redundant overhead costs and reduction of freight costs.

RECENT DEVELOPMENTS

USWA AGREEMENT

In connection with our acquisition of the assets of National, we have reached a new labor agreement with the USWA, which will cover employees at our facilities and the acquired National facilities. The agreement is scheduled for a ratification vote by USWA membership in May. The new labor agreement expires in 2008 and provides for a workforce restructuring through which U. S. Steel expects to achieve productivity improvements of at least 20% at both U. S. Steel and the acquired National facilities. The agreement also enables U. S. Steel to introduce variable cost sharing mechanisms with respect to its employee and retiree healthcare expenses. U. S. Steel also anticipates realigning its non-represented staff in the near-term so as to achieve significant productivity gains, the effects of which are not reflected in the amounts below.

Implementation of the new labor agreement and related actions for U. S. Steel employees and retirees will result in pre-tax charges in 2003 broadly estimated to be $440 million, of which approximately $115 million for early retirement incentives is expected to have a cash impact in 2003. The balance of the charge mainly relates to the recognition of deferred actuarial losses as a result of an expected 2003 pension plan curtailment triggered by the anticipated early retirements.

U. S. Steel will record liabilities on its balance sheet related to current active National employees primarily for future retiree medical costs, subject to certain eligibility requirements. These liabilities are broadly estimated at $290 million, of which at least $35 million for early retirement incentives and lump sum payments to the Steelworkers Pension Trust is expected to have a cash impact in 2003. The Steelworkers Pension Trust is a multi-employer pension plan to which U. S. Steel will make defined contributions for all National union employees who join U. S. Steel and, in the future, for all new U. S. Steel employees represented by the USWA.

Included in the new labor agreement are three specific profit-based payments, calculated as percentages of income from operations and subject to various thresholds, which will increase the variable component of our costs. These profit-based payments include amounts: (1) paid as profit sharing to active employees; (2) used to offset a portion of future medical insurance premiums to be paid by U. S. Steel retirees; and (3) contributed to a trust administered by the USWA to assist National retirees with healthcare costs. U. S. Steel expects to record a balance sheet liability of approximately $100 million upon the closing of the National transaction which reflects U. S. Steel's estimate of the fair value of future contributions to the trust administered by the USWA.

PLAN MERGER

U. S. Steel intends to merge its two major pension plans covering benefits for most domestic U. S. Steel employees and retirees. Pension accounting rules require a remeasurement of the combined plans upon the merger. The remeasurement may require that U. S. Steel record an additional minimum liability, which would result in a non-cash net charge to equity in a range of $750 to $800 million. This estimate is based upon a number of assumptions including the value of plan assets and discount rates. Many of these factors historically have been volatile and the actual amount of the charge to equity may be materially different. It is possible that no charge may be incurred and even that the charge recorded in the fourth quarter of 2002 could be reversed. These entries will have no impact on income.

FIRST QUARTER OPERATING RESULTS

We reported revenues and other income of $1,907 million, a net loss of $38 million, net cash used in operating activities of $44 million and EBITDA of $46 million in the first quarter of 2003, compared with revenues and other income of $1,434 million, a net loss of $83 million, net cash provided from operating activities of $19 million and EBITDA of $27 million in the first quarter of 2002, and revenues and other income of $1,899 million, net income of $11 million, net cash provided from operating activities of $203 million and EBITDA of $86 million in the fourth quarter of 2002.

EBITDA represents net income before interest and other financial costs, provision for income taxes and depreciation, depletion, and amortization expense. EBITDA is not a measure of performance under generally accepted accounting principles (GAAP) and has been presented because we believe that investors use EBITDA to analyze operating performance, which includes the company's ability to incur additional indebtedness and to service existing indebtedness. EBITDA should not be considered in isolation or as a substitute for net income, net cash from operating activities or other income or cash flow statement data prepared in accordance with GAAP. In addition, comparability to other companies using similarly titled measures is not recommended due to differences in the definitions and methods of calculation used by various companies. The following table reconciles EBITDA to the most directly comparable GAAP measure of operating performance, which we believe to be net income (loss)

and to the most directly comparable GAAP measure of ability to service and incur indebtedness, which we believe to be cash provided from (used in) operating activities.

	THREE MONTHS ENDED		
(DOLLARS IN MILLIONS)	MARCH 31, 2003	MARCH 31, 2002	DECEMBER 31, 2002
EBITDA	$ 46	$ 27	$ 86
Less			
Cumulative effect of change in accounting principle	5	--	--
Depreciation, depletion and amortization	90	88	84
Net interest and other financial costs	38	34	30
Income tax provision (benefit)	(49)	(12)	(39)
Net income (loss)	(38)	(83)	11
Cumulative effect of change in accounting principle	5	--	--
Depreciation, depletion and amortization	90	88	84
Working capital changes	(62)	96	63
Other operating activities	(39)	(82)	45

Cash provided from (used in) operating activities......	$(44)	$ 19	$203

Higher prices for domestic natural gas, which averaged $7.21 per million BTU in the first quarter of 2003 as compared to $4.49 per million BTU in the fourth quarter of 2002, increased costs $54 million from first quarter of 2002 and $36 million from the fourth quarter of 2002. Pension and other postretirement benefit costs, excluding settlement charges, increased by $61 million versus first quarter 2002 and $50 million versus fourth quarter 2002.

Total liquidity as of March 31, 2003, was $1.15 billion, an increase of $122 million from year-end 2002, primarily due to net proceeds of $242 million from the convertible preferred stock offering that was completed in February 2003, partially offset by first quarter cash requirements.

SALE OF COAL MINING ASSETS

As part of our strategy to monetize our non-strategic assets, we are negotiating an asset purchase agreement to sell all of the coal and related assets associated with U. S. Steel's coal mining business for approximately $57 million. We anticipate that this sale will result in a pre-tax loss of approximately $9 million. In addition, we remain secondarily liable for the withdrawal fee in the event the purchaser withdraws from the multiemployer pension plan covering employees of the mining business within five years of the closing date. The withdrawal fee is currently broadly appraised at approximately $80 million. In addition to the loss on the sale of these assets, we will recognize the present value of obligations related to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992. These obligations, which were broadly estimated to be $76 million at December 31, 2002, and would result in an extraordinary loss of approximately $50 million on an after-tax basis, will be recognized when the sale is consummated. U. S. Steel Mining recorded income from operations in 2002 of $42 million, which included $38 million resulting from a federal excise tax refund. U. S. Steel Mining recorded operating losses in each of the four years prior to 2002.

THE OFFERING

The following brief summary contains basic information about this offering. The summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus supplement. For a more detailed description of the notes, see "Description of the notes."

ISSUER....................... United States Steel Corporation.

SECURITIES OFFERED........... $ million aggregate principal amount of % Senior Notes due 2010 (the "notes").

MATURITY..................... , 2010.

INTEREST PAYMENT DATES........ and of each year, beginning on , 2003.

RANKING...................... The notes:

-- are unsecured;

-- will rank equally in right of payment with all of the existing and future senior unsecured indebtedness of U. S. Steel;

-- will rank senior in right of payment to all of our existing and future subordinated indebtedness; and

-- are effectively junior to any of our secured debt and any indebtedness of USSK or other subsidiaries of ours from time to time outstanding.

As of March 31, 2003, we had $1.05 billion of senior unsecured indebtedness, no subordinated indebtedness and $383 million of secured debt and indebtedness of USSK.

OPTIONAL REDEMPTION...........	At any time prior to , 2006, we may redeem up to 35% of the aggregate principal amount of the notes with the proceeds of public offerings of certain of our capital stock at a redemption price of % of the principal amount plus accrued interest.
	On and after , 2007, we may redeem all or a portion of the notes in cash at the redemption prices described in the section entitled "Description of the notes--Optional redemption" plus accrued and unpaid interest.
CHANGE OF CONTROL OFFER.......	Upon a change of control (as defined under "Description of the notes--Change of control offer"), we are required to make an offer to repurchase the notes. The purchase price will equal 101% of the principal amount of the notes plus accrued interest. For more details, see the

section entitled "Description of the notes--Change of control offer." We cannot assure you that upon a change of control we will have sufficient funds to repurchase any of the notes.

