UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2003

Or

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

For the transition period from ------------ to ------------

UNITED STATES STEEL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes..X..No.....

Common stock outstanding at October 31, 2003 - 103,277,374 shares

UNITED STATES STEEL CORPORATION
FORM 10-Q
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

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Part I - Financial Information:

UNITED STATES STEEL CORPORATION
STATEMENT OF OPERATIONS (Unaudited)

(Dollars in millions, except per share amounts)	Third Quarter Ended September 30 2003	Third Quarter Ended September 30 2002	Nine Months Ended September 30 2003	Nine Months Ended September 30 2002
REVENUES AND OTHER INCOME:				
Revenues	$2,267	$1,648	$5,993	$4,381
Revenues from related parties	239	257	722	716
Income (loss) from investees	(2)	2	(10)	11
Net gains on disposal of assets	4	2	27	7
Other income	-	5	45	40
Total revenues and other income	2,508	1,914	6,777	5,155
COSTS AND EXPENSES:				
Cost of revenues (excludes items shown below)	2,743	1,611	6,566	4,518
Selling, general and administrative expenses	319	74	590	245
Depreciation, depletion and amortization	140	89	317	266
Total costs and expenses	3,202	1,774	7,473	5,029
INCOME (LOSS) FROM OPERATIONS	(694)	140	(696)	126
Net interest and other financial costs	26	32	106	85
INCOME (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(720)	108	(802)	41
Provision (benefit) for income taxes	(366)	2	(418)	(9)
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(354)	106	(384)	50
Extraordinary loss, net of tax	-	-	(52)	-
Cumulative effect of change in accounting principle, net of tax	-	-	(5)	-
NET INCOME (LOSS)	(354)	106	(441)	50
Dividends on preferred stock	(4)	-	(11)	-
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$(358)	$ 106	$(452)	$ 50

Selected notes to financial statements appear on pages 7-32.

UNITED STATES STEEL CORPORATION

STATEMENT OF OPERATIONS (Continued) (Unaudited)
COMMON STOCK DATA

(Dollars in millions, except per share amounts)	Third Quarter Ended September 30 2003	2002	Nine Months Ended September 30 2003	2002
COMMON STOCK DATA:				
Per share - basic and diluted:				
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	$(3.47)	$ 1.04	$(3.84)	$ .52
Extraordinary loss, net of tax	-	-	(.50)	-
Cumulative effect of change in accounting principle, net of tax	-	-	(.05)	-
Net income (loss)	$(3.47)	$ 1.04	$(4.39)	$ .52
Weighted average shares, in thousands				
- Basic	103,321	101,926	103,096	95,767
- Diluted	103,321	101,926	103,096	95,769
Dividends paid per share	$ .05	$ .05	$ .15	$ .15
PRO FORMA AMOUNTS ASSUMING CHANGE IN ACCOUNTING PRINCIPLE WAS APPLIED RETROACTIVELY:				
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle, as reported	$(354)	$ 106	$(384)	$ 50
SFAS No. 143 pro forma effect	-	(1)	5	(2)
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle, adjusted	$(354)	$ 105	$(379)	$ 48
Per share adjusted - basic and diluted	(3.47)	1.03	(3.80)	.50
Net income (loss) adjusted	(354)	105	(431)	48
Per share adjusted - basic and diluted	(3.47)	1.03	(4.30)	.50

Selected notes to financial statements appear on pages 7-32.

UNITED STATES STEEL CORPORATION
BALANCE SHEET (Unaudited)

(Dollars in millions)	September 30 2003	December 31 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 160	$ 243
Receivables, less allowance of $129 and $57	1,126	796
Receivables from related parties	148	138
Inventories	1,394	1,030
Deferred income tax benefits	203	217
Other current assets	35	16
Total current assets	3,066	2,440
Investments and long-term receivables, less allowance of $3 and $2	303	341
Long-term receivables from related parties	6	6
Property, plant and equipment, less accumulated depreciation, depletion and amortization of $7,089 and $7,095	3,367	2,978
Pension asset	1,518	1,654
Intangible pension asset	374	414

Other intangible assets, net	39	-
Deferred income tax benefits	366	-
Other noncurrent assets	202	144
Total assets	$ 9,241	$ 7,977
LIABILITIES		
Current liabilities:		
Accounts payable	$ 940	$ 677
Accounts payable to related parties	72	90
Payroll and benefits payable	420	254
Accrued taxes	344	281
Accrued interest	49	44
Long-term debt due within one year	28	26
Total current liabilities	1,853	1,372
Long-term debt, less unamortized discount	1,853	1,408
Deferred income taxes	2	223
Employee benefits	3,539	2,601
Deferred credits and other liabilities	349	346
Total liabilities	7,596	5,950
Contingencies and commitments (See Note 23)	-	-
STOCKHOLDERS' EQUITY		
Preferred stock - 7% Series B Mandatory Convertible Preferred issued - 5,000,000 shares and -0- shares (no par value, liquidation preference $50 per share)	231	-
Common stock issued - 103,296,600 shares and 102,485,246 shares	103	102
Additional paid-in capital	2,679	2,689
Retained earnings (deficit)	(399)	42
Accumulated other comprehensive loss	(968)	(803)
Deferred compensation	(1)	(3)
Total stockholders' equity	1,645	2,027
Total liabilities and stockholders' equity	$ 9,241	$ 7,977

Selected notes to financial statements appear on pages 7-32.

UNITED STATES STEEL CORPORATION
STATEMENT OF CASH FLOWS (Unaudited)

(Dollars in millions)	Nine Months Ended September 30 2003	2002
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING ACTIVITIES:		
Net income (loss)	$ (441)	$ 50
Adjustments to reconcile to net cash provided from operating activities:		
Extraordinary loss, net of tax	52	-
Cumulative effect of change in accounting principle, net of tax	5	-
Depreciation, depletion and amortization	317	266
Pensions and other postretirement benefits	638	(35)
Deferred income taxes	(408)	(12)
Net gains on disposal of assets	(27)	(7)
Income from sale of coal seam gas interests	(34)	-
Loss (income) from equity investees and distributions received	35	-
Changes in:		
Current receivables		
- sold	190	320
- repurchased	(190)	(320)
- operating turnover	(74)	(228)
Inventories	123	(97)
Current accounts payable and accrued expenses	266	193
All other - net	(120)	(54)
Net cash provided from operating activities	332	76
INVESTING ACTIVITIES:		
Capital expenditures	(205)	(150)
Acquisition - National Steel Corporation assets	(873)	-
- U. S. Steel Balkan	(6)	-
- U. S. Steel Kosice	(37)	(38)
Disposal of assets	76	12
Sale of coal seam gas interests	34	-

Restricted cash - withdrawals	42	3
- deposits	(93)	(60)
Investees - investments	(4)	(15)
- loans and advances	-	(3)
- repayments of loans and advances	1	7
Net cash used in investing activities	(1,065)	(244)
FINANCING ACTIVITIES:		
Issuance of long-term debt, net of deferred financing costs	427	-
Repayment of long-term debt	(3)	(31)
Settlement with Marathon Oil Corporation	-	(54)
Preferred stock issued	242	-
Common stock issued	11	223
Dividends paid	(26)	(14)
Net cash provided from financing activities	651	124
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1)	2
NET DECREASE IN CASH AND CASH EQUIVALENTS	(83)	(42)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	243	147
CASH AND EQUIVALENTS AT END OF PERIOD	$ 160	$ 105
Cash used in operating activities included:		
Interest and other financial costs paid (net of amount capitalized)	$ (107)	$ (105)
Income taxes paid to tax authorities	(3)	(4)

Selected notes to financial statements appear on pages 7-32.

UNITED STATES STEEL CORPORATION
SELECTED NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. The information in these financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair presentation of the results for the periods covered. All such adjustments are of a normal recurring nature unless disclosed otherwise. These financial statements, including selected notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. Certain reclassifications of prior year data have been made to conform to 2003 classifications. Additional information is contained in the United States Steel Corporation Annual Report on Form 10-K for the year ended December 31, 2002.

2. United States Steel Corporation (U. S. Steel) is engaged domestically in the production, sale and transportation of steel mill products, coke and taconite pellets (iron ore); steel mill products distribution; the management of mineral resources; the management and development of real estate; and engineering and consulting services and, through U. S. Steel Kosice (USSK) and U. S. Steel Balkan (USSB) in the Slovak Republic and Serbia, respectively, in the production and sale of steel mill products and coke primarily for the central and western European markets. As reported in Note 5, until June 30, 2003, U. S. Steel was also engaged in the mining, processing and sale of coal.

3. On May 20, 2003, U. S. Steel acquired substantially all of the integrated steelmaking assets of National Steel Corporation (National). The facilities acquired include two integrated steel plants, Granite City in Granite City, Illinois and Great Lakes, in Ecorse and River Rouge, Michigan; the Midwest finishing facility in Portage, Indiana; ProCoil, a steel-processing facility in Canton, Michigan; a 50% equity interest in Double G Coatings, L.P. near Jackson, Mississippi; a taconite pellet operation near Keewatin, Minnesota; and the Delray Connecting Railroad. The acquisition of National's assets has made U. S. Steel the largest steel producer in North America and has strengthened U. S. Steel's overall position in providing value-added products to the automotive, container and construction markets. Results of operations include the operations of National from May 20, 2003.

The aggregate purchase price for National's assets was $1,269 million, consisting of $839 million in cash and the assumption or recognition of $430 million in liabilities. The $839 million in cash reflects $844 million paid to National at closing and transaction costs of $29 million, less a working capital adjustment of $34 million in accordance with the terms of the Asset Purchase Agreement. The working capital adjustment was collected in October 2003. The opening balance sheet reflects certain direct obligations of National assumed by U. S. Steel and certain employee benefit liabilities for employees hired from National resulting from the new labor agreement with the United Steelworkers of America (USWA). The new labor agreement and these liabilities are discussed in more detail below.

3. (Continued)

In connection with the acquisition of National's assets, U. S. Steel reached a new labor agreement with the USWA, which covers employees at the U. S. Steel facilities and the acquired National facilities. The agreement was ratified by the USWA membership in May 2003, expires in 2008 and provides for a workforce restructuring through a Transition Assistance Program (TAP). U. S. Steel calculated the estimated fair value of the obligations recorded for benefits granted under the labor agreement to former active National employees represented by the USWA and hired by U. S. Steel. The liabilities included $145 million for future retiree medical and retiree life costs, $17 million related to future payments for employees who participate in the TAP, and $24 million for accrued vacation benefits. U. S. Steel also recognized a $17 million liability related to two irrevocable cash contributions to be made to the Steelworkers Pension Trust (SPT) in 2003 and 2004 based on the number of National's represented employees as of the date of the acquisition, less the number of these employees estimated to participate in the TAP. The SPT is a multiemployer pension plan to which U. S. Steel will make contributions for all former National represented employees who join U. S. Steel and, after July 1, 2003, for all new U. S. Steel employees represented by the USWA.

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed or recognized based on their fair market values. Appraisals were obtained for inventory; property, plant and equipment; intangible assets and other noncurrent assets. Based on the appraisals, the fair value of the net assets acquired were in excess of the purchase price, resulting in negative goodwill. In accordance with Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations," the negative goodwill was allocated as a pro rata reduction to the amounts that would have otherwise been assigned to the acquired noncurrent assets, based on their relative fair values.

	Allocated Purchase Price
Acquired assets:	(In millions)
Accounts receivable	$ 222
Inventory	500
Other current assets	22
Property, plant & equipment	480
Intangible assets	42
Other noncurrent assets	3
Total assets	1,269
Acquired liabilities:	
Accounts payable	157
Payroll and benefits payable	57
Other current liabilities	30
Employee benefits	150
Other noncurrent liabilities	36
Total liabilities	430
Purchase price-cash	$ 839

3. (Continued)

Refinements to the allocated purchase price are expected to be made as additional information becomes available, primarily relating to environmental contingencies. These contingencies were identified as of the closing of the transaction and include matters that are currently being negotiated with government agencies, and matters for which technical studies are being completed. Relevant information that is required to finalize the determination of the fair value of environmental liabilities for opening balance sheet purposes is expected to be received by May 2004.

The $42 million of intangible assets is primarily comprised of proprietary software with a weighted average useful life of approximately 6 years. U. S. Steel recognized $2 million and $3 million, respectively, of amortization expense in the third quarter and nine months of 2003 related to these intangible assets.

The following unaudited pro forma data for U. S. Steel includes the results of operations of National as if it had been acquired at the beginning of the periods presented, including the effects of the new labor agreement as it pertains to the former National facilities and the financings incurred to fund the acquisition. (See Notes 17 and 21.) The unaudited pro forma data is based on historical information and does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations.

(In millions, except per share data)	Pro Forma Nine Months Ended September 30 2003	2002	Pro Forma Third Quarter Ended September 30 2002
Revenues and other income	$ 7,783	$ 7,067	$ 2,573
Income (loss) before extraordinary loss loss and cumulative effect of change in accounting principle	(378)	60	137
Per share - basic	(3.79)	.49	1.30
- diluted	(3.79)	.49	1.13
Net income (loss), applicable to commmon stock	(450)	47	132
Per share - basic	(4.37)	.49	1.30
- diluted	(4.37)	.49	1.13

4. On September 12, 2003, USSB, a wholly owned Serbian subsidiary of U. S. Steel, acquired Sartid a.d. (In Bankruptcy), an integrated steel company majority-owned by the Government of the Union of Serbia and Montenegro, and certain of its subsidiaries (collectively "Sartid") out of bankruptcy. Sartid, headquartered in the Republic of Serbia, primarily manufactures hot-rolled, cold-rolled, and tin-coated flat-rolled steel products, and complements the operations of USSK. The completion of this purchase resulted in the termination of a toll conversion agreement, a facility management agreement and a commercial and technical support agreement with Sartid.

The aggregate purchase price was $33 million consisting of $23 million in cash, transaction costs of $6 million and the recognition of $4 million in liabilities. In October 2003, $21 million of the cash portion of the purchase price was disbursed and the remainder is expected to be disbursed in the fourth quarter of 2003. Upon consummation of the purchase of two small remaining subsidiaries of Sartid, a.d. (In Bankruptcy), whose operations are currently being conducted by USSB pursuant to an interim agreement, the transaction requires the following commitments by USSB; (i) spending during the first five years for working capital, the repair, rehabilitation, improvement, modification and upgrade of facilities and community support and economic development of up to $157 million, subject to certain conditions; (ii) a stable employment policy for three years assuring employment of the approximately 9,000 employees, excluding natural attrition and terminations for cause; and (iii) an agreement not to sell, transfer or assign a controlling interest in the former Sartid assets to any third party without government consent for a period of five years. USSB did not assume or acquire any pre-acquisition liabilities including environmental, tax, social insurance liabilities, product liabilities and employee claims, other than $4 million in pension and other employee related liabilities.

The acquisition was accounted for by the purchase method of accounting under SFAS No. 141 and, accordingly, the statement of operations includes the results of USSB beginning September 12, 2003. Prior to the acquisition, the operating results of activities under facility management and support agreements with Sartid were included in the results of USSK.