CERTAIN COVENANTS.............	We will issue the notes under an indenture with The Bank of New York, as trustee. The indenture will, among other things, restrict our ability and the ability of all or some of our subsidiaries to:

-- incur additional debt;

-- make certain restricted payments, including without limitation, investments;

-- issue or sell capital stock of subsidiaries;

-- engage in transactions with

affiliates;

-- create liens on our or their assets to secure indebtedness;

-- transfer or sell assets;

-- restrict dividend or other payments to U. S. Steel from its subsidiaries; and

-- consolidate, merge or transfer all or substantially all of U. S. Steel's assets and the assets of its subsidiaries.

These covenants are subject to important exceptions and qualifications, which are described in the "Description of the notes--Certain covenants" section of this prospectus supplement.

INVESTMENT GRADE FALL-AWAY COVENANTS.....................	Following the first day that: -- the notes have an Investment Grade Rating from both Standard & Poor's and Moody's; and -- no Default has occurred and is continuing under the Indenture, we will no longer be subject to certain of the covenants referred to above unless and until one of Standard & Poor's and Moody's either withdraws its rating or downgrades the rating of the notes below investment grade.
USE OF PROCEEDS...............	The net proceeds from this offering will be used to finance the National transaction.
RISK FACTORS..................	You should consider carefully all the information in this prospectus supplement and the accompanying prospectus and in particular the sections entitled "Risk factors" for an explanation of the risks of investing in the notes.

SUMMARY FINANCIAL DATA

The following table sets forth summary financial data for U. S. Steel. Prior to December 31, 2001, the businesses of U. S. Steel comprised an operating unit of USX Corporation, now named Marathon Oil Corporation (Marathon). Marathon had two outstanding classes of common stock: USX-Marathon Group common stock, which was intended to reflect the performance of Marathon's energy business, and USX-U. S. Steel Group common stock (Steel Stock), which was intended to reflect the performance of Marathon's steel business. On December 31, 2001, U. S. Steel was capitalized through the issuance of 89.2 million shares of common stock to holders of Steel Stock in exchange for all outstanding shares of Steel Stock on a one-for-one basis (the Separation). Consolidated balance sheet data as of

December 31, 2002 and 2001, and statement of operations data for the year ended December 31, 2002, reflect U. S. Steel as a separate, stand-alone entity. All other balance sheet and statement of operations data presented in the table below represent a carve-out presentation of the business comprising U. S. Steel, and are not intended to be a complete presentation of the financial position or results of operations for U. S. Steel on a stand-alone basis. This information should be read in conjunction with the more detailed information and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2002, and the additional reports and documents also incorporated by reference in the accompanying prospectus.

The following table also includes unaudited pro forma balance sheet information as of December 31, 2002, and statement of operations data and other operating data for the twelve months ended December 31, 2002, giving effect to the acquisition of substantially all of the assets of National, including the effects of the new labor agreement with the USWA as it relates to National's employees and the associated financing incurred by U. S. Steel to complete the acquisition, as well as the sale of the assets of U. S. Steel's coal mining business. This information is presented for illustrative purposes only and is not necessarily indicative of the future operating results or financial position of U. S. Steel. This information should be read in conjunction with the unaudited pro forma financial statements of U. S. Steel, including the notes thereto, included elsewhere in this prospectus supplement.

(DOLLARS IN MILLIONS)	PRO FORMA (UNAUDITED) 2002	YEAR ENDED DEC 2002	2001	2000	1999
STATEMENT OF OPERATIONS DATA: (1)					
Total revenues and other income(2)	$ 9,411	$ 7,054	$ 6,375	$ 6,132	$ 5,467
Costs and expenses	9,246	6,926	6,780	6,028	5,320
Income (loss) from operations	165	128	(405)	104	147
Net interest and other financial costs	156	115	141	105	82
Income (loss) before income taxes	9	13	(546)	(1)	65
Income tax provision (benefit)	(34)	(48)	(328)	20	21
Net income (loss)(3)	43	61	(218)	(21)	44
OTHER OPERATING DATA: (1)					
Net cash provided from (used in) operating activities (operating cash flow)	N/A	279	669	(627)	(80)
Ratio of operating cash flow to net interest expense and other financial costs	N/A	2.43x	4.74x	--	--
Ratio of total debt to operating cash flow	N/A	5.14x	2.19x	--	--
EBITDA(4)	553	478	(61)	464	451
Ratio of EBITDA to net interest and other financial costs(4)	3.54x	4.16x	--	4.42x	5.50x
Ratio of total debt to EBITDA(4)	3.23x	3.00x	--	5.81x	2.58x
Ratio of earnings to fixed charges(5)	N/A	1.04x	--	1.13x	2.33x
Capital expenditures	N/A	258	287	244	287
Steel shipments (in thousands of tons)					
--Domestic	15,992	10,673	9,801	10,756	10,629
--USSK	3,949	3,949	3,714	317	--
BALANCE SHEET DATA: (1)					
Cash and cash equivalents	$ 300	$ 243	$ 147	$ 219	$ 22

Working capital	1,310	1,068	815	1,326	697
Pension asset	1,654	1,654	2,745	2,672	2,404
Total assets	9,170	7,977	8,337	8,711	7,525
Long-term employee benefit obligations	2,869	2,601	2,008	1,767	2,245
Total debt(6)	1,788	1,434	1,466	2,694	1,164
Stockholders' equity	2,211	2,027	2,506	1,919	2,056

(1) For a discussion of events affecting the comparability of the historical amounts presented, see Note 2, "The Separation" and Note 5, "Business Combinations" of the notes to our audited financial statements included elsewhere in this prospectus supplement. In addition, certain amounts from the statement of operations for the year 1999 have been restated to reflect the reclassification of extraordinary losses of $7 million, net of tax, recognized in 1999 in accordance with Statement of Financial Accounting Standards (SFAS) No. 145. The following restatements have been made: (a) revenues and other income was reduced by $3 million for our share of the extraordinary loss recorded by an equity investee related to the early extinguishment of their debt, (b) net interest and other financial costs increased by $8 million related to U. S. Steel's early extinguishment of its indexed debt, and (c) the provision for income taxes was reduced by $4 million for the related tax effects of items (a) and (b) above. These restatements also reduced income from operations by $3 million, income before income taxes by $11 million, and the financial statement line items for income before extraordinary items and extraordinary items have been removed from the summary. Net income was unaffected by these changes. For additional discussion of SFAS No. 145 see Note 4 to U. S. Steel's audited financial statements located elsewhere in this prospectus supplement.

(2) Consists of revenues, dividend and investee income (loss), net gains (losses) on disposal of assets, and other income.

(3) For discussion of the effects of adopting SFAS No. 143 effective January 1, 2003, see "U. S. Steel selected financial information."

(4) EBITDA represents net income before interest and other financial costs, provision for income taxes and depreciation, depletion, and amortization expense. EBITDA is not a measure of performance under GAAP and has been presented because we believe that investors use EBITDA and the associated ratios to analyze operating performance, which includes the company's ability to incur additional indebtedness and to service existing indebtedness. EBITDA should not be considered in isolation or as a substitute for net income, net cash from operating activities or other income or cash flow statement data prepared in accordance with GAAP. In addition, comparability to other companies using similarly titled measures is not recommended due to differences in the definitions and methods of calculation used by various companies. The indenture for the notes contains covenants based in part on meeting a minimum fixed charge coverage ratio that includes a differently defined measure of EBITDA. See "Description of the notes--Certain definitions--EBITDA."

The following table reconciles EBITDA to the most directly comparable GAAP measure of operating performance, which we believe to be net income (loss) and to the most directly comparable GAAP measure of ability to service and incur indebtedness, which we believe to be cash provided from (used in) operating activities. No reconciliation of pro forma EBITDA to pro forma net cash provided from (used in) operating activities is presented since pro forma cash flow information is prohibited by SEC regulations.