4. (Continued)

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed or recognized based on their fair market values. Based on appraisals, the fair value of the net assets acquired was in excess of the purchase price, resulting in negative goodwill. In accordance with SFAS No. 141, the negative goodwill was allocated as a pro rata reduction to the amounts that would have otherwise been assigned to the acquired noncurrent assets based on their relative fair values.

	Allocated Purchase Price (In millions)
Acquired assets:	
Accounts receivable	$ 1
Inventory	6
Property, plant & equipment	26
Total assets	33
Acquired liabilities:	
Employee benefits	4
Total liabilities	4
Purchase price-cash	$ 29

From 1992 to 1995 and again from 1999 to October 2000 political and economic sanctions were enforced against Serbia by the United Nations. As a result of operating under the sanctions and government control, these facilities have been operating at levels well below capacity and are in disrepair. The limited financial data available for Sartid is not reliable nor is it believed that reliable historical financial statements could be prepared from the data that exists. In addition, any historical information provided would not reflect a market-based operation. Therefore, U. S. Steel management believes that historical financial information for Sartid is irrelevant to investors and consequently, no historical information for Sartid is presented nor will it be provided in future filings. In addition, pro forma financial data is not presented for the current or prior years because there is no reliable historical information on which to base pro forma amounts.

5. On June 30, 2003, U. S. Steel completed the sale of the coal mines and related assets of U. S. Steel Mining Company, LLC (Mining Sale) to PinnOak Resources, LLC (PinnOak), which is not affiliated with U. S. Steel. PinnOak acquired the Pinnacle No. 50 mine complex located near Pineville, West Virginia and the Oak Grove mine complex located near Birmingham, Alabama. In conjunction with the sale, U. S. Steel and PinnOak entered into a long-term coal supply agreement, which runs through December 31, 2006.

5. (Continued)

The gross proceeds from the sale were $56 million, of which $50 million was received at closing and $6 million, relating to an adjustment to the purchase price based on inventory levels at June 30, 2003, is due to be received in the fourth quarter of 2003. U. S. Steel recognized a pretax gain of $13 million on the sale in the second quarter of 2003. In addition, EITF 92-13, "Accounting for Estimated Payments in Connection with the Coal Industry Retiree Health Benefit Act of 1992" requires that enterprises that no longer have operations in the coal industry must account for their entire obligation related to the multiemployer health care benefit plans created by the Act as a loss in accordance with SFAS No. 5, "Accounting for Contingencies." Accordingly, U. S. Steel recognized the present value of these obligations in the amount of $85 million, resulting in the recognition of an extraordinary loss of $52 million, net of tax of $33 million in the second quarter of 2003. See further information in Note 23.

6. U. S. Steel has various stock-based employee compensation plans. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost is reflected in net income for stock options or stock appreciation rights (SARs) at the date of grant, as all options and SARs granted had an exercise price equal to the market value of the underlying common stock. When the stock price exceeds the grant price, SARs are adjusted for changes in the market value and compensation expense is recorded. The following tables illustrate the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

	Third Quarter Ended September 30	
(In millions, except per share data)	2003	2002

Net income (loss)	$ (354)	$ 106
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	2	-
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects	(1)	(1)
Pro forma net income (loss)	$ (353)	$ 105
Basic and diluted net income (loss) per share:		
- As reported	$ (3.47)	$ 1.04
- Pro forma	(3.46)	1.03

6. (Continued)

The above pro forma amounts were based on a Black-Scholes option-pricing model, which included the following information and assumptions:

	Third Quarter Ended September 30 2003	2002
Weighted average grant date exercise price per share	$ 14.38	$ 20.42
Expected annual dividends per share	$ .20	$ .20
Expected life in years	5	5
Expected volatility	45.3	43.4
Risk-free interest rate	2.4	4.4
Weighted-average grant date fair value of options granted during the period, as calculated from above	$ 5.41	$ 8.29

(In millions, except per share data)	Nine Months Ended September 30 2003	2002
Net income (loss)	$ (441)	$ 50
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	3	-
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects	(3)	(3)
Pro forma net income (loss)	$ (441)	$ 47
Basic and diluted net income (loss) per share:		
- As reported	$ (4.39)	$ .52
- Pro forma	(4.39)	.49

The above pro forma amounts were based on a Black-Scholes option-pricing model, which included the following information and assumptions:

	Nine Months Ended September 30 2003	2002
Weighted average grant date exercise price per share	$ 16.97	$ 20.22
Expected annual dividends per share	$ .20	$ .20
Expected life in years	5	5
Expected volatility	44.5	42.0
Risk-free interest rate	3.3	4.6
Weighted-average grant date fair value of options granted during the period, as calculated from above	$ 6.65	$ 8.07

7. In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness

of Others." The Interpretation elaborates on the disclosure to be made by a guarantor about obligations under certain guarantees that it has issued. It also clarifies that at the inception of a guarantee, the company must recognize liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements were adopted for the 2002 annual financial statements. U. S. Steel is applying the remaining provisions of the Interpretation prospectively as required.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003 and addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack the characteristics of a controlling financial interest. The FASB delayed the application of this Interpretation until December 31, 2003. At this time U. S. Steel has not completed its assessment of the effects of the application of this Interpretation on either its financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Accounting for Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The amendments set forth in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain outlined exceptions. This Statement was adopted with no initial impact.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring these instruments be classified as liabilities (or assets in some circumstances) in the balance sheet. Further, SFAS No. 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The guidance in the Statement is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This Statement was adopted with no initial impact.

8. In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 established a new accounting model for the recognition and measurement of retirement obligations associated with tangible long-lived assets. SFAS No. 143 requires that an asset retirement obligation be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. SFAS No. 143 requires pro forma disclosure of the amount of the liability for obligations as if the statement had been applied during all periods affected, using current information, current assumptions and current interest rates. In addition, the effect of adopting a new accounting principle on net income and on the related per share amounts is required to be shown on the face of the statement of operations for all periods presented under Accounting Principles Board Opinion No. 20, "Accounting Changes."

On January 1, 2003, the date of adoption, U. S. Steel recorded asset retirement obligations (AROs) of $14 million (in addition to $15 million already accrued), compared to the associated long-lived asset, net of accumulated depreciation, of $7 million that was recorded, resulting in a cumulative effect of adopting this Statement of $5 million, net of tax of $2 million. The obligations recorded on January 1, 2003, and the amounts acquired from National primarily relate to mine and landfill closure and post-closure costs.

The following table reflects changes in the carrying values of AROs for the nine months ended September 30, 2003, and the pro forma impacts for the year ended December 31, 2002, as if SFAS No. 143 had been adopted on January 1, 2002:

(In millions)	Nine Months Ended Sept. 30, 2003	(Pro Forma) Year Ended Dec. 31, 2002
Balance at beginning of period	$ 29	$ 26
Liabilities acquired with National's assets	2	-
Accretion expense	2	3

Liabilities removed with Mining Sale	(14)	-
Balance at end of period	$ 19	$ 29

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

9. U. S. Steel has five reportable segments: Flat-rolled, Tubular, U. S. Steel Europe (USSE), Straightline Source (Straightline) and USS Real Estate (Real Estate). Effective with the acquisition of Sartid, the U. S. Steel Kosice (USSK) segment was renamed U. S. Steel Europe (USSE) and includes the operating results of USSB.

Effective with the third quarter of 2003, the composition of the Flat-rolled segment was changed to include the results of the coke operations that were previously reported in Other Businesses. This change reflects the recent management consolidations. Comparative results for 2002 have been conformed to the current year presentation.

9. (Continued)

The Flat-rolled segment includes the operating results of U. S. Steel's domestic integrated steel mills and equity investees involved in the production of sheet, plate and tin mill products, as well as all domestic coke production facilities. These operations are principally located in the United States and primarily serve customers in the transportation (including automotive), appliance, service center, conversion, container and construction markets. Effective May 20, 2003, the Flat-rolled segment includes the operating results of Granite City, Great Lakes, the Midwest finishing facility, ProCoil and U. S. Steel's equity interest in Double G Coatings, which were acquired from National.

The Tubular segment includes the operating results of U. S. Steel's domestic tubular production facilities and prior to May 2003, included U. S. Steel's equity interest in Delta Tubular Processing (Delta). These operations produce and sell both seamless and electric resistance weld tubular products and primarily serve customers in the oil, gas and petrochemical markets. In May 2003, U. S. Steel sold its interest in Delta.

The USSE segment includes the operating results of USSK, U. S. Steel's integrated steel mill in the Slovak Republic; and, effective September 12, 2003, the former Sartid facilities in Serbia, now operated as USSB. Prior to September 12, 2003, this segment included the operating results of activities under facility management and support agreements with Sartid. These agreements were terminated in conjunction with the acquisition of these assets. USSE operations produce and sell sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSE primarily serves customers in the central and western European construction, conversion, appliance, transportation, service center, container, and oil, gas and petrochemical markets. In June 2003, USSK sold its equity interest in Rannila Kosice, s.r.o.

The Straightline segment includes the operating results of U. S. Steel's technology-enabled distribution business that serves steel customers primarily in the eastern and central United States. Straightline competes in the steel service center marketplace using a nontraditional business process to sell, process and deliver flat-rolled steel products in small to medium sized order quantities primarily to job shops, contract manufacturers and original equipment manufacturers across an array of industries.

The Real Estate segment includes the operating results of U. S. Steel's domestic mineral interests that are not assigned to other operating units; timber properties; and residential, commercial and industrial real estate that is managed or developed for sale or lease. In April of 2003, U. S. Steel sold certain coal seam gas interests in Alabama. Prior to the sale, income generated from these interests was reported in the Real Estate segment.

All other U. S. Steel businesses not included in reportable segments are reflected in Other Businesses. These businesses are involved in the production and sale of iron-bearing taconite pellets; transportation services; and engineering and consulting services. Prior to the Mining Sale on June 30, 2003, Other Businesses were involved in the mining, processing and sale of coal. Effective May 20, 2003, Other Businesses include the operating results of the Keewatin, Minnesota taconite pellet operations and the Delray Connecting Railroad, which were acquired from National.

9. (Continued)

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being income (loss) from operations. Income (loss) from operations for reportable segments and Other Businesses does not include net interest and other financial costs, the income tax provision (benefit), or items not allocated to segments. Information on segment assets is not disclosed as it is not reviewed by the chief operating decision maker.

The accounting principles applied at the operating segment level in determining income (loss) from operations are generally the same as those applied at the consolidated financial statement level. Intersegment sales and transfers for some operations are accounted for at cost, while others are accounted for at market-based prices, and are eliminated at the corporate consolidation level. All corporate-level selling, general and administrative expenses and costs related to certain former businesses are allocated to the reportable segments and Other Businesses based on measures of activity that management believes are reasonable.

The results of segment operations for the third quarter of 2003 and 2002 are:

(In millions)	Flat-rolled	Tubular	USSE	Straight-line	Real Estate	Total Reportable Segments
Third Quarter 2003						
Revenues and other income:						
Customer	$ 1,820	$ 149	$ 440	$ 36	$ 19	$ 2,464
Intersegment	55	-	4	-	3	62
Equity income (loss)(a)	1	-	-	-	-	1
Other	(1)	-	1	-	3	3
Total	$ 1,875	$ 149	$ 445	$ 36	$ 25	$ 2,530
Income (loss) from operations	$ (50)	$ (10)	$ 35	$ (15)	$ 12	$ (28)
Third Quarter 2002						
Revenues and other income:						
Customer	$ 1,261	$ 148	$ 322	$ 26	$ 22	$ 1,779
Intersegment	60	-	2	-	2	64
Equity income (loss)(a)	4	-	-	-	-	4
Other	-	-	-	-	2	2
Total	$ 1,325	$ 148	$ 324	$ 26	$ 26	$ 1,849
Income (loss) from operations	$ 57	$ 3	$ 40	$ (11)	$ 16	$ 105

(a) Represents equity in earnings (losses) of unconsolidated investees.

9. (Continued)

(In millions)	Total Reportable Segments	Other Businesses	Reconciling Items	Total Corp.
Third Quarter 2003				
Revenues and other income:				
Customer	$ 2,464	$ 42	$ -	$ 2,506
Intersegment	62	189	(251)	-
Equity income (loss)(a)	1	(3)	-	(2)
Other	3	1	-	4
Total	$ 2,530	$ 229	$ (251)	$ 2,508

Income (loss) from operations	$ (28)	$ (2)	$ (664)	$ (694)

Third Quarter 2002

Revenues and other income:				
Customer	$ 1,779	$ 126	$ -	$ 1,905
Intersegment	64	166	(230)	-
Equity income (loss)(a)	4	(4)	2	2
Other	2	2	3	7
Total	$ 1,849	$ 290	$ (225)	$ 1,914
Income (loss) from operations	$ 105	$ 30	$ 5	$ 140

(a) Represents equity in earnings (losses) of unconsolidated investees.

The following is a schedule of reconciling items for the third quarter of 2003 and 2002:

(In millions)	Revenues And Other Income 2003	Revenues And Other Income 2002	Income (Loss) From Operations 2003	Income (Loss) From Operations 2002
Elimination of intersegment revenues	$ (251)	$ (230)	*	*
Items not allocated to segments:				
Workforce reduction charge	-	-	$ (618)	$ -
Asset impairments	-	-	(46)	-
Federal excise tax refund	-	3	-	3
Insurance recoveries related to USS-POSCO fire	-	2	-	2
	-	5	(664)	5
Total reconciling items	$ (251)	$ (225)	$ (664)	$ 5

* Elimination of intersegment revenues is offset by the elimination of intersegment cost of revenues within income (loss) from operations at the corporate consolidation level.

9. (Continued)

The results of segment operations for the nine months of 2003 and 2002 are:

(In millions)	Flat-Rolled	Tubular	USSE	Straight-line	Real Estate	Total Reportable Segments
Nine Months 2003						
Revenues and other income:						
Customer	$ 4,539	$ 425	$ 1,333	$ 96	$ 70	$ 6,463
Intersegment	157	-	11	-	8	176
Equity income (loss)(a)	11	-	1	-	-	12
Other	7	5	3	-	7	22
Total	$ 4,714	$ 430	$ 1,348	$ 96	$ 85	$ 6,673
Income (loss) from operations	$ (144)	$ (20)	$ 166	$ (49)	$ 42	$ (5)
Nine Months 2002						
Revenues and other income:						
Customer	$ 3,434	$ 415	$ 823	$ 51	$ 53	$ 4,776
Intersegment	147	-	2	-	6	155
Equity income (loss)(a)	(5)	-	1	-	-	(4)
Other	(1)	-	3	-	6	8

Total	$ 3,575	$ 415	$ 829	$ 51	$ 65	$ 4,935
Income (loss) from operations	$ (57)	$ 10	$ 65	$ (28)	$ 37	$ 27

(a) Represents equity in earnings (losses) of unconsolidated investees.