(DOLLARS IN MILLIONS)	PRO FORMA 2002	2002	2001	2000	1999
EBITDA	$553	$478	$ (61)	$ 464	$ 451
Less:					
Depreciation, depletion and amortization	388	350	344	360	304
Net interest and other financial costs	156	115	141	105	82
Income tax provision (benefit)	(34)	(48)	(328)	20	21
Net income (loss)	43	61	(218)	(21)	44
Depreciation, depletion and amortization		350	344	360	304
Pensions and other postretirement benefits		87	(57)	(847)	(256
Deferred income taxes		(39)	18	389	107
Net gains on disposal of assets		(29)	(22)	(46)	(21
Income (loss) from equity investees, net of distributions		(9)	(47)	18	94
Changes in working capital		(69)	577	(588)	(337
All other--net		(73)	74	108	(15
Net cash provided from (used in) operating activities		279	669	(627)	(80

(5) For purposes of calculating the ratio of earnings to fixed charges, "earnings" are defined as income before income taxes and extraordinary items adjusted for distributions from equity investees. "Fixed charges" consist of interest, whether expensed or capitalized, on all indebtedness, amortization of premiums, discounts and capitalized expenses related to indebtedness, and an interest component equal to one-third of rental expense, representing that portion of interest expense that management believes is attributable to interest. Earnings did not cover fixed charges by $586 million for the year ended December 31, 2001.

(6) Total debt consists of notes payable, current portion of long-term debt, long-term debt, trust preferred securities and preferred stock of a subsidiary. The trust preferred securities and preferred stock of a subsidiary were either redeemed or retained by Marathon in connection with the Separation.

RISK FACTORS

In addition to the risk factors disclosed in the accompanying prospectus, the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, the following factors should be carefully considered prior to deciding whether to purchase the notes.

RISKS RELATED TO THE NATIONAL TRANSACTION

WE MAY BE UNABLE TO SUCCESSFULLY INTEGRATE NATIONAL'S OPERATIONS AND REALIZE THE FULL COST SAVINGS WE ANTICIPATE.

The process of integrating the operations of National could cause an interruption of, or loss of momentum in, the activities of our or National's business or the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered with the integration of National's operations could have an adverse effect on our business, results of operations and financial condition. Among the factors considered by our board of directors in approving the National transaction were the anticipated cost savings and operating synergies that could result from the National transaction, including the anticipated cost savings under the new labor agreement with the United Steelworkers of America, which is subject to ratification by the union. We cannot give any assurance that these savings will be realized within the time periods contemplated or that they will be realized at all.

WE WILL INCUR SIGNIFICANT ADDITIONAL INDEBTEDNESS AS A RESULT OF THE NATIONAL TRANSACTION.

We intend to finance a portion of the purchase price of the National transaction with the proceeds of this offering. Upon completion of the National transaction and the notes offering, our indebtedness will increase to approximately $1.8 billion. We also intend to use proceeds from the sale of 7.00% Series B Mandatory Convertible Preferred Shares, which were issued in February 2003 and sales of receivables under our receivables sales program to fund the remainder of the purchase price.

WE WILL INCUR SIGNIFICANT LIABILITIES, SOME OF WHICH WILL HAVE A CASH IMPACT IN 2003, AS A RESULT OF OUR NEW LABOR AGREEMENT.

Balance sheet liabilities related to current active National union employees, primarily for future retiree medical costs, are broadly estimated at $290 million and include at least $35 million for early retirement incentives and other payments that will have a cash impact in 2003. We will incur pre-tax charges in 2003 broadly estimated to be $440 million related to U. S. Steel union employees and retirees, of which approximately $115 million for early retirement incentives are expected to have a cash impact in 2003. We may also incur significant liabilities related to a reduction of our non union workforce.

THE NATIONAL TRANSACTION WILL RESULT IN COSTS OF INTEGRATION AND TRANSACTION EXPENSES.

We expect to incur charges to reflect costs of integration, including information technology integration, as well as transaction fees and other expenses related to the National transaction. Integration-related costs will be recognized as integration-related activities take place subsequent to the closing of the National transaction. Although we expect that the elimination of duplicative costs, as well as the realization of other benefits related to the integration of

National's business, may offset additional expenses over time, we cannot give any assurance that a net benefit will be achieved in the near term or at all. In addition, we must renegotiate contractual arrangements with a number of National's suppliers, vendors and lessors. Actual costs may substantially exceed estimates. Unanticipated expenses associated with the integration of National's operations may also arise.

THERE MAY BE UNKNOWN ENVIRONMENTAL OR OTHER RISKS INHERENT IN THE NATIONAL TRANSACTION.

Although we have conducted due diligence with respect to National, we may not be aware of all of the risks associated with the National transaction. For example, we may not be aware of all of the existing environmental conditions at the National facilities we are acquiring. Any discovery of adverse information concerning National after the closing of the transaction could have a material adverse effect on our business, financial condition and results of operations. We are not entitled to seek indemnification from National. Following completion of the National transaction, we will need to make capital expenditures, which may be significant, to maintain the assets we acquire and to comply with regulatory requirements, including environmental laws.

CUSTOMERS MAY PURCHASE LESS FROM US FOLLOWING THE NATIONAL TRANSACTION THAN THEY DID FROM NATIONAL AND US PRIOR TO THE NATIONAL TRANSACTION.

Customers who purchase steel from us and National may not buy as much steel from us after the National transaction as they previously bought from the separate companies, in order to diversify their suppliers. They may also seek to negotiate price concessions from us.

THE NATIONAL TRANSACTION MAY GO FORWARD IN CERTAIN CIRCUMSTANCES EVEN IF NATIONAL SUFFERS A MATERIAL ADVERSE CHANGE.

In general, we can refuse to complete the National transaction if there is a material adverse change affecting National before the closing. We may nevertheless elect to complete the transaction even if there is a material adverse change. In addition, we may not refuse to complete the transaction if the material adverse change results from:

-- changes in economic or business conditions generally or in the steel industry specifically, unless National is materially disproportionately affected by such changes;

-- changes in laws and regulations impacting the steel industry generally, other than the termination of, or the granting of additional exclusions from, the Section 201 relief; or

-- changes resulting from the execution or announcement of the purchase agreement.

If a material adverse change occurs and we were nevertheless obligated to, or we chose to, complete the National transaction, our business, results of operations and financial condition could be adversely affected.

RISKS RELATED TO OUR BUSINESS

In addition to the risks described below, there are other risks related to our business, some of which are described in "Risk factors--Risks related to our business," in the attached prospectus.

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OVERCAPACITY IN THE STEEL INDUSTRY MAY NEGATIVELY AFFECT OUR PRODUCTION LEVELS.

There is an excess of global steelmaking capacity over global consumption of steel products. Recently, a number of domestic steel facilities that had been closed have become operational again, contributing to the overcapacity. This has caused shipments and prices for our domestic operations to vary from year to year and quarter to quarter, affecting our results of operations and cash flows. From 1997 through 2002, our domestic steel shipments have varied from a high of 11.6 million net tons in 1997 to a low of 9.8 million net tons in 2001. Domestic production levels as a percentage of capacity during this period have ranged from a high of 96.5% in 1997 to a low of 78.9% in 2001. Many factors influence these results, including demand in the domestic market, international currency conversion rates and domestic and international government actions.

OUR BUSINESS IS CYCLICAL. FUTURE ECONOMIC DOWNTURNS, A STAGNANT ECONOMY OR CURRENCY FLUCTUATIONS MAY ADVERSELY AFFECT OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Demand for most of our products is cyclical in nature and sensitive to general economic conditions. Our business supports cyclical industries such as the automotive, appliance, construction and energy industries. As a result, future downturns in the U.S. or European economy or in any of these industries could adversely affect our results of operations and cash flows. Because we and other integrated steel producers generally have high fixed costs, reduced volumes result in operating inefficiencies, such as those experienced in 2001. From 1997 through 2002, our net income has varied from a high of $452 million in 1997 to a loss of $218 million in 2001 (which included $110 million of income from operations attributable to USSK) as our domestic steel shipments during that period have varied from a high of 11.6 million net tons in 1997 to a low of 9.8 million net tons in 2001 (which does not include 3.7 million net tons shipped by USSK). Future economic downturns, a stagnant economy or currency fluctuations, such as an increase in the strength of the dollar, which would lead to a decrease in the cost of imported products, may adversely affect our business, results of operations and financial condition.