UNITED STATES STEEL CORPORATION
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. (Continued)

(In millions)	Total Reportable Segments	Other Businesses	Reconciling Items	Total Corp.
Nine Months 2003				
Revenues and other income:				
Customer	$ 6,463	$ 252	$ -	$ 6,715
Intersegment	176	453	(629)	-
Equity income (loss)(a)	12	(11)	(11)	(10)
Other	22	3	47	72
Total	$ 6,673	$ 697	$ (593)	$ 6,777
Income (loss) from operations	$ (5)	$ (38)	$ (653)	$ (696)
Nine Months 2002				
Revenues and other income:				
Customer	$ 4,776	$ 321	$ -	$ 5,097
Intersegment	155	434	(589)	-
Equity income (loss)(a)	(4)	(5)	20	11
Other	8	3	36	47
Total	$ 4,935	$ 753	$ (533)	$ 5,155
Income (loss) from operations	$ 27	$ 59	$ 40	$ 126

(a) Represents equity in earnings (losses) of unconsolidated investees.

The following is a schedule of reconciling items for the nine months of 2003 and 2002:

(In millions)	Revenues And Other Income 2003	2002	Income (Loss) From Operations 2003	2002
Elimination of intersegment revenues	$ (629)	$ (589)	*	*
Items not allocated to segments:				
Workforce reduction charges	-	-	$ (618)	$ (10)
Asset impairments	(11)	-	(57)	(14)
Income from sale of coal seam gas interests	34	-	34	-
Gain on sale of coal mining assets	13	-	13	-
Litigation items	-	-	(25)	9
Federal excise tax refund	-	36	-	36
Insurance recoveries related to USPOSCO fire	-	20	-	20
Costs related to Fairless shutdown	-	-	-	(1)
	36	56	(653)	40
Total reconciling items	$ (593)	$ (533)	$ (653)	$ 40

* Elimination of intersegment revenues is offset by the elimination of intersegment cost of revenues within income (loss) from operations at the corporate consolidation level.

UNITED STATES STEEL CORPORATION
SELECTED NOTES TO FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. In the nine months of 2003, U. S. Steel sold certain coal seam gas interests in Alabama for net cash proceeds of $34 million, which is reflected in other income.

In the second and third quarters of 2002, U. S. Steel recognized pretax gains of $33 million and $3 million, respectively, associated with the recovery of black lung excise taxes that were paid on coal export sales during the period 1993 through 1999. These gains are included in other income in the statement of operations and resulted from a 1998 federal district court decision that found such taxes to be unconstitutional. Of the $36 million recognized, $11 million represents the interest component of the gain.

11. In the third quarter of 2003, U. S. Steel recorded curtailment expenses of $310 million for pensions and $64 million for other post-postretirement benefits related to employee reductions under the TAP for employees (excluding former National employees retiring under the TAP), other retirements, layoffs and pending asset dispositions. Termination benefit harges of $34 million were recorded primarily for enhanced pension benefits provided to U. S. Steel employees retiring under the TAP. Of the above total charges, $336 million was recorded in cost of revenues and $72 million was recorded in selling, general and administrative expenses. Further charges of $105 million for early retirement cash incentives related to the TAP, excluding amounts associated with former National employees, were recorded in cost of revenues. Selling, general and administrative expenses for the nine months of 2003 and nine months of 2002 also included pension settlement losses of $97 million and $10 million, respectively, related to retirements of salaried personnel. Selling, general and administrative expenses in the third quarter of 2003 also included $8 million for an accrual for salaried benefits under the layoff benefit plan.

12. Net interest and other financial costs include amounts related to the remeasurement of USSK's and USSB's net monetary assets into the U.S. dollar, which is their functional currency. During the third quarter and nine months of 2003, net gains of $8 million and $5 million, respectively, were recorded as compared with net gains of $1 million and $14 million, respectively, in the third quarter and nine months of 2002. Additionally, net interest and other financial costs in the third quarter and nine months of 2003 included a favorable adjustment of $13 million related to interest accrued for prior years' income taxes.

13. U. S. Steel records depreciation on a modified straight-line method for domestic steel-producing assets based upon production levels. Applying modification factors decreased expenses by $4 million and $1 million for the third quarter of 2003 and 2002, respectively, and $15 million and $4 million for the nine months of 2003 and 2002, respectively.

14. Income from investees for the nine months of 2003 included an $11 million impairment of a cost method investment. Income from investees for the nine months of 2002 includes a pretax gain of $20 million for U. S. Steel's share of insurance recoveries related to the May 31, 2001 fire at the USS-POSCO joint venture.

15. Comprehensive Income

(In millions)	Third Quarter Ended Sept. 30 2003	Third Quarter Ended Sept. 30 2002	Nine Months Ended Sept. 30 2003	Nine Months Ended Sept. 30 2002
Net income (loss)	$(354)	$ 106	$(441)	$ 50
Other comprehensive income (loss):				
Changes in (net of tax):				
Minimum pension liability	(167)	-	(160)	7
Foreign currency translation adjustments	-	-	1	1
State tax valuation allowance	-	-	(6)	-
Comprehensive income (loss)	$(521)	$ 106	$(606)	$ 58

The change in the minimum pension liability recorded in the third quarter 2003 reflects $(169) million for the union pension plan and $2 million for the non-union excess-supplemental pension plan. These plans were remeasured in the third quarter 2003. See further information in Note 11.

16. The income tax benefit in the nine months of 2003 reflected an estimated annual effective tax rate of 49%. The first nine months of 2003 included a $14 million favorable effect relating to an adjustment of prior years' taxes, in addition to a $4 million deferred tax benefit relating to the reversal of a state valuation allowance.

The tax benefit in the nine months of 2003 is based on an estimated annual effective rate, which requires management to make its best estimate of annual forecasted pretax income (loss) for the year. During the year, management regularly updates forecast estimates based on changes in various factors such as prices, shipments, product mix, plant operating performance and cost estimates, including pension and other postretirement benefits. To the extent that actual pretax results for domestic and foreign income in 2003 vary from forecast estimates applied at the end of the most recent interim period, the actual tax benefit recognized in 2003 could be materially different from the forecasted annual tax benefit as of the end of the third quarter.

The income tax benefit in the nine months of 2002 reflected an estimated annual effective tax benefit rate for 2002 of approximately 31% and included a $4 million deferred tax charge related to a newly enacted state tax law.

16. (Continued)

As of September 30, 2003, U. S. Steel had net federal and state deferred tax assets of $470 million and $92 million, respectively, which are expected to increase during the fourth quarter. Although U. S. Steel has experienced domestic losses in the current and prior year, management believes that it is more likely than not that tax planning strategies generating future taxable income can be utilized to realize the deferred tax assets recorded at September 30, 2003. Tax planning strategies include the implementation of the previously announced plan to dispose of non-strategic assets, as well as the ability to elect alternative tax accounting methods to provide future taxable income to assure realization of the anticipated deferred tax assets. During the fourth quarter, U. S. Steel intends to merge two of its defined benefit pension plans. Depending on the discount rate in effect on the measurement date and the growth in plan assets during the fourth quarter, the additional minimum pension liability determination at year end may increase federal and state deferred tax assets substantially or may result in a net deferred tax liability if a significant reversal of federal and state deferred tax assets occurs. The amount of the realizable deferred tax assets at September 30, 2003, and those expected to be recognized in the fourth quarter of the year could be adversely affected to the extent that losses continue in the future, if future events affect the ability to implement tax planning strategies or if further charges result from an increase in the minimum pension liability. Management will reassess the need for a valuation allowance at December 31, 2003.

The Slovak Income Tax Act provides an income tax credit which is available to USSK if certain conditions are met. In order to claim the tax credit in any year, 60% of USSK's sales must be export sales and USSK must reinvest the tax credits claimed in qualifying capital expenditures during the five years following the year in which the tax credit is claimed. The provisions of the Slovak Income Tax Act permit USSK to claim a tax credit of 100% of USSK's tax liability for years 2000 through 2004 and 50% for the years 2005 through 2009. Management believes that USSK fulfilled all of the necessary conditions for claiming the tax credit for the years for which it was claimed and anticipates meeting such requirements in 2003. As a result of claiming these tax credits and management's intent to reinvest earnings in foreign operations, virtually no income tax provision is recorded for USSK income.

In October 2002, a tax credit limit was negotiated by the Slovak government as part of the Accession Treaty governing the Slovak Republic's entry into the European Union (EU). The Treaty limits to $500 million the total tax credit to be granted to USSK during the period 2000 through 2009. The impact of the tax credit limit is expected to be minimal since Slovak tax laws have been modified and tax rates have been reduced since the acquisition of USSK. The Treaty also places limits upon USSK's flat-rolled production and export sales to the EU, allowing for modest growth each year through 2009. The limits upon export sales to the EU take effect upon the Slovak Republic's entry into the EU, which is expected to occur in May 2004. A question has recently arisen with respect to the effective date of the production limits. Slovak Republic representatives have stated their belief that the Treaty intended that these limits take effect upon entry into the EU, whereas the European Commission has taken the position that the flat-rolled production limitations apply as of 2002. Discussions between representatives of the Slovak Republic and the European Commission are ongoing. Although it is not possible to predict the outcome of those discussions, an agreement resolving this issue may be reached prior to the end of 2003. That agreement could result in a reduction in USSK's tax credit and/or the acceleration of the restrictions upon USSK's flat-rolled production and/or sales into the EU. At this time, it is not possible to predict the impact of such a settlement upon U. S. Steel's financial position, results of operations or cash flows.

(Unaudited)

17. In February 2003, U. S. Steel sold 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (no par value, liquidation preference $50 per share) (Series B Preferred) for net proceeds of $242 million. The Series B Preferred have a dividend yield of 7%, a 20% conversion premium (for an equivalent conversion price of $15.66 per common share) and will mandatorily convert into shares of U. S. Steel common stock on June 15, 2006. The net proceeds of the offering were used for general corporate purposes and to fund a portion of the cash purchase price for the acquisition of National's assets. The number of common shares that could be issued upon conversion of the 5 million shares of Series B Preferred ranges from approximately 16.0 million shares to 19.2 million shares, based upon the timing of the conversion and the average market price of U. S. Steel's common stock. Preferred stock dividends of $11 million paid during 2003 reduced the paid-in capital of the Series B Preferred because of the retained deficit.

18. Revenues from related parties and receivables from related parties primarily reflect sales of steel products, raw materials and fees for providing various management and other support services to equity and certain other investees. Generally, transactions are conducted under long-term market-based contractual arrangements.

Receivables from related parties at September 30, 2003 and December 31, 2002, also included $16 million and $28 million, respectively, due from Marathon Oil Corporation (Marathon) for tax settlements in accordance with the tax sharing agreement.

Long-term receivables from related parties at September 30, 2003 and December 31, 2002, reflect amounts due from Marathon related to contractual reimbursements for the retirement of participants in the non-qualified employee benefit plans. These amounts will be paid by Marathon as participants retire.

Accounts payable to related parties reflect balances due to PRO-TEC Coating Company (PRO-TEC) under an agreement whereby U. S. Steel provides marketing, selling and customer service functions, including invoicing and receivables collection, for PRO-TEC. U. S. Steel, as PRO-TEC's exclusive sales agent, is responsible for credit risk associated with the receivables. Payables to PRO-TEC under the agreement were $62 million and $42 million at September 30, 2003 and December 31, 2002, respectively.

Accounts payable to related parties at September 30, 2003 and December 31, 2002, also included amounts related to the purchase of outside processing services from equity investees. At December 31, 2002, accounts payable to related parties also included the net present value of the second and final $37 million installment of contingent consideration payable to VSZ a.s. related to the acquisition of USSK, which was paid in July 2003.

19. Inventories are carried at the lower of cost or market. Cost of inventories is determined primarily under the last-in, first-out (LIFO) method.

	(In millions) September 30 2003	(In millions) December 31 2002
Raw materials	$ 221	$ 228
Semi-finished products	613	472
Finished products	499	271
Supplies and sundry items	61	59
Total	$ 1,394	$ 1,030

Costs of revenues decreased by $11 million and increased by $2 million in the nine months of 2003 and 2002, respectively, as a result of liquidations of LIFO inventories.

20. Net income (loss) per common share was calculated by adjusting net income (loss) for dividend requirements of preferred stock and is based on the weighted average number of common shares outstanding during the quarter.

Diluted net income (loss) assumes the exercise of stock options and conversion of preferred stock, provided in each case, the effect is dilutive. For the third quarters ended September 30, 2003 and 2002, the potential common stock related to employee options to purchase 6,776,877 shares and 5,073,601 shares of common stock, respectively, and 15,964,000 shares applicable to the conversion of preferred stock at September 30, 2003, have been excluded from the computation of diluted net income (loss) because the effect was antidilutive. For the nine months ended September 30, 2003 and 2002, the potential common stock related to employee options to purchase 6,871,324 shares and 5,071,380 shares of common stock, respectively, and 13,624,952 shares applicable to the conversion of preferred stock at September 30, 2003, have been excluded from the computation of diluted net income (loss) because their effect was antidilutive.

21. On May 20, 2003, U. S. Steel entered into a new revolving credit facility that provides for borrowings of up to $600 million that replaced a similar $400 million facility entered into on November 30, 2001. The new facility, which is secured by a lien on U. S. Steel's inventory and receivables (to the extent not sold under the Receivables Purchase Agreement) expires in May 2007 and contains a number of covenants that require lender consent to incur debt or make capital expenditures above certain limits; sell assets used in the production of steel or steel products or incur liens on assets; and limit dividends and other restricted payments if the amount available for borrowings drops below certain levels. The facility also contains a fixed charge coverage ratio, calculated as the ratio of operating cash flow to cash charges as defined in the agreement, which effectively reduces availability by $100 million if not met. At September 30, 2003, $530 million was available under this facility.

At September 30, 2003, USSK had no borrowings against its $50 million credit facilities. In addition, USSK had $3 million of customs guarantees outstanding, reducing availability under these facilities to $47 million. These facilities expire in the fourth quarter of 2004.

21. (Continued)

At September 30, 2003, in the event of a change in control of U. S. Steel, debt obligations totaling $1,335 million may be declared immediately due and payable. In such event, U. S. Steel may also be required to either repurchase the leased Fairfield slab caster for $84 million or provide a letter of credit to secure the remaining obligation.

In May 2003, in connection with the National acquisition, U. S. Steel issued $450 million of Senior Notes due May 15, 2010 (9-3/4% Senior Notes). These notes have an interest rate of 9-3/4% per annum payable semi-annually on May 15 and November 15, commencing November 15, 2003. The 9-3/4% Senior Notes were issued under U. S. Steel's shelf registration statement and were not listed on any national securities exchange. Proceeds from the sale of the 9-3/4% Senior Notes were used to finance a portion of the purchase price to acquire National's assets. In 2001, U. S. Steel issued $535 million of 10-3/4% Senior Notes. As of September 30, 2003, the aggregate principal amount of 9-3/4% and 10-3/4% Senior Notes outstanding was $450 million and $535 million, respectively. As of December 31, 2002, the aggregate principal amount outstanding of the 10-3/4% Senior Notes was $535 million.

In conjunction with issuing the 9-3/4% Senior Notes, U. S. Steel solicited the consent of the holders of the 10-3/4% Senior Notes to modify certain terms of the notes to conform to the terms of the 9-3/4% Senior Notes. Those conforming changes modified the definitions of Consolidated Net Income, EBITDA and Like-Kind Exchange, permitted dividend payments on the 7.00% Series B Mandatory Convertible Preferred Shares and expanded permitted investments to include loans made for the purpose of facilitating like-kind exchange transactions. U. S. Steel received the consent from holders of more than 90% of the principal amount of the 10-3/4% Senior Notes and the amendments were effective May 20, 2003.

The 9-3/4% and 10-3/4% Senior Notes impose certain restrictions that limit U. S. Steel's ability to, among other things: incur debt; pay dividends or make other payments from its subsidiaries; issue and sell capital stock of its subsidiaries; engage in transactions with affiliates; create liens on assets to secure indebtedness; transfer or sell assets; and consolidate, merge or transfer all or substantially all of U. S. Steel's assets or the assets of its subsidiaries.

U. S. Steel was in compliance with all of its debt covenants at September 30, 2003.

22. On May 19, 2003, U. S. Steel entered into an amendment to the Receivables Purchase Agreement, which increased fundings under the facility to the lesser of eligible receivables or $500 million. During the nine months ended September 30, 2003, U. S. Steel Receivables LLC (USSR) sold to conduits and subsequently repurchased $190 million of revolving interest in

accounts receivable under the Receivables Purchase Agreement. During the nine months ended September 30, 2002, USSR sold to conduits and subsequently repurchased $320 million of revolving interest in accounts receivable. As of September 30, 2003, $489 million was available to be sold under this facility.

USSR pays the conduits a discount based on the conduits' borrowing costs plus incremental fees. During the nine months ended September 30, 2003 and 2002, U. S. Steel incurred costs on the sale of its receivables of $1 million and $2 million, respectively.

22. (Continued)

While the facility expires in November 2006, the facility also terminates on the occurrence and failure to cure certain events, including, among others, certain defaults with respect to the Inventory Facility and other debt obligations, any failure of USSR to maintain certain ratios related to the collectibility of the receivables, and failure to extend the commitments of the commercial paper conduits' liquidity providers which currently terminate on November 26, 2003. U. S. Steel is negotiating a renewal of the 364-day commitments of the liquidity providers in accordance with the terms of the facility.

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

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

Asbestos matters - U. S. Steel is a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Almost all 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 (referred to as "premises claims"); and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. 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.

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 premises; approximately 200 plaintiffs allege they are suffering from mesothelioma. In many cases, the plaintiffs cannot demonstrate that they have suffered any compensable loss as a result of such exposure or that any injuries they have incurred did in fact result from such exposure. Virtually all asbestos cases seek monetary damages from multiple defendants. U. S. Steel is unable to provide meaningful disclosure about the total amount of such damages alleged in these cases for the following reasons: (1) many cases do not claim a specific demand for damages, or contain a demand that is stated only as being in excess of the minimum jurisdictional limit of the relevant court; (2) even where there are specific demands for damages, there is no meaningful way to determine what amount of the damages would or could be assessed against any particular defendant; (3) plaintiffs' lawyers often allege the same amount of damages irrespective of the specific harm that has been alleged, even though the ultimate outcome of any claim may depend upon the actual disease, if any, that the plaintiff is able to prove and the actual exposure, if any, to the U. S. Steel product or the duration of exposure, if any, on U. S. Steel's premises. U. S. Steel believes the amount of any damages alleged in the complaints initially filed in these cases is not relevant in assessing its potential liability.

23. (Continued)

Until March 2003, U. S. Steel was successful in all asbestos cases that it tried to final judgment. 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 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 acquisition activities and other strategic initiatives, U. S. Steel settled this case and the settlement was reflected in financial results for the first quarter of 2003.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this and although our results of operations or cash flows for a given period could be adversely affected by asbestos-related lawsuits, claims and proceedings, the Company believes the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition.

Property taxes - U. S. Steel is a party to several property tax disputes involving its Gary Works property in Indiana, including claims for refunds totaling approximately $65 million pertaining to tax years 1994-96 and 1999, and assessments totaling approximately $133 million in excess of amounts paid for the 2000, 2001 and 2002 tax years. In addition, interest may be imposed upon any final assessment. The disputes involve property values and tax rates and are in various stages of administrative appeal. U. S. Steel is vigorously defending against the assessments and pursuing its claims for refunds.

Environmental matters - U. S. Steel is subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. Accrued liabilities for remediation totaled $125 million and $135 million at September 30, 2003 and December 31, 2002, respectively. Remediation liabilities at September 30, 2003, included liabilities recorded for asset retirement obligations under SFAS No. 143. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed.

23. (Continued)

For a number of years, U. S. Steel has made substantial capital expenditures to bring existing facilities into compliance with various laws relating to the environment. In the nine months of 2003 and for the years 2002 and 2001, such capital expenditures totaled $15 million, $14 million and $15 million, respectively. U. S. Steel anticipates making additional such expenditures in the future; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

Throughout its history, U. S. Steel has sold numerous properties and businesses and has provided various indemnifications with respect to many of the assets that were sold. These indemnifications have been associated with the condition of the property, the approved use, certain representations and warranties, matters of title and environmental matters. While the vast majority of indemnifications have not covered environmental issues, there have been a few transactions in which U. S. Steel indemnified the buyer for non-compliance with past, current and future environmental laws related to existing conditions; however, most recent indemnifications are of a limited nature only applying to non-compliance with past and/or current laws. Some indemnifications only run for a specified period of time after the transactions close and others run indefinitely. The amount of potential liability associated with these transactions is not estimable due to the nature and extent of the unknown conditions related to the properties sold. Aside from approximately $15 million of liabilities already recorded as a result of these indemnifications due to specific environmental remediation cases (included in the $125 million of accrued liabilities for remediation discussed above), there are no other known liabilities related to these indemnifications.

Guarantees - Guarantees of the liabilities of unconsolidated entities of U. S. Steel totaled $30 million at September 30, 2003, including $7 million related to an equity interest acquired as part of the National asset purchase, and $27 million at December 31, 2002. If any defaults of guaranteed liabilities occur, U. S. Steel has access to its interest in the assets of the investees to reduce potential losses resulting from these guarantees. As of September 30, 2003, the largest guarantee for a single such entity was $14 million, which represents the maximum exposure to loss under a guarantee of debt service payments of an equity investee. No liability has been recorded for these guarantees.

Contingencies related to Separation from Marathon - U. S. Steel was contingently liable for debt and other obligations of Marathon in the amount of approximately $68 million at September 30, 2003, compared to $168 million at December 31, 2002. In the event of the bankruptcy of Marathon, these obligations for which U. S. Steel is contingently liable may be declared immediately due and payable. If such event occurs, U. S. Steel may not be able to satisfy such obligations. No liability has been recorded for these contingencies because management believes the likelihood of occurrence is remote.

23. (Continued)

If the Separation is determined to be a taxable distribution of the stock of U. S. Steel, but there is no breach of a representation or covenant by either U. S. Steel or Marathon, U. S. Steel would be liable for any resulting taxes (Separation No-Fault Taxes) incurred by Marathon. U. S. Steel's indemnity obligation for Separation No-Fault Taxes survives until the expiration of the applicable statute of limitations. The maximum potential amount of U. S. Steel's indemnity obligation for Separation No-Fault Taxes at September 30, 2003 and December 31, 2002, was estimated to be approximately $140 million. No liability has been recorded for this indemnity obligation because management believes that the likelihood of the Separation being determined to be a taxable distribution of the stock of U. S. Steel is remote.

Other contingencies - U. S. Steel is contingently liable to its Chairman and Chief Executive Officer for a $3 million retention bonus. The bonus is payable upon the earlier of his retirement from active employment or December 31, 2004, and is subject to certain performance measures.

Under certain operating lease agreements covering various equipment, U. S. Steel has the option to renew the lease or to purchase the equipment at the end of the lease term. If U. S. Steel does not exercise the purchase option by the end of the lease term, U. S. Steel guarantees a residual value of the equipment as determined at the lease inception date (totaling approximately $51 million at both September 30, 2003 and December 31, 2002). No liability has been recorded for these guarantees as either management believes that the potential recovery of value from the equipment when sold is greater than the residual value guarantee, or the potential loss is not probable and/or estimable.

Mining sale - U. S. Steel remains secondarily liable in the event that a withdrawal from a multiemployer pension plan is triggered within five years of the sale. A withdrawal is triggered when annual contributions to the plan are substantially less than contributions made in prior years. The maximum exposure for the fee that would be assessed upon a withdrawal is $79 million. U. S. Steel recorded the fair value of this liability as of June 30, 2003. U. S. Steel has agreed to indemnify the purchaser for certain environmental matters, which are included in the environmental matters discussion above.

Transtar reorganization - The 2001 reorganization of Transtar was intended to be tax-free for federal income tax purposes, with U. S. Steel and Transtar Holdings, L.P. (Holdings) agreeing through various representations and covenants to protect the reorganization's tax-free status. If the reorganization is determined to be taxable, but there is no breach of a representation or covenant by either U. S. Steel or Holdings, U. S. Steel is liable for 44% of any resulting Holdings taxes (Transtar No-Fault Taxes), and Holdings is responsible for 56% of any resulting U. S. Steel taxes. U. S. Steel's indemnity obligation for Transtar No-Fault Taxes survives until 30 days after the expiration of the applicable statute of limitations. The maximum potential amount of U. S. Steel's indemnity obligation for Transtar No-Fault Taxes at September 30, 2003 and December 31, 2002, was estimated to be approximately $70 million. No liability has been recorded for this indemnity obligation because management believes that the likelihood of the reorganization being determined to be taxable resulting in Transtar No-Fault Taxes is remote.

23. (Continued)

Clairton 1314B partnership - U. S. Steel has a commitment to fund operating cash shortfalls of the partnership of up to $150 million. Additionally, U. S. Steel, under certain circumstances, is required to indemnify the limited partners if the partnership product sales fail to qualify for the credit under Section 29 of the Internal Revenue Code. This indemnity will effectively survive until the expiration of the applicable statute of limitations. The maximum potential amount of this indemnity obligation at September 30, 2003 and December 31, 2002, including interest and tax gross-up, was approximately $600 million. Furthermore, U. S. Steel under certain circumstances has indemnified the partnership for environmental obligations. See discussion of environmental matters above. The maximum potential amount of this indemnity obligation is not estimable. Management believes that the $150 million deferred gain related to the partnership, which is recorded in deferred credits and other liabilities, is more than sufficient to cover any probable exposure under these commitments and indemnifications.

Self-insurance - U. S. Steel is self-insured for certain exposures including workers' compensation, auto liability and general liability, as well as property damage and business interruption, within specified deductible and retainage levels. Certain equipment that is leased by U. S. Steel is also self-insured within specified deductible and retainage levels. Liabilities are recorded for workers' compensation and personal injury obligations. Other costs resulting from self-insured losses are charged against income upon occurrence.

U. S. Steel uses surety bonds, trusts and letters of credit to provide whole or partial financial assurance for certain obligations such as workers' compensation. The total amount of active surety bonds, trusts and letters of credit being used for financial assurance purposes was approximately $140 million as of September 30, 2003 and $144 million as of December 31, 2002, which reflects U. S. Steel's maximum exposure under these financial guarantees, but not its total exposure for the underlying obligations. Most of the trust arrangements and letters of credit are collateralized by restricted cash that is recorded in other noncurrent assets.

Commitments - At September 30, 2003 and December 31, 2002, U. S. Steel's domestic contract commitments to acquire property, plant and equipment totaled $34 million and $24 million, respectively.

USSK has a commitment to the Slovak government for a capital improvements program of $700 million, subject to certain conditions, over a period commencing with the acquisition date of November 24, 2000, and ending on December 31, 2010. The remaining commitments under this capital improvements program as of September 30, 2003 and December 31, 2002, were $477 million and $541 million, respectively.

U. S. Steel entered into a 15-year take-or-pay arrangement in 1993, which requires it to accept pulverized coal each month or pay a minimum monthly charge of approximately $1 million. If U. S. Steel elects to terminate the contract early, a maximum termination payment of $77 million as of September 30, 2003, which declines over the duration of the agreement, may be required.

24. On September 30, 2003, U. S. Steel and International Steel Group Inc. (ISG) reached an agreement to exchange the assets of U. S. Steel's plate mill at Gary Works for the assets of ISG's No. 2 pickle line at its Indiana Harbor Works. As a result of this non-monetary exchange, which closed effective November 1, 2003, U. S. Steel recognized in the third quarter of 2003, a pretax impairment charge of $46 million, which was recorded in depreciation, depletion and amortization.

UNITED STATES STEEL CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Unaudited)

Nine Months Ended September 30		Year Ended December 31				
2003	2002	2002	2001	2000	1999	1998
(a)	1.34	1.04	(b)	1.05	2.10	5.15

(a) Earnings did not cover combined fixed charges and preferred stock dividends by $789 million.
(b) Earnings did not cover combined fixed charges and preferred stock dividends by $598 million.

UNITED STATES STEEL CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

Nine Months Ended September 30		Year Ended December 31				
2003	2002	2002	2001	2000	1999	1998
(a)	1.34	1.04	(b)	1.13	2.33	5.89

(a) Earnings did not cover fixed charges by $767 million.
(b) Earnings did not cover fixed charges by $586 million.

UNITED STATES STEEL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On May 20, 2003, United States Steel Corporation (U. S. Steel) acquired substantially all of the integrated steelmaking assets of National Steel Corporation (National). See Note 3 of Selected Notes to Financial Statements for information regarding the acquisition. The facilities that were acquired included two integrated steel plants, Granite City in Granite City, Illinois, and Great Lakes in Ecorse and River Rouge, Michigan; the Midwest finishing facility in Portage, Indiana; ProCoil in Canton, Michigan; a 50% equity interest in Double G Coatings, L.P. near Jackson, Mississippi; the taconite pellet operations in Keewatin, Minnesota; and the Delray Connecting Railroad.

Granite City has annual raw steel production capability of approximately 2.8 million tons. Principal products include hot-rolled, hot-dipped galvanized and Galvalume steel.

Great Lakes has annual raw steel production capability of approximately 3.8 million tons. Principal products include hot-rolled, cold-rolled, electrolytic galvanized and hot dip galvanized.

The Midwest facility finishes hot-rolled bands. Principal products include tin mill products, hot dip galvanized and Galvalume steel, cold-rolled and electrical lamination steels.

ProCoil slits and cuts steel coils to desired specifications, provides laser welding services and warehouses material to service automotive market customers.

Double G Coatings, L.P. is a 300,000 ton per year hot dip galvanizing and Galvalume facility.

The taconite pellet operations are located on the western end of the Mesabi Iron Ore Range and have current annual effective iron ore pellet capacity of over five million gross tons.

On June 30, 2003, U. S. Steel completed the sale of the coal mines and related assets of U. S. Steel Mining Company, LLC (Mining Sale). See Note 5 of Selected Notes to Financial Statements for details regarding the sale.