HIGH ENERGY COSTS ADVERSELY IMPACT OUR RESULTS OF OPERATIONS.

Our operations consume large amounts of energy and we consume significant amounts of natural gas. Domestic natural gas prices increased from an average of $2.74 per million BTU in 1999 to an average of $4.96 per million BTU in 2001. Natural gas prices averaged $3.43 per million BTU in the first nine months of 2002, increased to $4.49 per million BTU in the fourth quarter of 2002, and to $7.21 per million BTU in the first quarter of 2003. Although gas prices have decreased from first quarter 2003 levels, average natural gas prices for 2003 are expected to be higher than average natural gas prices for 2002. An increase in natural gas prices would increase our costs and adversely impact our results of operations.

WE HAVE A SUBSTANTIAL AMOUNT OF INDEBTEDNESS AND OTHER OBLIGATIONS, WHICH COULD LIMIT OUR OPERATING FLEXIBILITY AND OTHERWISE ADVERSELY AFFECT OUR FINANCIAL CONDITION.

As of December 31, 2002, we were liable for indebtedness of approximately $1.4 billion. Upon completion of the National transaction and the notes offering, our indebtedness will increase to approximately $1.8 billion and we expect to have sold approximately $300 million of receivables under our receivables sales program. This does not include obligations of Marathon for which we are contingently liable and that are not recorded on our balance sheet. As of December 31, 2002, such obligations of Marathon were $168 million. We may incur other

indebtedness in connection with the National transaction for working capital, to refinance a portion of our existing indebtedness or for other purposes. This substantial amount of indebtedness and the covenants to which we are subject under the terms of this indebtedness could limit our operating flexibility and otherwise adversely affect our financial condition. Our high degree of leverage could have important consequences to you, including the following:

-- our ability to satisfy our obligations with respect to any other debt securities or preferred stock may be impaired in the future;

-- it may become difficult for us to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions or general corporate or other purposes in the future;

-- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;

-- some of our borrowings are and are expected to be at variable rates of interest (including borrowings under our inventory credit facility), which will expose us to the risk of increased interest rates;

-- the sale prices, costs of selling receivables and amounts available under our receivables sales program fluctuate due to factors that include the amount of eligible receivables available, the costs of the commercial paper funding and our long-term debt ratings; and

-- our substantial leverage may limit our flexibility to adjust to changing economic or market conditions, reduce our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions.

OUR BUSINESS REQUIRES SUBSTANTIAL DEBT SERVICE, CAPITAL INVESTMENT, OPERATING LEASE, CAPITAL COMMITMENTS AND MAINTENANCE EXPENDITURES THAT WE MAY BE UNABLE TO FULFILL.

With approximately $1.4 billion of debt outstanding as of December 31, 2002, and $1.8 billion after giving effect to this offering, we have substantial debt service requirements. Based on this outstanding debt, almost all of which is at fixed rates, we will annually have interest and other financial cost payments of approximately $165 million after giving effect to this offering and the sale of receivables under our receivables sales program. For information about principal payments, see the table of contractual obligations on page S-58.

Our operations are capital intensive. For the five-year period ended December 31, 2002, total capital expenditures were $1.4 billion. Capital expenditures in 2003, including capital expenditures relating to the assets we acquire from National and Sartid, are expected to be approximately $350 million. Our business also requires substantial expenditures for routine maintenance. USSK has a commitment to the Slovak government for a capital improvements program over a period commencing with the acquisition date and ending on December 31, 2010, and, as of December 31, 2002, the remaining commitment under this program was $541 million. At December 31, 2002, our domestic contract commitments to acquire property, plant and equipment totaled $24 million. We are required to make a final payment of $38 million in July of 2003 in connection with our acquisition of USSK.

As of December 31, 2002, we were obligated to make aggregate lease payments of $499 million under operating leases. Some of our operating lease agreements include

contingent rental charges that are not determinable to any degree of certainty. These charges are primarily based on utilization of the power generation facility at our Gary Works location and operating expenses incurred related to our headquarters' office space. Upon completion of the National transaction, we would be obligated to make additional aggregate lease payments over the next five years of approximately $164 million under operating leases relating to the acquired assets.

As of December 31, 2002 we had contingent obligations consisting of indemnity obligations under active surety bonds, trusts and letters of credit being used for financial assurance totaling approximately $144 million, guarantees of approximately $27 million of indebtedness for unconsolidated entities and commitments under take or pay arrangements of approximately $717 million. As the general partner of the Clairton 1314B Partnership, L.P., we are obligated to fund cash shortfalls incurred by that partnership but may withdraw as the general partner if we are required to fund in excess of $150 million in operating cash shortfalls. As of December 31, 2002, we were also contingently liable for $168 million of debt and other obligations of Marathon. In addition, upon completion of the sale of the assets of the coal mining business U. S. Steel will remain secondarily liable for a withdrawal fee under a multiemployer plan, which fee is broadly appraised to be approximately $80 million.

Our business may not generate sufficient operating cash flow or external financing sources may not be available in an amount sufficient to enable us to service or refinance our indebtedness or to fund other liquidity needs.

RATING AGENCIES MAY DOWNGRADE OUR CREDIT RATINGS, WHICH WOULD INCREASE OUR FINANCIAL COSTS AND MAKE IT MORE DIFFICULT FOR US TO RAISE CAPITAL.

The fees payable and the amount of receivables eligible under our receivables sales program are determined, in part, by our credit ratings. In January 2003, following our announcement that we had entered into an asset purchase agreement with National, rating agencies placed our credit ratings under review. If our credit ratings are downgraded as a result of the acquisition of National's assets, any future acquisitions that we may make or any other factor:

-- the fees payable under our receivables sales program would increase; and

-- the amount of receivables eligible for sale under our receivables sales program could be reduced.

In addition, a downgrade in our credit ratings could make capital raising more difficult and increase the cost of future borrowings.

MANY LAWSUITS HAVE BEEN FILED AGAINST US INVOLVING ASBESTOS-RELATED INJURIES, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL POSITION.

We are a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Almost all of these cases involve multiple plaintiffs and multiple defendants. These claims fall into three major groups: (1) claims made under certain federal and general maritime laws by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who performed work at U. S. Steel facilities; and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. These cases allege a variety of respiratory and other diseases based on alleged exposure to asbestos contained in a U. S. Steel electric cable product or to asbestos on U. S. Steel's vessels and premises;

approximately 200 plaintiffs allege they are suffering from mesothelioma. While U. S. Steel has excess casualty insurance, these policies have multi-million dollar self insured retentions and, to date, U. S. Steel has not received any payments under these policies relating to asbestos claims. In most cases, this excess casualty insurance is the only insurance applicable to asbestos claims.

In 2000, we settled 22 claims for an aggregate total payment of approximately $80,000; in 2001, we settled approximately 11,000 claims for an aggregate total payment of approximately $190,000; and, in 2002, we settled approximately 1,100 claims for an aggregate total payment of approximately $700,000. In those three years, 3,860, 1,679 and 842, respectively, new claims were filed.

On March 28, 2003, a jury in Madison County, Illinois returned a verdict against U. S. Steel for $50 million in compensatory damages and $200 million in punitive damages. The plaintiff, an Indiana resident, alleged he was exposed to asbestos while working as a U. S. Steel employee at our Gary Works in Gary, Indiana from 1950 to 1981 and that he suffers from mesothelioma as a result. U. S. Steel believes the plaintiff's exclusive remedy was provided by the Indiana workers' compensation law and that this issue and other errors at trial would have enabled U. S. Steel to succeed on appeal. However, in order to avoid the delay and uncertainties of further litigation and having to post an appeal bond equal to the amount of the verdict and to allow U. S. Steel to actively pursue its current acquisition activities and other strategic initiatives, U. S. Steel settled this case and the impact was included in our results for the first quarter of 2003. While we believe this verdict was aberrational, we cannot assure you that we will not experience additional large judgments against us in the future, and we cannot predict whether this jury verdict will have any impact upon the number of claims filed against us in the future or on the amount of future settlements.

OUR PARTICIPATION IN CONSOLIDATION OF THE STEEL INDUSTRY COULD ADVERSELY AFFECT OUR BUSINESS.

We have had and continue to have discussions with several parties regarding consolidation opportunities. In order to complete possible future acquisitions, we may incur additional indebtedness, utilize availability under our receivables sales program or inventory credit facility or otherwise use our liquidity. The incurrence of additional debt or the utilization of our existing liquidity could increase our interest expense and otherwise adversely affect our financial condition, operating results and cash flow.

Possible future acquisitions could result in the incurrence of additional debt and related interest expense, underfunded pension and other postretirement obligations, contingent liabilities and amortization expenses related to intangible assets, all of which could have a material adverse effect on our financial condition, credit ratings, operating results and cash flow.

Many of the available acquisition targets have incurred operating losses in recent years and may require significant capital and operating expenditures to return them to profitability. Financially distressed steel companies typically do not maintain their assets adequately. Such assets may need significant repairs and improvements. We may also have to buy sizable amounts of raw materials, spare parts and other materials for these facilities before they can resume profitable operation. Many potential acquisition candidates are financially distressed steel companies that may not have maintained appropriate environmental programs. These problems may require significant expenditures.

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OUR INTERNATIONAL OPERATIONS EXPOSE US TO UNCERTAINTIES AND RISKS FROM ABROAD, WHICH COULD NEGATIVELY AFFECT OUR RESULTS OF OPERATIONS.

USSK, located in the Slovak Republic, constitutes 28% of our total raw steel capability and accounted for 17% of revenue and other income for 2002. USSK exports about 80% of its products, with the majority of its sales being to other European countries. USSK is affected by the worldwide overcapacity in the steel industry and the cyclical nature of demand for steel products and that demand's sensitivity to worldwide general economic conditions. In particular, USSK is subject to economic conditions and political factors in Europe, which if changed could negatively affect its results of operations and cash flow. Political and economic factors include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation, export quotas, tariffs and other protectionist measures. USSK is also subject to foreign currency exchange risks because its revenues are primarily in euros and its costs are primarily in Slovak korunas and United States dollars. The Slovak Republic has been accepted for membership in the European Union and entry is expected to occur in May 2004. Upon entry to the European Union, the Slovak Republic may be required to amend its environmental, tax and other laws. Changes in those laws could adversely impact USSK. Acquisitions of additional international operations would increase our exposure to these risks and uncertainties. Our acquisition of Sartid, located in Serbia, is targeted for completion in the third quarter of 2003. In addition, we have submitted an offer to purchase Polskie Huty Stali, a holding company that owns four steel mills, including the two largest integrated steel mills, in Poland. Either or both of these acquisitions would increase our exposure to the factors discussed above.

IMPORTS OF STEEL MAY DEPRESS DOMESTIC PRICE LEVELS AND HAVE AN ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS AND CASH FLOWS.

Steel imports to the United States accounted for an estimated 26% of the domestic steel market for the year 2002 and 24% for the year 2001. We believe steel imports into the United States involve widespread dumping and subsidy abuses and the remedies provided by United States law to private litigants are insufficient to correct these problems. Imports of steel involving dumping and subsidy abuses depress domestic price levels and have an adverse effect upon our revenue, income and cash flows. Over the past six years, the average transaction prices for our domestic steel products have decreased from a high of $479 per net ton in 1997 to a low of $427 per net ton in 2001.

THE REMEDIES UNDER SECTION 201 OF THE TRADE ACT, WHICH WILL BE FURTHER REDUCED IN 2004 AND ARE SET TO EXPIRE IN 2005, HAVE BEEN CHALLENGED BY THE WORLD TRADE ORGANIZATION.

The trade remedies announced by President Bush, under Section 201 of the Trade Act of 1974, on March 5, 2002 became effective for imports entering the United States on and after March 20, 2002 and are intended to provide protection against imports from certain countries for a period of three years. Slab imports are subject to a quota of 5.9 million tons until March 2004 on product shipped from countries other than Canada and Mexico, with excess imports subject to a tariff of 30%. The annual quota increases to 6.4 million tons in March 2004. Imports of finished carbon and alloy steel products (hot-rolled, cold-rolled and coated sheet, as well as plate and tin mill products) from developed countries are subject to a tariff that decreased from 30% to 24% in March 2003 and will decrease to 18% in March 2004. Imports of these finished products from developing countries are subject to an anti-surge mechanism to ensure they do not substantially increase their shipments from historic levels.

The reduction of tariffs and increase in quotas could have an adverse effect on our results, particularly if the economy suffers a downturn. Imports of finished flat-rolled products from

Canada and Mexico are not subject to the import remedies announced by the President. Since March 5, 2002 the Department of Commerce and the Office of the United States Trade Representative have announced the exclusion of 1,022 products from the trade remedies, including 295 products that were excluded in March 2003. The exclusions granted impact a number of products we produce and have weakened the protection initially provided by this relief. Various countries have challenged President Bush's action with the World Trade Organization and taken other actions responding to the Section 201 remedies. In May 2003, the World Trade Organization issued a final ruling against the Section

201 remedies. Although President Bush's administration has indicated preliminarily that it will appeal the ruling, we cannot predict whether the administration will appeal the ruling or the likelihood of success of any appeal. In addition, as provided by President Bush when he announced the Section 201 action in March 2002, the U.S. International Trade Commission announced on March 5, 2003 that it had initiated a mid-term review of the Section 201 remedies and would recommend to the President whether the remedies should remain in effect. Also, on April 4, 2003, the ITC announced that, at the request of the House Committee on Ways and Means, it was instituting a general factfinding investigation under Section 232 of the Tariff Act of 1930 to examine the impact of the Section 201 tariffs on the domestic steel-consuming industries.

TRADE RESTRICTIONS IMPOSED BY OTHER COUNTRIES AFFECT OUR EXPORTS.

The European Commission recently announced quotas and tariffs in a safeguard trade action on certain products, including non-alloy hot-rolled coils, hot-rolled strip, hot-rolled sheet and cold-rolled flat products, which are produced by USSK. Shipment quotas for these products for the first year of the measure were set at 10% above the average shipments during the period 1999-2001 and 15% thereafter. Shipments into the European Union in excess of the quotas would result in the imposition of a tariff of 15.7% for non-alloy hot-rolled coils (14.1% beginning in March 2004) and 26% for the other three products expire in March 2005. The safeguard measures and any anti-dumping measures would terminate upon Slovakia becoming a member of the European Union which is expected to occur in May 2004.

Safeguard proceedings similar to those pursued by the European Commission were subsequently commenced by Poland and Hungary. Provisional quota and tariff measures have been imposed in Poland and Hungary, which measures were replaced by similar definitive measures on March 8, 2003 (Poland) and March 28, 2003 (Hungary). On April 30, 2003, the Czech Republic's Trade Ministry published its decision dismissing the safeguard proceedings in that country, based upon its conclusion that the conditions for the imposition of such measures were not met.

OUR PENSION OBLIGATIONS AND THE INVESTMENT PERFORMANCE OF OUR PENSION PLAN EQUITY HOLDINGS MAY UNFAVORABLY IMPACT OUR RESULTS OF OPERATIONS, FUTURE PROFITABILITY AND CASH FLOW.

The investment performance of our pension plan equity holdings over the last three years will unfavorably impact net periodic pension cost during 2003 through the use of a lower asset base in calculating expected return on plan assets and may impact future profitability and liquidity, which could affect debt covenants and borrowing arrangements. At the end of the fourth quarter of 2002, the accumulated benefit obligations of the union pension plan exceeded the fair value of the plan assets by approximately $540 million. In the fourth quarter of 2002, we also recorded a pre-tax pension settlement loss of $90 million for the nonunion qualified pension plan.