On September 12, 2003, U. S. Steel Balkan, d.o.o. (USSB), a wholly owned Serbian subsidiary of U. S. Steel, acquired Sartid a.d. (In Bankruptcy), an integrated steel company majority-owned by the Government of the Union of Serbia and Montenegro, and certain of its subsidiaries (collectively "Sartid") out of bankruptcy. U. S. Steel's technical assessment has determined that, with the introduction of market-driven operating practices, an extensive rehabilitation program and a capital spending program, the assets acquired have annual raw steel design production capability of about 2.4 million tons. See Note 4 of Selected Notes to Financial Statements for further information regarding the acquisition.

The acquisition of the assets of National (National Acquisition) and the acquisition of Sartid increased U. S. Steel's domestic and global annual raw steel production capability to 19.4 million tons and 26.8 million tons, respectively, making it the largest domestic producer and the sixth largest in the world based upon raw steel production.

U. S. Steel has five reportable segments: Flat-rolled Products (Flat-rolled), Tubular Products (Tubular), U. S. Steel Europe (USSE), Straightline Source (Straightline) and USS Real Estate (Real Estate). Businesses not included in the reportable segments are reflected in Other Businesses. The National Acquisition changed the composition of the Flat-rolled segment and Other Businesses as described below, but did not result in a change in U. S. Steel's reportable segments. Effective with the Mining Sale, Other Businesses are no longer involved in the mining, processing and sale of coal. Effective with the acquisition of Sartid, the U. S. Steel Kosice (USSK) segment was renamed U. S. Steel Europe (USSE) and includes the operating results of USSB.

Effective with the third quarter of 2003, the composition of the Flat-rolled segment was changed to include the results of the coke operations at Clairton Works and Gary Works, which were previously reported in Other Businesses. This change reflects our recent management consolidations. Comparative results for 2002 have been conformed to the current year presentation.

The Flat-rolled segment includes the operating results of U. S. Steel's domestic integrated steel mills and equity investees involved in the production of sheet, plate, and tin mill products, as well as all domestic coke production facilities. These operations are principally located in the United States and primarily serve customers in the transportation (including automotive), appliance, service center, conversion, container, and construction markets. Effective May 20, 2003, the Flat-rolled segment includes the operating results of Granite City, Great Lakes, the Midwest finishing facility, ProCoil and U. S. Steel's equity interest in Double G Coatings, which were acquired from National.

The Tubular segment includes the operating results of U. S. Steel's domestic tubular production facilities and, prior to May 2003, included U. S. Steel's equity interest in Delta Tubular Processing (Delta). These operations produce and sell both seamless and electric resistance weld tubular products and primarily serve customers in the oil, gas and petrochemical markets. In May 2003, U. S. Steel sold its interest in Delta.

The USSE segment includes the operating results of USSK, U. S. Steel's integrated steel mill in the Slovak Republic; and, effective September 12, 2003, the former Sartid facilities in Serbia, now operated as USSB. Prior to September 12, 2003, this segment included the operating results of activities under facility management and support agreements with Sartid. These agreements were terminated in conjunction with the acquisition of these assets. USSE operations produce and sell sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSE primarily serves customers in the central and western European construction, conversion, appliance, transportation, service center, container, and oil, gas and petrochemical markets. In June 2003, USSK sold its equity interest in Rannila Kosice, s.r.o.

The Straightline segment includes the operating results of U. S. Steel's technology-enabled distribution business that serves steel customers primarily in the eastern and central United States. Straightline competes in the steel service center marketplace using a nontraditional business process to sell, process and deliver flat-rolled steel products in small to medium sized order quantities primarily to job shops, contract manufacturers and original equipment manufacturers across an array of industries.

The Real Estate segment includes the operating results of U. S. Steel's domestic mineral interests that are not assigned to other operating units; timber properties; and residential, commercial and industrial real estate that is managed or developed for sale or lease. In April 2003, U. S. Steel sold certain coal seam gas interests in Alabama. Prior to the sale, income generated from these interests was reported in the Real Estate segment.

All other U. S. Steel businesses not included in reportable segments are reflected in Other Businesses. These businesses are involved in the production and sale of iron-bearing taconite pellets; transportation services; and engineering and consulting services. Prior to the Mining Sale on June 30, 2003, Other Businesses were involved in the mining, processing and sale of coal. Effective May 20, 2003, Other Businesses include the operating results of the Keewatin, Minnesota taconite pellet operations and the Delray Connecting Railroad, which were acquired from National.

Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of U. S. Steel. These statements typically contain words such as "anticipates," "believes," "estimates," "expects," "intends" or similar words indicating that future outcomes are not known with certainty and are subject to risk factors that could cause these outcomes to differ significantly from those projected. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For discussion of risk factors affecting the businesses of U. S. Steel, see Supplementary Data -- Disclosures About Forward-Looking Statements in the U. S. Steel Annual Report on Form 10-K for the year ended December 31, 2002.

Results of Operations

Revenues and other income was $2,508 million in the third quarter of 2003, compared with $1,914 million in the same quarter last year. The increase primarily reflected higher shipment volumes for domestic sheet and tin products due to the National Acquisition, and increased prices and shipment volumes for USSE. These were partially offset by the loss of coal revenue due to the Mining Sale. Revenues and other income for the first nine months of 2003 totaled $6,777 million, compared with $5,155 million in the first nine months of 2002. The increases primarily reflected higher shipment volumes for domestic sheet and tin products due to the National Acquisition, increased prices and shipment volumes for USSE and increased prices for domestic sheet products. The improvements also reflected higher prices and volumes on commercial coke shipments, increased shipments of slabs, and increased shipments for Straightline. These were partially offset by lower coal revenue due to the Mining Sale. Other income in the first nine months of 2003 included $34 million from the sale of the coal seam gas interests. Other income in the first nine months of 2002 included $36 million from a Federal excise tax refund.

Income (Loss) from operations for U. S. Steel for the third quarter and first nine months of 2003 and 2002 is set forth in the following table:

(Dollars in millions)	Third Quarter Ended September 30 2003	2002	Nine Months Ended September 30 2003	2002
Flat-rolled	$(50)	$57	$(144)	$(57)
Tubular	(10)	3	(20)	10
USSE	35	40	166	65
Straightline	(15)	(11)	(49)	(28)
Real Estate	12	16	42	37
Total income (loss) from reportable segments	(28)	105	(5)	27
Other Businesses	(2)	30	(38)	59
Segment Income (Loss) from operations	(30)	135	(43)	86
Items not allocated to segments:				
Workforce reduction charges	(618)	-	(618)	(10)
Litigation items	-	-	(25)	9
Asset impairments	(46)	-	(57)	(14)
Costs related to Fairless shutdown	-	-	-	(1)
Income from sale of coal seam gas interests	-	-	34	-
Gain on sale of coal mining assets	-	-	13	-
Federal excise tax refund	-	3	-	36
Insurance recoveries related to USS-POSCO fire	-	2	-	20
Total income (loss) from operations	$(694)	$140	$(696)	$126

Segment results for Flat-rolled

The segment loss for Flat-rolled was $50 million in the third quarter of 2003, compared with income of $57 million in the same quarter of 2002. The decrease primarily reflected higher employee benefit costs, lower prices for sheet products, increased prices for natural gas, and costs associated with the August electrical grid power outage, which interrupted operations in Michigan and Ohio. These were partially offset by favorable effects resulting from the National Acquisition. Flat-rolled had a loss of $144 million in the first nine months of 2003, compared with a loss of $57 million in the same period in 2002. The increased loss mainly resulted from higher employee benefit costs, increased prices for natural gas, costs for scheduled repair outages at Gary Works and costs associated with the August power outage, partially offset by higher average realized prices for sheet products and favorable effects resulting from the National Acquisition.

Segment results for Tubular

The segment loss for Tubular was $10 million in the third quarter of 2003, compared with income of $3 million in the same quarter last year. The decrease was mainly due to a less favorable mix of seamless products, increased employee benefit costs, and higher natural gas prices. Tubular reported a loss of $20 million for the first nine months of 2003, compared with income of $10 million in the first nine months of 2002. The declines resulted primarily from increased employee benefit costs, lower average realized prices for seamless products and higher natural gas prices, partially offset by income from the sale of U. S. Steel's interest in Delta in May 2003.

Segment results for USSE

Segment income for USSE was $35 million in the third quarter of 2003, compared with income of $40 million in the third quarter of 2002. The third quarter change reflected increased costs mainly due to the unfavorable effect of changes in foreign exchange rates, as well as costs associated with conversion and facility management agreements with Sartid due mainly to operating and maintenance expenses required under such agreements. These were offset by higher average realized prices due to favorable exchange rate effects and partial collection of announced price increases. The agreements with Sartid were terminated September 12, 2003, in conjunction with the purchase of the assets covered by these agreements. For the first nine months of 2003, USSE recorded income of $166 million, compared with income of $65 million in the corresponding period in 2002. The improvement was primarily due to higher average realized prices as a result of favorable exchange rate effects and partial collection of announced price increases, as well as increased shipment volumes. Prior to September 12, 2003, USSE shipments included those realized under toll conversion agreements with Sartid and, effective September 12, 2003, included all shipments from Sartid, now USSB. These improvements were partially offset by the unfavorable effect on costs of changes in foreign exchange rates and costs associated with the conversion and facility management agreements with Sartid.

Segment results for Straightline

The Straightline segment loss was $15 million in the third quarter 2003, compared to an $11 million loss in the year earlier quarter. Straightline's loss for the first nine months of 2003 was $49 million, compared with a loss of $28 million in the same period last year. The increased losses resulted mainly from higher 2003 sales volumes at negative margins. The negative margins were largely due to selling higher-priced inventories purchased in the second half of 2002.

Segment results for Real Estate

Segment income for Real Estate was $12 million in the third quarter of 2003, compared with income of $16 million in the third quarter of 2002. The decrease was primarily due to declines in mineral interests royalties. Real Estate income for the first nine months of 2003 was $42 million, compared with $37 million in the comparable 2002 period. The increase resulted primarily from increased coal seam gas royalties.

Results for Other Businesses

The loss for Other Businesses in the third quarter of 2003 was $2 million, compared with income of $30 million in the third quarter of 2002. For the first nine months of 2003, Other Businesses generated a loss of $38 million, compared with income of $59 million in the year earlier period. The declines in both periods primarily reflected increased employee benefit costs and lower results for iron ore operations and transportation services, as well as lower results from coal operations due to the Mining Sale. Iron ore operations in both 2003 periods were negatively affected by higher natural gas prices as compared to the respective 2002 periods.

Pension and Other Postretirement Benefit Costs

Pension and other postretirement benefit costs, which are included in income (loss) from operations, were approximately $560 million and $700 million for the third quarter and first nine months of 2003, respectively, compared to $7 million and $31 million for the corresponding periods of 2002. Costs in the third quarter and first nine months of 2003 included $505 million of the workforce reduction charge of $618 million described below. Costs in the first nine months of 2002 included a $10 million workforce reduction charge described below. The increases in 2003 were also due to lower plan assets, reduced asset return assumptions, a lower discount rate, increased medical claim costs and a higher assumed escalation trend applied to those claim costs. These costs do not include charges for defined contribution pension plans. These costs totaled $4 million and $11 million in the third quarter and first nine months of 2003, respectively, compared to $3 million and $10 million in the respective 2002 periods.

Selling, General and Administrative Expenses

Selling, general and administrative expenses included in income (loss) from operations were $319 million for the third quarter of 2003, compared to $74 million in the third quarter of 2002. Selling, general and administrative expenses totaled $590 million for the first nine months of 2003, compared with $245 million in the first nine months of 2002. The increases in 2003 were primarily due to higher pension and other postretirement benefit costs as previously discussed, and higher expenses at USSE due mainly to the unfavorable effects of foreign currency exchange rate differences and increased business development expenses. In the nine-month period, these were partially offset by the favorable effect of the absence in 2003 of the impairment of retiree medical cost reimbursements receivable from Republic, which occurred in the second quarter of 2002. Selling, general and administrative expenses in the third quarter and first nine months of 2003 included $169 million of the workforce reduction charge described below. Selling, general and administrative expenses in the first nine months of 2002 included the $10 million workforce reduction charge described below.

Items not allocated to segments:

The workforce reduction charge of $618 million in the third quarter and first nine months of 2003 related to U. S. Steel's ongoing operating and administrative cost reduction programs and consisted of curtailment expenses of $310 million for pensions and $64 million for other postretirement benefits related to employee reductions under the Transition Assistance Program (TAP) for union employees (excluding former National employees retiring under the TAP), other retirements, layoffs and pending asset dispositions; termination benefit charges of $34 million primarily for enhanced pension benefits provided to U. S. Steel employees retiring under the TAP; $105 million for early retirement cash incentives related to the TAP; $8 million for the cost of layoff unemployment benefits provided to non-represented employees; and pension settlement losses of $97 million due to a high level of retirements of salaried employees. The workforce reduction charge of $10 million in the first nine months of 2002 reflected pension settlement losses related to retirements of personnel covered under the non tax-qualified excess and supplemental pension plans for executive and senior management.

Litigation items resulted in a charge of $25 million in the first nine months of 2003 and a credit of $9 million in the first nine months of 2002.

Asset impairments of $46 million in the third quarter of 2003 resulted from a pending non-monetary asset exchange with International Steel Group, which closed effective November 1, 2003. Asset impairments of $57 million in the first nine months of 2003 also included U. S. Steel's impairment of a cost method investment. Asset impairments in the first nine months of 2002 were for charges to establish reserves against retiree medical cost reimbursements owed by Republic.

Costs related to Fairless shutdown resulted from the permanent shutdown of the pickling, cold-rolling and tin mill facilities at the Fairless Plant in the fourth quarter of 2001.

Income from sale of coal seam gas interests resulted from the sale in April 2003 of certain coal seam gas interests in Alabama, which were included in the Real Estate segment prior to the sale.

Gain on sale of coal mining assets resulted from the Mining Sale.

Federal excise tax refund represents the recovery of black lung excise taxes that were paid on coal export sales during the period 1993 through 1999. During the first nine months of 2002, U. S. Steel received cash and recognized pre-tax income of $36 million, which was included in other income on the statement of operations. Of the $36 million received, $11 million represented interest.

Insurance recoveries related to USS-POSCO fire represent U. S. Steel's share of insurance recoveries in excess of facility repair costs for the cold-rolling mill fire at USS-POSCO, which occurred in May 2001.

Net interest and other financial costs were $26 million in the third quarter of 2003, compared with $32 million during the same period in 2002. Net interest and other financial costs in the first nine months of 2003 were $106 million, compared with $85 million in the same period in 2002. The 2003 periods included a favorable adjustment of $13 million related to interest accrued for prior years' income taxes. The decrease in the third quarter primarily reflected the $13 million favorable adjustment and more favorable changes in foreign currency effects, partially offset by interest on the new 9-3/4% senior notes that were issued in May 2003. The increase in the nine month period was primarily due to interest on the new 9-3/4% senior notes, an increase in interest for tax deficiencies and less favorable changes in foreign currency effects, partially offset by the favorable $13 million adjustment. The foreign currency effects were primarily due to remeasurement of USSK and USSB net monetary assets into the U.S. dollar, which is their functional currency, and resulted in net gains of $8 million and $1 million in the third quarters of 2003 and 2002, respectively, and net gains of $5 million and $14 million in the first nine months of 2003 and 2002, respectively.

The benefit for income taxes in the third quarter of 2003 was $366 million, compared with a provision of $2 million in the third quarter last year. The benefit for income taxes in the first nine months of 2003 was $418 million, compared with a benefit of $9 million in the first nine months of 2002.

The income tax benefit in the nine months of 2003 reflected an estimated annual effective tax rate of 49%. The first nine months of 2003 included a $14 million favorable effect relating to an adjustment of prior years' taxes, in addition to a $4 million deferred tax benefit relating to the reversal of a state valuation allowance.

The income tax benefit in the nine months of 2002 reflected an estimated annual effective tax rate of 31%. The tax benefit also included a $4 million deferred tax charge related to a newly enacted state tax law.

The tax benefit in the nine months of 2003 is based on an estimated annual effective rate, which requires management to make its best estimate of annual forecasted pretax income (loss) for the year. During the year, management regularly updates forecast estimates based on changes in various factors such as prices, shipments, product mix, plant operating performance and cost estimates, including pension and other postretirement benefits. An annual forecasted pretax loss from domestic operations and pretax income from USSE have been included in the development of U. S. Steel's estimated annual effective tax rate for 2003 as of September 30, 2003. To the extent that actual pretax results for domestic and foreign income in 2003 vary from forecast estimates applied at the end of the most recent interim period, the actual tax benefit recognized in 2003 could be materially different from the forecasted annual tax benefit as of the end of the third quarter.

As of September 30, 2003, U. S. Steel had net federal and state deferred tax assets of $470 million and $92 million, respectively, which are expected to increase during the fourth quarter. Although U. S. Steel has experienced domestic losses in the current and prior year, management believes that it is more likely than not that tax planning strategies generating future taxable income can be utilized to realize the deferred tax assets recorded at September 30, 2003. Tax planning strategies include the implementation of the previously announced plan to dispose of non-strategic assets, as well as the ability to elect alternative tax accounting methods to provide future taxable income to assure realization of the anticipated deferred tax assets. During the fourth quarter, U. S. Steel intends to merge its two defined benefit pension plans. Depending upon the discount rate in effect on the measurement date and the growth in plan assets during the fourth quarter, the additional minimum pension liability determination at year end may increase federal and state deferred tax assets by approximately $350 million or may result in a reversal of federal and state deferred tax assets of approximately $590 million, resulting in a net deferred tax liability at year-end. The amount of the realizable deferred tax assets at September 30, 2003, and those expected to be recognized in the fourth quarter of the year could be adversely affected to the extent that losses continue in the future, if future events affect the ability to implement tax planning strategies or if further charges result from an increase in the minimum pension liability. Should net deferred tax assets increase, management will reassess the need for a valuation allowance at December 31, 2003.

The Slovak Income Tax Act provides an income tax credit, which is available to USSK if certain conditions are met. In order to claim the tax credit in any year, 60% of USSK's sales must be export sales and USSK must reinvest the tax credits claimed in qualifying capital expenditures during the five years following the year in which the tax credit is claimed. The provisions of the Slovak Income Tax Act permit USSK to claim a tax credit of 100% of USSK's tax liability for years 2000 through 2004 and 50% for the years 2005 through 2009. Management believes that USSK fulfilled all of the necessary conditions for claiming the tax credit for the years for which it was claimed and anticipates meeting such requirements in 2003. As a result of claiming these tax credits and management's intent to reinvest earnings in foreign operations, virtually no income tax provision is recorded for USSK income.

In October 2002, a tax credit limit was negotiated by the Slovak government as part of the Accession Treaty governing the Slovak Republic's entry into the European Union (EU). The Treaty limits to $500 million the total tax credit to be granted to USSK during the period 2000 through 2009. The impact of the tax credit limit is expected to be minimal since Slovak tax laws have been modified and tax rates have been reduced since the acquisition of USSK. The Treaty also places limits upon USSK's flat-rolled production and export sales to the EU, allowing for modest growth each year through 2009. The limits upon export sales to the EU take effect upon the Slovak Republic's entry into the EU, which is expected to occur in May 2004. A question has recently arisen with respect to the effective date of the production limits. Slovak Republic representatives have stated their belief that the Treaty intended that these limits take effect upon entry into the EU, whereas the European Commission has taken the position that the flat-rolled production limitations apply as of 2002. Discussions between representatives of the Slovak Republic and the European Commission are ongoing. Although it is not possible to predict the outcome of those discussions, an agreement resolving this issue may be reached prior to the end of 2003. That agreement could result in a reduction in USSK's tax credit and/or

the acceleration of the restrictions upon USSK's flat-rolled production and/or sales into the EU. At this time, it is not possible to predict the impact of such a settlement upon U. S. Steel's financial position, results of operations or cash flows.

The extraordinary loss, net of tax resulted from the Mining Sale, which ended U. S. Steel's mining and processing of coal and resulted in the recognition of the present value of obligations related to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992. The recognition of these obligations, which totaled $85 million, resulted in an extraordinary loss of $52 million, net of tax benefits of $33 million.

The cumulative effect of change in accounting principle, net of tax was a charge of $5 million in the first quarter of 2003, and resulted from the adoption on January 1, 2003, of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations."

U. S. Steel's net loss was $354 million in the third quarter of 2003, compared with net income of $106 million in the third quarter of 2002. U. S. Steel's net loss in the first nine months of 2003 was $441 million, compared with net income of $50 million in the same period in 2002. The declines primarily reflected the factors discussed above.

Operating Statistics

Flat-rolled shipments of 3.9 million tons for the third quarter of 2003 increased about 50 percent from the third quarter 2002, and 22 percent from the second quarter of 2003. Flat-rolled shipments of 9.5 million tons in the first nine months of 2003 increased about 27 percent from the prior year period. Flat-rolled shipments in 2003 were favorably affected by the National Acquisition. Tubular shipments of 231,000 tons for the third quarter of 2003 increased about 7 percent from the same period in 2002, and 9 percent from the second quarter of 2003. For the first nine months of 2003, Tubular shipments of 648,000 tons were up approximately 4 percent from the first nine months of 2002. At USSE, third quarter 2003 shipments of 1.2 million net tons were up about 14 percent from third quarter 2002 shipments, and down about 5 percent from shipments in the second quarter of 2003. USSE shipments for the first nine months of 2003 totaled 3.6 million net tons, an increase of 24 percent from the same period last year. Prior to September 12, 2003, USSE's shipments included those realized under toll conversion agreements with Sartid and, effective September 12, 2003, included all shipments from Sartid (now USSB). USSE's shipments in the first nine months of 2002 were negatively affected by an unplanned blast furnace outage in the first quarter of 2002.

Raw steel capability utilization for domestic facilities and USSE in the third quarter of 2003 averaged 89.9 percent and 83.5 percent, respectively, compared with 93.7 percent and 90.8 percent in the third quarter of 2002 and 84.5 percent and 96.5 percent in the second quarter of 2003. Raw steel capability utilization for domestic facilities and USSE in the first nine months of 2003 averaged 88.6 percent and 92.1 percent, respectively, compared with 93.2 percent and 87.0 percent in the first nine months of 2002. Capability utilization for domestic facilities in the first nine months of 2003 was negatively affected by a scheduled repair outage at Gary Works for U. S. Steel's largest blast furnace. USSE's capability utilization in the third quarter and first nine months of 2003 was negatively affected by a blast furnace outage at USSK and the partial period inclusion of USSB as only about a third of its annual raw steel design production capability of 2.4 million tons is currently operational. USSE's capability utilization in the first nine months of 2002 was negatively affected by the blast furnace outage mentioned in the preceding paragraph.

Balance Sheet

Cash and cash equivalents of $160 million at September 30, 2003, decreased $83 million from year-end 2002. For details, see cash flow discussion.

Receivables, less allowance for doubtful accounts increased $330 million from year-end 2002, primarily due to the effects of the National Acquisition and higher prices and shipment volumes for USSE. The increase also reflects a $34 million receivable from National as a result of the working capital adjustment determination associated with the National Acquisition.

Inventories increased $364 million from December 31, 2002, due mainly to the addition of the National facilities.

Property, plant and equipment, less accumulated depreciation, depletion and amortization increased $389 million from December 31, 2002, mainly reflecting the addition of the National facilities.

The pension asset declined $136 million compared to year-end 2002, primarily as a result of the settlement losses and curtailment charges related to the pension plan for non-union employees.

The intangible pension asset decreased by $40 million from year-end 2002 as a result of the additional minimum liability adjustments that were recorded for the union pension plan.

Other intangible assets, net of $39 million were acquired from National and were comprised primarily of proprietary software.

Deferred income tax benefits increased by $366 million from December 31, 2002, from the establishment of federal and state deferred tax assets primarily related to employee benefits, including the adjustment to the additional minimum liability for the union pension plan, and also as a result of net operating losses generated in 2003.

Accounts payable of $940 million at September 30, 2003, increased $263 million from year-end 2002, mainly due to the addition of the National facilities.

Payroll and benefits payable increased $166 million from December 31, 2002, mainly due to payables related to the Transition Assistance Program for union employees and obligations related to active employees at the acquired National facilities.

Long-term debt, less unamortized discount increased by $445 million from year-end 2002 primarily due to the issuance of $450 million of 9-3/4% senior notes in May 2003. For discussion, see "Liquidity."

Deferred income taxes decreased by $221 million from December 31, 2002, as a result of the establishment of the deferred tax assets described above.

Employee benefits increased $938 million from year-end 2002, mainly as the result of the remeasurement of pension and other postretirement benefit liabilities, the resulting additional minimum liability recorded for the union pension plan and liabilities related to active employees at the acquired National facilities.

Preferred stock increased by $231 million from December 31, 2002, due to an offering of 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (Series B Preferred) that was completed in February 2003 for $242 million, partially offset by preferred stock dividend payments which were applied against the Series B Preferred paid-in capital because of the retained deficit.

Accumulated other comprehensive loss increased by $165 million from December 31, 2002, primarily reflecting an incremental $169 million net charge to equity resulting from the additional minimum liability adjustment for the union pension plan.

Cash Flow

Net cash provided from operating activities was $332 million for the first nine months of 2003, compared with $76 million in the same period of 2002. The improvement resulted mainly from lower working capital requirements following the National Acquisition.

Capital expenditures in the first nine months of 2003 were $205 million, compared with $150 million in the same period in 2002. Major domestic projects in the first nine months of 2003 included the quench and temper line project at Lorain Pipe Mills. Major projects at USSK in the first nine months of 2003 included a new dynamo line and the installation of additional tin mill facilities.

U. S. Steel's domestic contract commitments to acquire property, plant and equipment at September 30, 2003, totaled $34 million, compared with $24 million at December 31, 2002.

USSK has a commitment to the Slovak government for a capital improvements program of $700 million, subject to certain conditions, over a period commencing with the acquisition date of November 24, 2000, and ending on December 31, 2010. The remaining commitments under this capital improvements program as of September 30, 2003, and December 31, 2002, were $477 million and $541 million, respectively. Upon consummation of the purchase of two small remaining subsidiaries of Sartid a.d. (In Bankruptcy), the transaction requires USSB to spend up to $157 million during the first five years for working capital; the repair, rehabilitation, improvement, modification and upgrade of facilities; and community support and economic development. See Note 4 to Selected Notes to Financial Statements for further information.

Capital expenditures for 2003 are expected to be approximately $325 million, including approximately $120 million for USSE and $25 million for the acquired National facilities. U. S. Steel broadly estimates that average annual capital expenditures for the acquired National facilities will be between $75 million and $100 million.

Acquisition - National assets resulted from $844 million paid at closing and $29 million of transaction costs. A receivable from National of $34 million for a working capital adjustment was collected in October 2003 and will reduce the cash acquisition cost.

Acquisition - U. S. Steel Kosice represents payment of two installments of contingent consideration related to the acquisition in November 2000. The final installment was paid in July 2003.

Disposal of assets in the first nine months of 2003 consisted mainly of proceeds from the Mining Sale and the sale of Delta.

Sale of coal seam gas interests reflected cash received for the sale of certain coal seam gas interests in Alabama.

Restricted cash - withdrawals of $42 million in the first nine months of 2003 were due primarily to funds withdrawn from a property exchange trust and utilized for the National Acquisition.

Restricted cash - deposits of $93 million in the first nine months of 2003 included the deposit of $35 million from certain property sales into a property exchange trust. The balance for 2003 and the $60 million in the corresponding 2002 period were mainly used to collateralize letters of credit to meet financial assurance requirements.

Issuance of long-term debt resulted from the issuance of $450 million of 9-3/4% senior notes in May 2003, net of deferred financing costs associated with the notes and the new inventory facility. For discussion, see "Liquidity."

Settlement with Marathon of $54 million in the first nine months of 2002 reflected a cash payment made during the first quarter in accordance with the terms of the separation.

Preferred stock issued in the first nine months of 2003 reflected net proceeds from the offering of 5 million shares of Series B Preferred.

Common stock issued in the first nine months of 2003 and 2002 reflected proceeds from stock sales to the U. S. Steel Corporation Savings Fund Plan for Salaried Employees and sales through the Dividend Reinvestment and Stock Purchase Plan. Common stock issued in the first nine months of 2002 also reflected $192 million of net proceeds from U. S. Steel's equity offering completed in May 2002.

Dividends paid in the first nine months of 2003 were $26 million, compared with $14 million in the same period in 2002. Payments in both periods reflected the quarterly dividend rate of five cents per common share established by U. S. Steel after the separation from Marathon. Dividends paid in 2003 also included an initial dividend of $1.206 per share for the Series B Preferred, which was paid on June 16, 2003, and a quarterly dividend of 87.5 cents per share, which was paid on September 15, 2003.

For discussion of restrictions on future dividend payments, see "Liquidity."

Liquidity

In November 2001, U. S. Steel entered into a five-year Receivables Purchase Agreement with financial institutions. U. S. Steel established a wholly owned subsidiary, U. S. Steel Receivables LLC (USSR), which is a consolidated special-purpose, bankruptcy-remote entity that acquires, on a daily basis, eligible trade receivables generated by U. S. Steel and certain of its subsidiaries. USSR can sell an undivided interest in these receivables to certain commercial paper conduits. USSR pays the conduits a discount based on the conduits' borrowing costs plus incremental fees, certain of which are determined by credit ratings of U. S. Steel.

On May 19, 2003, U. S. Steel entered into an amendment to the Receivables Purchase Agreement, which increased fundings under the facility to the lesser of eligible receivables or $500 million. Eligible receivables exclude certain obligors, amounts in excess of defined percentages for certain obligors, and amounts past due or due beyond a defined period. In addition, eligible receivables are calculated by deducting certain reserves, which are based on various determinants including concentration, dilution and loss percentages, as well as the credit ratings of U. S. Steel. As of September 30, 2003, U. S. Steel had $489 million of eligible receivables, none of which were sold.