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Based on preliminary actuarial evaluations as of January 2003, we expected annual pension costs for 2003 to be $65 million. In 2002, we recorded a credit of $103 million for pensions (excluding settlements of $100 million). Pension costs were expected to increase from 2002 primarily because of lower plan assets, average asset return assumptions that were reduced from 8.8% to 8.2% and a discount rate that was reduced from 7.0% to 6.25%. The funded status of the projected pension benefit obligation declined from an over-funded position of $1.2 billion at year end 2001 to an under-funded position of $0.4 billion at year end 2002. Based on charges associated with the expected union workforce reductions in 2003, one-time pension charges of approximately $285 million would occur. In addition, following the workforce reduction, pension expense would increase beyond the $65 million previously expected to approximately $145 million, assuming a mid-year valuation of the workforce reductions. In addition, pension expense will increase due to defined contributions to the Steelworkers Pension Trust for union employees of National who join U. S. Steel. These estimates are forward-looking statements. Predictions regarding the return on plan assets and the resulting pension expenses are subject to substantial uncertainties such as (among other things) investment performance and interest rates.

U. S. Steel intends to merge its pension plan for current U. S. Steel union employees and retirees and its pension plan for nonunion employees and retirees. Preliminary funding valuations indicate that the merged plan will not require funding for the 2003 or 2004 plan years. Thereafter, we currently anticipate annual funding requirements broadly estimated to be approximately $90 million per year. We may also make voluntary contributions in one or more future periods in order to mitigate potentially larger required contributions in later years. The actual level of funding will depend upon various factors such as future asset performance, the level of interest rates used to measure ERISA minimum funding levels, the impacts of business acquisitions or sales, union negotiated changes and future government regulation. Any such funding requirements could have an unfavorable impact on our debt covenants, borrowing arrangements and cash flows.

OUR RETIREE EMPLOYEE HEALTH CARE AND RETIREE LIFE INSURANCE COSTS ARE HIGHER THAN THOSE OF MANY OF OUR COMPETITORS.

We maintain defined benefit retiree health care and life insurance plans covering substantially all domestic employees upon their retirement. Health care benefits are provided through comprehensive hospital, surgical and major medical benefit provisions or through health maintenance organizations, both subject to various cost-sharing features. Life insurance benefits are provided to nonunion retiree beneficiaries primarily based on employees' annual base salary at retirement. For domestic union retirees, benefits are provided for the most part based on fixed amounts negotiated in labor contracts with the appropriate unions. In 2002, we recorded a $138 million expense for retiree medical and life insurance, excluding multiemployer plans. Based on preliminary actuarial valuations for 2003, we expected annual retiree medical and life insurance expense to be $203 million, excluding multi-employer plans. The anticipated increase primarily reflected unfavorable health care claims cost experience in 2002 for union retirees, the use of a discount rate of 6.25% rather than 7.0% and higher assumed medical cost inflation. For 2003, a 10% annual rate of increase in the per capita cost of covered health care benefits has been assumed; this rate was assumed to decrease gradually to 4.75% for 2010 and remain at that level thereafter. Following the workforce reduction, we expect annual retiree medical and life insurance expense to decrease from the $203 million previously expected to approximately $190 million, excluding multiemployer plans, assuming a mid-year valuation of the workforce reductions. As a result of the above factors and payments made in 2002 from

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benefit plans, our underfunded benefit obligations for retiree medical and life insurance increased from $1.8 billion at year-end 2001 to $2.6 billion at year-end 2002. We estimate that our underfunded benefit obligation at year-end 2003 will also be $2.6 billion as the favorable impact of the new labor agreement is offset by the inclusion of active employees at the National facilities and payments in 2003 out of the voluntary employee benefit trust we maintain for union retirees. Despite the decline in overall liabilities, they remain significantly higher than many of our competitors. In addition, a one-time charge of approximately $40 million is expected to occur in 2003 following the implementation of the Transition Assistance Program for U. S.

Steel employees, which will result in a reduction in the union workforce. These estimates are forward-looking statements. Predictions regarding retiree medical and life insurance costs are subject to substantial uncertainties such as (among other things) interest rates and medical cost inflation. Mini-mills, foreign competitors and many producers of products that compete with steel provide lesser benefits to their employees and retirees and this difference in costs could adversely impact our competitive position. Companies that emerge from bankruptcy, or companies that purchase the facilities of bankrupt entities, may also provide lesser benefits to their employees and retirees.

FUTURE FUNDING FOR RETIREE MEDICAL BENEFITS MAY REQUIRE SUBSTANTIAL PAYMENTS FROM CURRENT CASH FLOW.

We are obligated to provide medical and other benefits to retirees. Cash payments of these benefits in 2002 and 2001 totaled $212 million and $183 million, respectively. During 2002 and 2001, substantially all payments on behalf of union retirees were paid from a VEBA trust established under our collective bargaining agreements. We expect that all payments on behalf of union retirees will be paid from the VEBA trust in 2003, but beginning in early 2004, corporate funds will be used for these payments. Corporate funds used for all retiree health and life benefits in 2004 and 2005, excluding multiemployer plan payments, were previously expected to total $195 million and $222 million, respectively. Cash payments are now expected to exceed the above estimates by approximately $45 million for 2004 and $25 million for 2005 following the acquisition of National's assets; the implementation of the Transition Assistance Program for National and U. S. Steel union employees; the implementation of the new labor agreement; and the merger of the union pension plan and the non-union pension plan, which will eliminate the use of pension assets to pay a portion of retiree medical expenses. These payments will reduce our cash flow that would otherwise be available for other purposes. These estimates are forward-looking statements. Predictions regarding estimated cash payments are subject to substantial uncertainties such as (among other things) interest rates and medical cost inflation.

RISKS RELATED TO THE NOTES

WE CANNOT ASSURE YOU THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE NOTES.

The notes are a new issue of securities. There is no active public trading market for the notes. We do not intend to apply for listing of the notes on any domestic securities exchange or NASDAQ. The underwriters have informed us that they currently intend to make a market in the notes. However, the underwriters are not obligated to do so and may discontinue any such market-making at any time. The liquidity of the trading market in the notes, and the market prices quoted for the notes, may be adversely affected by changes in the overall market for these types of securities and by changes in our financial performance or prospects or in the

prospects for companies in our industry generally. As a consequence, we cannot assure you that an active trading market will develop for your notes, that you will be able to sell your notes, or that, even if you can sell your notes, you will be able to sell them at a price equal to or above the price you paid.

POSSIBLE VOLATILITY OF TRADING PRICES FOR THE NOTES.

Historically, the market for non-investment grade debt securities has been subject to disruptions that have caused substantial volatility in the prices of such securities. The market for the notes could be subject to similar volatility. The trading price of the notes also could fluctuate in response to such factors as variations in U. S. Steel's operating results, future acquisitions that we may make, developments in the steel industry and the automotive industry, general economic conditions and changes in securities analysts' recommendations regarding our securities.

WE MAY BE UNABLE TO PURCHASE THE NOTES UPON A CHANGE OF CONTROL.

Upon the occurrence of "change of control" events specified in "Description of the notes--Change of control offer," you may require us to purchase your notes at 101% of their principal amount, plus accrued interest. In some circumstances, a change of control could result from events beyond our control. We cannot assure you that we will have the financial resources to purchase your notes, particularly if that change of control event triggers a similar repurchase requirement for, or results in the acceleration of, other indebtedness. Our outstanding senior notes have a similar repurchase requirement. Our inventory credit facility provides that certain change of control events (as defined in the inventory credit facility) will constitute a default and could result in the acceleration of our indebtedness under the inventory credit facility. Any of our future debt agreements may contain similar provisions.

USE OF PROCEEDS

We estimate the net proceeds from our sale of the notes, after deducting underwriting discounts and estimated expenses of $8 million to be approximately $342 million. We intend to use the net proceeds of this offering to pay a portion of the cash purchase price for the National assets.