In addition, on May 20, 2003, U. S. Steel entered into a new four-year revolving credit facility that provides for borrowings of up to $600 million secured by all domestic inventory and related assets (Inventory Facility), including receivables other than those sold under the Receivables Purchase Agreement. The Inventory Facility replaced a similar $400 million facility entered into on November 30, 2001. The new facility expires in May 2007 and contains a number of covenants that require lender consent to incur debt, or make capital expenditures above certain limits; to sell assets used in the production of steel or steel products or incur liens on assets; and to limit dividends and other restricted payments if the amount available for borrowings drops below certain levels. The Inventory Facility also contains a fixed charge coverage ratio, calculated as the ratio of operating cash flow to cash charges as defined in the agreement of not less

than 1.25 times on the last day of any fiscal quarter. This coverage ratio must be met if availability, as defined in the agreement, is less than $100 million. As of September 30, 2003, $530 million was available to U. S. Steel under the Inventory Facility.

While the term of the Receivables Purchase Agreement is five years, the facility also terminates on the occurrence and failure to cure certain events, including, among others, certain defaults with respect to the Inventory Facility and other debt obligations, any failure of USSR to maintain certain ratios related to the collectability of the receivables, and failure to extend the commitments of the commercial paper conduits' liquidity providers, which currently terminate on November 26, 2003. U. S. Steel is negotiating a renewal of the 364-day commitments of the liquidity providers and anticipates completing the renewals before the termination date.

At September 30, 2003, USSK had no borrowings against its $50 million credit facilities. In addition, USSK had $3 million of customs guarantees outstanding, reducing availability under these facilities to $47 million. These facilities expire in the fourth quarter of 2004.

In July 2001, U. S. Steel issued $385 million of 10-3/4% senior notes due August 1, 2008 (10-3/4% Senior Notes), and in September 2001, U. S. Steel issued an additional $150 million of 10-3/4% Senior Notes. As of September 30, 2003, the aggregate principal amount of 10-3/4% Senior Notes outstanding was $535 million.

In May 2003, U. S. Steel sold $450 million of new senior notes due May 15, 2010 (9-3/4% Senior Notes). These notes have an interest rate of 9-3/4% per annum payable semi-annually on May 15 and November 15, commencing November 15, 2003. The 9-3/4% Senior Notes were issued under U. S. Steel's outstanding universal shelf registration statement and are not listed on any national securities exchange. Proceeds from the sale of the 9-3/4% Senior Notes were used to finance a portion of the purchase price for the National Acquisition. As of September 30, 2003, the aggregate principal amount of 9-3/4% Senior Notes outstanding was $450 million.

In conjunction with issuing the 9-3/4% Senior Notes, U. S. Steel solicited the consent of the 10-3/4% Senior Note holders to conform certain terms of the 10-3/4% Senior Notes to the terms of the 9-3/4% Senior Notes. Those conforming changes modified the definitions of Consolidated Net Income, EBITDA and Like-Kind Exchange, permitted dividend payments on the Series B Preferred shares and expanded permitted investments to include loans made for the purpose of facilitating like-kind exchange transactions. U. S. Steel received the consent from holders of more than 90% of the principal amount of the 10-3/4% Senior Notes and the amendments were effective May 20, 2003.

The 10-3/4% Senior Notes and the 9-3/4% Senior Notes (together the Senior Notes) impose very similar limitations on U. S. Steel's ability to make restricted payments. Restricted payments under the indentures include the declaration or payment of dividends on capital stock; the purchase, redemption or other acquisition or retirement for value of capital stock; the retirement of any subordinated obligations prior to their scheduled maturity; and the making of any investments other than those specifically permitted under the indentures. In order to make restricted payments, U. S. Steel must satisfy certain requirements, which include a consolidated coverage ratio based on EBITDA and consolidated interest expense for

the four most recent quarters. In addition, the total of all restricted payments made since the 10-3/4% Senior Notes were issued (excluding up to $50 million of dividends paid on common stock through the end of 2003) cannot exceed the cumulative cash proceeds from the sale of capital stock and certain investments plus 50% of consolidated net income from October 1, 2001, through the most recent quarter-end treated as one accounting period, or, if there is a consolidated net loss for the period, less 100% of such consolidated net loss. A complete description of the requirements and defined terms such as restricted payments, EBITDA and consolidated net income can be found in the indenture for the 10-3/4% Senior Notes that was filed as Exhibit 4(f) to U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2001. The amended indenture for the 10-3/4% Senior Notes and the Officer's Certificate for the 9-3/4% Senior Notes were filed as Exhibit 4.2 and Exhibit 4.1, respectively, to U. S. Steel's Current Report on Form 8-K dated May 20, 2003.

As of September 30, 2003, U. S. Steel met the consolidated coverage ratio and had approximately $340 million of availability to make restricted payments under the calculation described in the preceding paragraph. Also, exclusive of any limitations imposed, U. S. Steel can declare and (i) make payment of dividends on the Series B Preferred and (ii) make aggregate dividend payments on common stock of up to $12 million from July 1, 2003 through the end of 2003. In addition, U. S. Steel has the ability to make other restricted payments of up to $28 million as of September 30, 2003, which could also be used for future dividend payments. U. S. Steel's ability to declare and pay dividends or make other restricted payments in the future is subject to U. S. Steel's ability to continue to meet the consolidated coverage ratio and have amounts available under the calculation or one of the exclusions just discussed.

The Senior Notes also impose other significant restrictions on U. S. Steel such as the following: limits on additional borrowings, including limiting the amount of borrowings secured by inventories or accounts receivable; limits on sale/leasebacks; limits on the use of funds from asset sales and sale of the stock of subsidiaries; and restrictions on U. S. Steel's ability to invest in joint ventures or make certain acquisitions.

If these covenants are breached or if U. S. Steel fails to make payments under its material debt obligations or the Receivables Purchase Agreement, creditors would be able to terminate their commitments to make further loans, declare their outstanding obligations immediately due and payable and foreclose on any collateral. This may also cause termination events to occur under the Receivables Purchase Agreement and a default under the Senior Notes. Additional indebtedness that U. S. Steel may incur in the future may also contain similar covenants, as well as other restrictive provisions. Cross-default and cross-acceleration clauses in the Receivables Purchase Agreement, the Inventory Facility, the Senior Notes and any future additional indebtedness could have an adverse effect upon U. S. Steel's financial position and liquidity.

U. S. Steel was in compliance with all of its debt covenants at September 30, 2003.

On May 6, 2003, Moody's Investors Service reduced its ratings assigned to U. S. Steel's senior unsecured debt from Ba3 to B1 and assigned a stable outlook, and Fitch Ratings reduced its ratings from BB to BB- and assigned a negative

outlook. On May 7, 2003, Standard & Poor's Ratings Services reduced its ratings assigned to U. S. Steel's senior unsecured debt from BB to BB- and assigned a negative outlook.

U. S. Steel has utilized surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. U. S. Steel has replaced some surety bonds with other forms of financial assurance. The use of other forms of financial assurance and collateral have a negative impact on liquidity. U. S. Steel has used $48 million of liquidity sources for financial assurance purposes during the first nine months of 2003, and expects to use approximately $5 million more during the fourth quarter. These amounts include requirements for the acquired National facilities.

The very high property taxes at U. S. Steel's Gary Works facility in Indiana continue to be detrimental to Gary Works' competitive position, both when compared to competitors in Indiana and with other steel facilities in the United States and abroad. U. S. Steel is a party to several property tax disputes involving Gary Works, including claims for refunds totaling approximately $65 million pertaining to tax years 1994-96 and 1999 and assessments totaling approximately $133 million in excess of amounts paid for the 2000, 2001 and 2002 tax years. In addition, interest may be imposed upon any final assessment. The disputes involve property values and tax rates and are in various stages of administrative appeal. U. S. Steel is vigorously defending against the assessments and pursuing its claims for refunds. See discussion in "Outlook" regarding recently enacted Indiana property tax legislation that will affect U. S. Steel's tax expense in future periods. The legislation has no impact on the property taxes for past periods that are currently being disputed.

U. S. Steel was contingently liable for debt and other obligations of Marathon as of September 30, 2003, in the amount of $68 million. In the event of the bankruptcy of Marathon, these obligations for which U. S. Steel is contingently liable, as well as obligations relating to Industrial Development and Environmental Improvement Bonds and Notes in the amount of $471 million that were assumed by U. S. Steel from Marathon, may be declared immediately due and payable. If that occurs, U. S. Steel may not be able to satisfy such obligations. In addition, if Marathon loses its investment grade ratings, certain of these obligations will be considered indebtedness under the Senior Notes indentures and for covenant calculations under the Inventory Facility. This occurrence could prevent U. S. Steel from incurring additional indebtedness under the Senior Notes or may cause a default under the Inventory Facility.

The following table summarizes U. S. Steel's liquidity as of September 30, 2003:

(Dollars in millions)

Cash and cash equivalents	$ 160
Amount available under Receivables Purchase Agreement	489
Amount available under Inventory Facility	530
Amounts available under USSK credit facilities	47
Total estimated liquidity	$1,226

U. S. Steel's liquidity has increased by $195 million since December 31, 2002, primarily reflecting net cash provided from operating activities, the sale of the 9-3/4% Senior Notes, net proceeds of $242 million from U. S. Steel's offering of Series B Preferred and increased availability under the Receivables Purchase Agreement and the Inventory Facility, partially offset by cash used for the National Acquisition, other investing activities and dividends paid.

The following table summarizes U. S. Steel's contractual obligations at September 30, 2003, and the effect such obligations are expected to have on U. S. Steel's liquidity and cash flow in future periods.

(Dollars in millions)

Contractual Obligations	Total	Payments Due by Period Fourth Quarter 2003	2004 through 2005	2006 through 2007	Beyond 2007
Long-term debt and capital leases	$1,885	$21	$52	$61	$1,751
Operating leases	566	35	224	138	169
Capital commitments(a)	511	5	29	177	300
Environmental commitments(a)	125	8	26	-	91(b)
Usher retention bonus(a)	3	-	3	-	-
Steelworkers Pension Trust(c)	(d)	14	53	45	(d)
Other postretirement benefits	(e)	17	480	560	(e)
Total	(d)	$100	$867	$981	(d)

(a) See Note 23 of Selected Notes to Financial Statements.
(b) Timing of potential cash flows is not determinable.
(c) Amount reflects two cash contributions to be made to the Steelworkers Pension Trust based on the number of National's represented employees as of the date of the acquisition, less the number of these employees participating in the Transition Assistance Program, and reflects estimated future cash contributions to be made to this trust based on contributory hours.
(d) Amount of contractual cash obligations is not determinable because the cash obligations are not estimable beyond five years.
(e) U. S. Steel accrues an annual cost for these benefit obligations under plans covering its active and retiree populations in accordance with generally accepted accounting principles. These obligations will require corporate cash in future years to the extent that trust assets are restricted or insufficient and to the extent that company contributions are required by law or union labor agreement. Amounts in the years 2003 through 2007 reflect our current estimate of corporate cash outflows and are net of the use of funds available from a VEBA trust. The accuracy of this forecast of future cash flows depends on various factors such as actual asset returns, the mix of assets within the asset trusts, medical escalation and discount rates used to calculate obligations, the availability of surplus pension assets allowable for transfer to pay retiree medical claims and company decisions or VEBA restrictions that impact the timing of the use of trust assets. Also, as such, the amounts shown could differ significantly from what is actually expended and, at this time, it is impossible to make an accurate prediction of cash requirements beyond five years.

Contingent lease payments have been excluded from the above table. Contingent lease payments relate to operating lease agreements that include a floating rental charge, which is associated to a variable component. Future contingent lease payments are not determinable to any degree of certainty. U. S. Steel's annual incurred contingent lease expense is disclosed in Note 17 to the Financial Statements in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2002. Additionally, recorded liabilities related to deferred income taxes and other liabilities that may have an impact on liquidity and cash flow in future periods are excluded from the above table.

Pension obligations have been excluded from the above table. In the fourth quarter of 2003, U. S. Steel intends to merge its defined benefit pension plan for union employees and its defined benefit pension plan for non-union employees. Preliminary valuations indicate that the merged plan will not require cash funding for the 2003 or 2004 plan years. Thereafter, annual funding of approximately $75 million per year is currently anticipated for the merged plan. In the fourth quarter of 2003, U. S. Steel anticipates making a $75 million voluntary contribution to its union or merged defined benefit pension plan, consisting mainly of timber assets currently managed by the Real Estate segment. U. S. Steel may also make voluntary contributions in one or more future periods in order to mitigate potentially larger required contributions in later years. Any such funding requirements could have an unfavorable impact on U. S. Steel's debt covenants, borrowing arrangements and cash flows. The funded status of U. S. Steel's pension plans is disclosed in Note 12 to the Financial Statements in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2002. Also, contributions to a trust established under the labor agreement with the USWA to assist National retirees with health care costs have been excluded from the above table as it is not possible to make an accurate prediction of cash requirements.

The following table summarizes U. S. Steel's commercial commitments at September 30, 2003, and the effect such commitments could have on U. S. Steel's liquidity and cash flow in future periods.

(Dollars in millions)

Commercial Commitments	Total	Scheduled Reductions by Period Fourth Quarter 2003	2004 through 2005	2006 through 2007	Beyond 2007
Standby letters of credit(a)	$ 96	$ -	$ 89	$ -	$ 7
Surety bonds(a)	26	-	8	-	18
Funded Trusts(a)	24	-	-	-	24
Clairton 1314B partnership(a)(b)	150	-	-	-	150
Guarantees of indebtedness of unconsolidated entities(a)(b)	30	2	11	6	11
Contingent liabilities:					
- Marathon obligations(a)(b)	68	6	35	19	8
- Unconditional purchase obligations(c)	889	53	472	228	136
Total	$1,283	$ 61	$ 615	$ 253	$ 354

(a) Reflects a commitment or guarantee for which future cash outflow is not considered likely.
(b) See Note 23 of Selected Notes to Financial Statements.
(c) Reflects contractual purchase commitments ("take or pay" arrangements) primarily for purchases of certain energy and coal sources, and computer programming services.

U. S. Steel management believes that U. S. Steel's liquidity will be adequate to satisfy its obligations for the foreseeable future, including obligations to complete currently authorized capital spending programs. Future requirements for U. S. Steel's business needs, including the funding of acquisitions and capital expenditures, debt service for outstanding financings, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds (including asset sales), proceeds from the sale of stock, borrowings and other external financing sources. However, there is no assurance that our business will continue to generate sufficient operating cash flow or that external financing sources will be available in an amount sufficient to enable us to service or refinance our indebtedness or to fund other liquidity needs in the future. If there is a prolonged delay in the recovery of the manufacturing sector of the U.S. economy, U. S. Steel believes that it can maintain adequate liquidity through a combination of deferral of nonessential capital spending, sales of non-strategic assets and other cash conservation measures.

U. S. Steel management's opinion concerning liquidity and U. S. Steel's ability to avail itself in the future of the financing options mentioned in the above forward-looking statements are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include the performance of U. S. Steel (as measured by various factors including cash provided from operating activities), levels of inventories and accounts receivable, the state of worldwide debt and equity markets, investor perceptions and expectations of past and future performance, the overall U.S. financial climate, and, in particular, with respect to borrowings, the level of U. S. Steel's outstanding debt and credit ratings by rating agencies.