The following table sets forth the sources and uses of funds to complete the National transaction:

(DOLLARS IN MILLIONS)	
USES OF FUNDS	
Cash purchase price(1)	$850
Lease payments due at closing	21
Estimated transaction fees and expenses	10
Total uses of funds	$881
SOURCES OF FUNDS	
Net proceeds from this offering	$342
Net proceeds from issuance of 7% Series B Mandatory Convertible Preferred Shares(2)	242
Proceeds from the sale of accounts receivable under our receivables sales program	297
Total sources of funds	$881

(1) Excludes assumed liabilities, which are primarily operating leases.

(2) On February 10, 2003, we issued 5,000,000 shares of Series B Mandatory Convertible Preferred Shares at a price of $50.00 per share.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization at December 31, 2002, (i) on an actual basis and (ii) on a pro forma as adjusted basis to give effect to the issuance of 5,000,000 shares of 7% Series B Mandatory Convertible Preferred Shares, which were issued on February 10, 2003, and to give effect to the National transaction, including the new labor agreement with the USWA as it relates to National's employees, the sale by us of the notes as well as the sale of U. S. Steel's coal mining assets.

The financial data at December 31, 2002 in the following table are derived from our audited financial statements at and for the year ended December 31, 2002. The following data are qualified in their entirety by our financial statements and other information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	AS OF DECEMBER 31, 2002	
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)	ACTUAL	PRO FORMA AS ADJUSTED
Cash and cash equivalents	$ 243	$ 300
Long-term debt due within one year	26	28
Long-term debt(1):		
Notes offered hereby	--	350
Senior notes, net of $4 discount	531	531
Industrial revenue bonds	471	471
USSK loan facility	281	281
Senior quarterly income debt securities	49	49
Capital leases	76	78
Total debt	1,434	1,788
Stockholders' equity:		
7% Series B Mandatory Convertible Preferred Shares, no par value per share, no shares outstanding actual, 5,000,000 shares outstanding as adjusted	--	242
Common stock, $1 par value per share, 200,000,000 shares authorized, 102,485,246 shares outstanding actual, and as adjusted	102	102
Other stockholders' equity	1,925	1,867
Total stockholders' equity	2,027	2,211
Total capitalization	$3,461	$ 3,999

(1) As of May 5, 2003, no amounts were outstanding under our inventory credit facility.

UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined balance sheet gives effect to the sale of U. S. Steel's coal mining assets, the acquisition of substantially all of National's assets, including certain effects of the new labor agreement with the USWA, as it relates to National's employees (as described in the notes to these unaudited pro forma condensed combined financial statements) and the associated financing incurred by U. S. Steel to complete the acquisition as if these transactions had occurred on December 31, 2002. The following unaudited pro forma condensed combined statement of operations for the year ended December 31, 2002 gives effect to the transactions as if they had occurred on January 1, 2002.

The acquisition of substantially all of National's assets will be accounted for as a purchase business combination. For a summary of the business combination, see "National transaction."

The pro forma presentation of the sale of the coal mining assets is based on agreements that we expect to be executed. The terms of these agreements may change. For further discussion of the proposed transaction, see "Management's discussion and analysis of financial condition and results of operations--U. S. Steel--Outlook--Dispositions."

The unaudited pro forma condensed combined financial statements have been developed from (a) the audited consolidated financial statements of U. S. Steel for the year ended December 31, 2002, included elsewhere in this prospectus supplement, and (b) the audited consolidated financial statements of National for the year ended December 31, 2002, included elsewhere in this prospectus supplement.

Under the purchase method of accounting, as set forth in Statement of Financial Accounting Standards No. 141, Business Combinations ("SFAS 141"), the purchase price in an acquisition is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with any excess in value recorded as goodwill. As of the date of this prospectus supplement, we have determined the fair value of the current assets to be acquired and the liabilities to be assumed but have not yet completed the valuation studies necessary to arrive at the required estimates of the fair value of National's long-lived assets or intangible assets that are to be acquired. Accordingly, we have assigned the excess of the purchase price over the fair value of the current assets acquired and the liabilities assumed to property, plant and equipment for purposes of this pro forma presentation. Based on information available to us, we believe the fair value of the property, plant and equipment exceeds the allocation of the purchase price and, therefore, no goodwill is expected to be recorded. Once the valuation studies necessary to finalize the required purchase price allocation have been completed, the pro forma financial statements will be adjusted. These adjustments will likely result in changes to the pro forma statement of financial position to reflect the final allocations of purchase price to long-lived assets and intangibles, and to the pro forma statements of operations primarily for changes in depreciation and amortization. These adjustments may be material.

The pro forma financial information herein is based on available information and certain assumptions that management believes are reasonable and which are described in the accompanying notes. In the opinion of management, all adjustments to present fairly the unaudited pro forma condensed combined financial statements have been made. The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of

operations or the consolidated financial position of U. S. Steel would have been had these transactions occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position. A number of factors may affect our results. See "Forward-looking statements" included elsewhere in this prospectus supplement. The unaudited pro forma condensed combined financial statements should be read in conjunction with the separate historical consolidated financial statements and accompanying notes of U. S. Steel and National that are included elsewhere in this prospectus supplement.

U. S. STEEL
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2002
(DOLLARS IN MILLIONS)

	U. S. STEEL HISTORICAL	ADJUSTMENTS FOR SALE OF COAL MINING ASSETS(1)	ADJUSTED U. S. STEEL	NATIONAL HISTORICAL(2)	ADJUSTM NATIONA
ASSETS					
Current Assets					
Cash and cash equivalents...	243	57 (a)	300	1	
Accounts receivable.........	934	3 (b)	937	223	
Inventory..................	1,030	(16)(c)	1,014	406	
Other current assets........	233	--	233	46	
Total current assets......	2,440	44	2,484	676	
Property, plant and equipment (net)......................	2,978	(14)(c)	2,964	1,257	
Pension asset................	1,654	--	1,654	--	
Intangible pension asset......	414	--	414	109	
Other noncurrent assets.......	491	(11)(c) 35 (d)	515	167	
Total assets.................	7,977	54	8,031	2,209	
LIABILITIES					
Current liabilities					
Accounts payable...........	767	7 (b)	774	132	
Current portion of long-term debt.....................	26		26	--	
Other current liabilities...	579	7 (d) 10 (e)	596	172	
Total current liabilities............	1,372	24	1,396	304	
Long-term debt................	1,408		1,408	129	
Employee benefits............	2,601	76 (f)	2,677	21	
Liabilities subject to					

compromise..................	--	--	--	2,646	(2
Other long-term liabilities...	569	(14)(c) 26 (e)	581	14	
Total liabilities.............	5,950	112	6,062	3,114	(2
STOCKHOLDERS' EQUITY					
Common stock..................	102	--	102	--	
Preferred stock...............	--	--	--	--	
Additional paid-in-capital....	2,689	--	2,689	492	
Retained earnings.............	42	(58)(g)	(16)	(557)	
Accumulated other comprehensive loss..........	(803)	--	(803)	(824)	
Other.........................	(3)	--	(3)	(16)	1
Total equity..................	2,027	(58)	1,969	(905)	2
Total liabilities and equity......................	7,977	54	8,031	2,209	

	PRO FORMA ADJUSTMENTS(5)	U. S. STEEL PRO FORMA
ASSETS		
Current Assets		
Cash and cash equivalents...	(881)(h) 881 (i)	300
Accounts receivable.........	(297)(i) (6)(j)	857
Inventory..................	159 (k) (63)(l)	1,516
Other current assets........	1 (i) 23 (m)	264
Total current assets......	(183)	2,937
Property, plant and equipment (net)......................	(646)(k) 63 (l)	3,635
Pension asset.................	--	1,654
Intangible pension asset......	--	414
Other noncurrent assets.......	7 (i) (5)(k)	530
Total assets..................	(764)	9,170
LIABILITIES		
Current liabilities		
Accounts payable...........	(6)(j)	895
Current portion of long-term debt.....................	2 (n)	28
Other current liabilities...	98 (o) 10 (p)	704
Total current liabilities............	104	1,627
Long-term debt................	350 (i) 2 (n)	1,760

Employee benefits............	192 (o)	2,869
Liabilities subject to compromise..................	(4)(n)	--
Other long-term liabilities...	23 (m)	703
	90 (p)	
	9 (q)	
Total liabilities............	766	6,959
STOCKHOLDERS' EQUITY		
Common stock..................	--	102
Preferred stock...............	242 (i)	242
Additional paid-in-capital....	--	2,689
Retained earnings.............	--	(16)
Accumulated other comprehensive loss..........	--	(803)
Other.........................	--	(3)
	(1,772)(k)	
Total equity..................	(1,530)	2,211
Total liabilities and equity......................	(764)	9,170

See Notes to unaudited pro forma condensed combined balance sheet.

U. S. STEEL
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
(DOLLARS IN MILLIONS)

(1) Column reflects adjustments for the sale of U. S. Steel's coal mining assets based on the asset purchase agreement and other agreements that we expect to be executed. This sale does not meet the criteria for presentation as a discontinued operation.

(a) Reflects initial cash proceeds of $50 and an additional estimated purchase price adjustment related to the sale of inventory of $7.

(b) Reflects the establishment of an intercompany receivable and payable to U. S. Steel from the coal mining business previously eliminated in consolidation.

(c) Reflects the removal of the coal mining assets sold and the removal of accrued reclamation costs assumed by the buyer.

(d) Reflects the deferred tax effect of the sale of the coal mining assets.

(e) Reflects incremental liabilities related to the fair value of various indemnifications provided by U. S. Steel, for lease expense prepaid by the buyer, and for certain fee and inventory purchase commitments through December 31, 2006 by U. S. Steel as part of the sale transaction.

(f) Reflects the recognition of the present value of a previously unrecognized obligation for payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992 based on assigned beneficiaries receiving benefits. This obligation was previously recognized on a 'pay-as-you-go' basis, but must be recorded on the balance sheet upon consummation of the sale of mining operations. No adjustments are reflected for any potential incremental employee obligations that would be required to be recorded should the buyer have a plan to reduce the workforce. Should we become aware of a planned reduction upon consummation of the sale, material incremental increases to employee benefits could be required.

(g) Reflects the loss on the sale of the coal mining assets and the effects of the incremental liabilities recorded in connection with the sale.

(2) Column reflects a condensed historical balance sheet of National as of December 31, 2002, and was prepared from the debtor-in-possession balance sheet of National contained in National's audited financial statements for the year ended December 31, 2002 included elsewhere in this prospectus supplement. Certain reclassifications have been made to the debtor-in-possession balance sheet to conform to the presentation used by U. S. Steel.

(3) Column reflects the elimination of assets not purchased and liabilities not assumed from National. The net difference between the assets not purchased and liabilities not assumed is reflected in stockholders' equity. U. S. Steel is purchasing accounts receivable; inventories; specifically identified pre-paid and other current assets that will have value to U. S. Steel; property, plant and equipment, except for certain assets not related to their steel business; and National's equity investments in Double G Coatings, L.P. and Steel Health Resources LLC. U. S. Steel is not purchasing any other assets of National. U. S. Steel is assuming trade accounts payable related to the assets to be acquired from National and $4 of capital leases. U. S. Steel is not assuming any other liabilities of National including any employee or retiree related liabilities under National's existing benefit plans or labor agreements.

(4) Column reflects the historical book values of the assets purchased and liabilities assumed from National, with the net difference between the assets purchased and liabilities assumed reflected as stockholders' equity.

(5) Column reflects pro forma adjustments related to the acquisition of substantially all of National's assets, including the associated financing to complete the acquisition, as follows:

(h) Reflects the total cash purchase price of $881, including transaction costs of $10 and certain lease payments due at closing of $21, for the acquisition of substantially all of National's assets.

(i) The following table reflects the sources of cash to fund the acquisition of substantially all of National's assets:

Proceeds from the issuance of the $350 of the notes offered hereby, less issuance costs of $8 that are reflected as deferred financing costs on the balance sheet ($1 in other current assets and $7 in other noncurrent assets).........	$ 342
Proceeds from the sale of accounts receivable under the receivable sales program at the time of the closing of the acquisition...	297
Proceeds from the issuance of 5 million shares of 7.00% Series B Mandatory Convertible Preferred Shares at $50 per share in February 2003, less issuance costs of $8.........	242

Cash proceeds	$ 881

(j) Reflects the elimination of intercompany receivables and payables balances between National and U. S. Steel.

(k) The following table reflects the preliminary allocation of the purchase price:

Book value of the net assets (equity) acquired from National	$1,772
Add: Adjustment to increase the book value of inventory acquired to fair value, determined as replacement cost less costs to sell	159
Less: Employee liabilities recorded (see note (o))	(290)
Trust liabilities recorded (see note (p))	(100)
Environmental liabilities recorded (see note (q))	(9)
Excess value of net assets acquired over cost (negative goodwill)	(651)
Purchase price	$ 881

As shown in the table above, the book value of the net assets acquired from National plus the fair value adjustment to inventory exceeds the total purchase price. SFAS No. 141 requires that the excess of the fair value of net assets acquired over cost (negative goodwill) in an acquisition be allocated as a pro rata reduction of the amounts that would have otherwise been assigned to the acquired assets based on their relative fair values. This pro rata reduction is applied against noncurrent assets because the fair value of current assets is assumed to be their book value. The table

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below reflects the preliminary allocation of negative goodwill to property, plant and equipment and other noncurrent assets:

Net book value of property, plant and equipment acquired	$1,254
Pro rata allocation of negative goodwill to property, plant and equipment	(646)
Allocated portion of purchase price to property, plant and equipment	$ 608
Book value of other noncurrent assets acquired from National (only $11 eligible for pro rata reduction in accordance with SFAS No. 141)	13
Pro rata allocation of negative goodwill to other noncurrent assets	(5)
Allocated portion of purchase price assigned to other noncurrent assets	$ 8

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(l) Reflects the removal of supply parts inventory to conform to U. S. Steel's accounting policy that supply parts are expensed as purchased. The book value associated with these parts has been reclassified to property, plant and equipment as part of the preliminary allocation of the purchase price.

(m) Reflects deferred tax effect as a result of book basis and tax basis differences on the opening balance sheet.

(n) Reflects the reclassification of capital leases assumed by U. S. Steel in the acquisition from the liabilities subject to compromise line item to current portion of long-term debt and long-term debt.

(o) Reflects the estimated fair value of liabilities for pensions and other postretirement benefit obligations (OPEB) calculated based on the new labor contract with the USWA as it relates to National's employees. Amounts reflect an estimated workforce reduction of 20% as part of the transition assistance program contained in the labor agreement. Also reflects the estimated fair value of accrued vacations that will be recorded for active National union employees at the date of acquisition.

(p) Reflects liabilities established relating to estimated future payments, contingent upon U. S. Steel profitability, to a trust established and administered by the USWA to assist current National retirees with healthcare costs in accordance with the new labor agreement.

(q) Reflects environmental remediation liabilities established on the opening balance sheet pertaining to assets purchased.

U. S. STEEL
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2002
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)

	U. S. STEEL HISTORICAL	ADJUSTMENTS FOR SALE OF COAL MINING ASSETS(1)	ADJUSTED U. S. STEEL	NATIONAL HISTORICAL(2)	ADJUSTME NATIONAL
Revenues and other income....	7,054	(202)(a) 4 (b)	6,856	2,623	
Costs and expenses:					
Cost of revenue (excludes items below)............	6,158	(157)(a) 4 (b)	6,005	2,476	(
Selling, general and administrative expense...	418	(2)(a)	416	117	
Depreciation, depletion and amortization............	350	(2)(a)	348	161	
Total costs and expenses.....	6,926	(157)	6,769	2,754	(

Income (loss) from operations before reorganization items......................	128	(41)	87	(131)
Reorganization items.........	--	--	--	51
Net interest and other financial costs............	115	--	115	25
Income (loss) before income taxes......................				