Environmental Matters, Litigation and Contingencies

U. S. Steel has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. In recent years, these expenditures have been mainly for process changes in order to meet Clean Air Act obligations, although ongoing compliance costs have also been significant. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of U. S. Steel's products and services, operating results will be adversely affected. U. S. Steel believes that its major domestic integrated steel competitors are confronted by substantially similar conditions and thus does not believe that its relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods.

USSK is subject to the laws of the Slovak Republic. The environmental laws of the Slovak Republic generally follow the requirements of the European Union (EU), which are comparable to domestic standards. USSK has also entered into an agreement with the Slovak government to bring, over time, its facilities into EU environmental compliance.

USSB is subject to the laws of the Union of Serbia and Montenegro, which are currently more lenient than either the EU or U.S. standards, but this is expected to change over the next several years in anticipation of possible EU accession. An environmental baseline study will be conducted at USSB's facilities during the next six months. Under the terms of the acquisition, USSB will be responsible for only those costs and liabilities associated with environmental events occurring subsequent to the completion of that study. A portion of the $157 million USSB committed to spend in connection with the acquisition of Sartid is expected to be used for environmental controls and upgrades.

U. S. Steel has been notified that it is a potentially responsible party (PRP) at 20 waste sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as of September 30, 2003. In addition, there are 17 sites related to U. S. Steel where it has received information requests or other indications that it may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or make any judgment as to the amount thereof. There are also 37 additional sites related to U. S. Steel where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. At many of these sites, U. S. Steel is one of a number of parties involved and the total cost of remediation, as well as U. S. Steel's share thereof, is frequently dependent upon the outcome of investigations and remedial studies. U. S. Steel accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required.

In 1988, U. S. Steel and two other PRPs (Bethlehem Steel Corporation and William Fiore) agreed to the issuance of an administrative order by the U.S. Environmental Protection Agency (EPA) to undertake emergency removal work at the Municipal & Industrial Disposal Co. site in Elizabeth, Pa. The cost of such removal, which has been completed, was approximately $4.2 million, of which U. S. Steel paid $3.8 million. The EPA indicated that further remediation of this site would be required. In October 1991, the Pennsylvania Department of Environmental Resources (PADER) placed the site on the Pennsylvania State Superfund list and began a Remedial Investigation, which was issued in 1997. After a feasibility study by the Pennsylvania Department of Environmental Protection (PADEP) and submission of a conceptual remediation plan in 2001 by U. S. Steel, U. S. Steel submitted a revised remedial action plan on May 31, 2002. U. S. Steel and the PADEP signed a Consent Order and Agreement on August 30, 2002, under which U. S. Steel is responsible for remediation of this site. On March 18, 2003, the PADEP notified U. S. Steel that the public comment period was concluded and the Consent Order and Agreement is final. U. S. Steel estimates its future liability at the site to be $6.6 million.

On January 26, 1998, pursuant to an action filed by the EPA in the United States District Court for the Northern District of Indiana titled United States of America v. USX, U. S. Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System (NPDES) permit at Gary Works and provides for a sediment remediation project for a five mile section of the Grand Calumet River that runs through and beyond Gary Works. Contemporaneously, U. S. Steel entered into a consent decree with the public trustees, which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, U. S. Steel paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, U. S. Steel will pay the public trustees $1.0 million at the end of the remediation project for future monitoring costs and U. S. Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works. As of September 30, 2003, project costs have amounted to $47.7 million with another $2.7 million presently projected to complete the project, over the next two months, and $0.5 million necessary to operate the water treatment plant through March 2005. Construction began in January 2002 on a Corrective Action

Management Unit (CAMU) to contain the dredged material on company property and construction was completed in February 2003. The water treatment plant, specific to this project, was completed in November 2002, and placed into operation in March 2003. Phase 1 removal of PCB-contaminated sediment was completed in December 2002. Dredging resumed in February 2003 and will continue until dredging on the river is concluded, which is expected to occur in December 2003. Closure costs for the CAMU are estimated to be an additional $4.9 million.

On March 11, 2003, Gary Works received a notice of violation from the EPA alleging construction of two desulfurization facilities without proper installation permitting. Negotiations began April 24, 2003, and the cost of settlement of this matter is currently indeterminable.

In December 1995, U. S. Steel reached an agreement in principle with the EPA and the U.S. Department of Justice (DOJ) with respect to alleged Resource Conservation and Recovery Act (RCRA) violations at Fairfield Works. A consent decree was signed by U. S. Steel, the EPA and the DOJ and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) on December 11, 1997, under which U. S. Steel will pay a civil penalty of $1.0 million, implement two Supplemental Environmental Projects (SEPs) costing a total of $1.75 million and implement a RCRA corrective action at the facility. One SEP was completed during 1998. The second SEP was completed in 2003. As of February 22, 2000, the Alabama Department of Environmental Management assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works, with the approval of the EPA. The first Phase I RCRA Facility Investigation (RFI) work plan was approved for the site on September 16, 2002. Field sampling for the work plan commenced immediately after approval and will continue through the end of 2003. The cost to complete this study is estimated to be $770,000.

On October 23, 1998, a final Administrative Order on Consent was issued by the EPA addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires U. S. Steel to perform an RFI and a Corrective Measure Study at Gary Works. The Current Conditions Report, U. S. Steel's first deliverable, was submitted to the EPA in January 1997 and was approved by the EPA in 1998. Phase I RFI work plans have been approved for the Coke Plant, the Process Sewers, and Background Soils at the site, along with the approval of one self-implementing interim stabilization measure and a corrective measure. Another eight Phase I RFI work plans have been submitted for EPA approval, thereby completing the Phase I requirement, along with two Phase II RFI work plans and one further self-implementing interim stabilization measure. The costs to complete these studies and corrective measures are estimated to be $4.8 million. Until the studies are completed, it is impossible to assess what additional expenditures will be necessary.

On February 12, 1987, U. S. Steel and the PADER entered into a Consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pa. That Consent Order required U. S. Steel to pay a penalty of $50,000 and a monthly payment of $2,500 for five years. In 1990, U. S. Steel and the PADER reached agreement to amend the Consent Order. Under the amended Order, U. S. Steel agreed to remediate the Peters Creek Lagoon (a former coke plant waste disposal site); to pay a penalty of $300,000; and to pay a monthly penalty of up to $1,500 each month until the former disposal site is closed. Remediation costs have amounted to $11.0 million with another $0.6 million presently estimated to complete the project.

In 1997, USS/Kobe, a joint venture between U. S. Steel and Kobe Steel, Ltd. (Kobe), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC (Lorain Tubular), which operated as a joint venture between U. S. Steel and Kobe until December 31, 1999, when U. S. Steel purchased all of Kobe's interest in Lorain Tubular. U. S. Steel is continuing negotiations with the EPA, and has made an offer of settlement that involves a cash penalty of $100,025 and a supplemental environmental project to do PCB transformer replacement for a combined amount of $774,025. Most of the matters raised by the EPA relate to Republic's facilities; however, air discharges from U. S. Steel's #3 seamless pipe mill have also been cited. U. S. Steel will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued. Issues related to Republic have been resolved in its bankruptcy proceedings.

Prior to U. S. Steel's acquisition of the Granite City, Great Lakes and Midwest facilities, the DOJ had filed against National Steel Corporation proofs of claim asserting noncompliance allegations under various environmental statutes, including the Clean Air Act, RCRA, the Clean Water Act, the Emergency Planning and Community Right to Know Act, CERCLA and the Toxic Substances Control Act at these three facilities. The EPA had conducted inspections of the facilities and entered into negotiations with National Steel Corporation toward resolving these allegations with a consent decree. U. S. Steel is currently engaged in discussions with the DOJ, the EPA and the State of Illinois related to the conditions previously noted at these facilities. At Granite City Works, the EPA had determined that ditches and dewatering beds currently in operation were allegedly not in compliance with applicable waste oil management standards. Dredging of the ditches and dewatering beds is expected to cost $1.3 million. U. S. Steel is currently discussing with the EPA, the DOJ and the State of Illinois appropriate measures to investigate and remediate the ditches and dewatering beds. Air emissions from the steelmaking shop at Great Lakes are also under discussion. It has not been determined what, if any, corrective action may be necessary to address those emissions. Other, less significant issues are also under discussion, including Ferrous Chloride Solution handling at Granite City and Great Lakes, Spill Prevention Control and Countermeasures Plans at both facilities, RCRA training at Great Lakes and other waste handling issues.

Prior to U. S. Steel's acquisition of the Great Lakes facility it had operated under a permit for indirect discharge of wastewater to the Detroit Water and Sewerage Department (DWSD). National had reported to the DWSD violations of effluent limitations, including mercury, contained in the facility's indirect discharge to the DWSD treatment plant and had entered into a consent order with the DWSD that required improvements in plant equipment to remedy the violations. The Great Lakes facility continues to operate under a DWSD permit for this discharge and anticipates spending approximately $2.9 million to improve operating equipment to come into compliance with discharge limits in the current DWSD permit. As of September 30, 2003, project costs have amounted to $2.2 million.

During the third quarter and first nine months of 2003, U. S. Steel accrued $11 million and $22 million, respectively, for environmental remediation for domestic and foreign facilities. The total accrual for such liabilities at September 30, 2003, was $105 million. Environmental spending during the third quarter and first nine months of 2003 totaled $11 million and $35 million, respectively. These amounts exclude liabilities related to asset retirement obligations under SFAS No. 143.

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

Outlook

Looking ahead to the fourth quarter, shipments and prices for the Flat-rolled segment are expected to remain about the same versus the third quarter. Fourth quarter results will be negatively affected by approximately $40 million in pre-tax costs for several major planned facility outages. For full-year 2003, Flat-rolled shipments are expected to exceed 13.0 million net tons. U. S. Steel has announced price increases of $30 per ton for sheet products and 4 percent for tin products effective January 5, 2004. PinnOak Resources, LLC (PinnOak), the purchaser U. S. Steel Mining's assets, has experienced a fire at one of its operations and has therefore curtailed coal shipments to U. S. Steel. U. S. Steel has replaced this lost volume from other sources at the current market price, which is higher than the PinnOak contract price.

The Tubular segment is expected to realize slight improvements in shipments and prices in the fourth quarter compared to the third quarter. Full year shipments are expected to be approximately 900,000 tons and will be impacted by continued weak oil country tubular goods markets. The quench and temper line at Lorain Pipe Mills commenced operation early in the third quarter and should reach full production capability during the fourth quarter.

USSE fourth quarter shipments are expected to remain in line with the third quarter of 2003 and shipments for the full year are projected to be approximately 4.7 million net tons. USSE is expecting a slight increase in the fourth quarter 2003 average realized price as compared to third quarter, and has announced a price increase of 20 euros per metric ton for all flat-rolled products effective January 1, 2004.

With recent increases in world demand for raw materials to support steelmaking, prices for these commodities are increasing. U. S. Steel purchases all of its domestic coal requirements and a portion of its domestic scrap, coke and iron ore requirements. In addition, U. S. Steel purchases all of USSE's coal and iron ore requirements and a portion of USSE's coke requirements. Future results will be impacted by market prices for these purchased commodities.

The National Acquisition and the new labor agreement with the United Steelworkers of America (USWA) covering all of U. S. Steel's domestic facilities provides U. S. Steel with an opportunity to achieve a major reduction in the cost structure of its domestic business. Near-term, U. S. Steel's operating focus is on achieving savings from its combined operating configuration, consolidating purchasing and raw materials sourcing, optimizing freight savings, and expanding U. S. Steel's comprehensive supply chain management system to support customers from the new facilities.

In total, savings from National operational synergies, workforce reductions at both U. S. Steel and former National plants, and administrative cost reduction programs are expected to exceed $400 million in annual repeatable cost savings. U. S. Steel expects to realize significant savings in the fourth quarter of 2003 and expects full implementation by year-end 2004.

At the time of the National acquisition in May, domestic employees at U. S. Steel and National totaled 28,000. As a result of the implementation of the new labor agreement, the elimination of redundant personnel following the acquisition, efforts to reduce domestic administrative costs and the Mining Sale, U. S. Steel reduced domestic employment to 23,800 as of September 30, 2003. This number will decline further over the next several months as U. S. Steel completes the TAP reductions, continues to reduce administrative costs and completes the asset exchange with International Steel Group. This may result in additional workforce reduction charges.

U. S. Steel's 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. U. S. Steel estimates that its underfunded benefit obligation at year-end 2003 will be $2.6 billion. As of September 30, 2003, a one percentage point increase in the discount rate would have decreased OPEB liabilities in the company's main plans by approximately $250 million while a one percentage point decrease would have increased OPEB liabilities by approximately $300 million. As of September 30, 2003, a one percentage point increase in the escalation rate would have increased OPEB liabilities in the company's main plans by approximately $170 million while a one percentage point decrease would have decreased OPEB liabilities by approximately $150 million. Other postretirement benefit expense is expected to be approximately $40 million in the fourth quarter and $180 million for full year 2003, excluding previously recorded charges of approximately $65 million related to workforce reductions. Assuming a discount rate of 6.25 percent, other postretirement benefit expense is expected to be approximately $160 million in 2004.

The funded status of the defined benefit pension plans declined from an overfunded position of $1.2 billion at year-end 2001 to an underfunded position of $0.4 billion at year-end 2002. With the expected workforce reduction and certain retirement rate assumption changes, the plan, after the merger discussed below, is expected to have a year-end 2003 underfunded position of approximately $0.7 billion. As of September 30, 2003, a one percentage point increase in the discount rate would have decreased pension liabilities in the company's main domestic plans by approximately $640 million while a one percentage point decrease would have increased pension liabilities by approximately $670 million. Pension costs for domestic defined benefit plans are expected to be approximately $50 million for the fourth quarter 2003 and $100 million for full year 2003, excluding previously recorded charges of approximately $440 million connected with workforce reductions. Assuming a discount rate of 6.25 percent, pension costs for domestic defined benefit plans are expected to be approximately $210 million in 2004. These amounts do not include expenses for payments to the multi-employer Steelworkers Pension Trust for former National union employees who joined U. S. Steel and for union employees who join U. S. Steel after July 1, 2003. Nor do they include expenses for non-union employees who join U. S. Steel after July 1, 2003, including non-union employees formerly employed by National, who will participate in a defined contribution pension program.

During the fourth quarter of 2003, U. S. Steel intends to merge its two major defined benefit pension plans. Because of this merger, pension accounting rules may require that U. S. Steel increase the additional minimum liability that was recorded at September 30, 2003. This increase would result in a non-cash net charge against equity, which is currently estimated in a range of $500 million to $600 million. The actual amount of such charge will be determined based upon facts and circumstances on the measurement date. Therefore, the result could be materially different from the estimate above. Such differences could range from a reversal of the $927 million net charge against equity that was recorded at September 30, 2003, up to a cumulative charge against equity of $1.4 billion to $1.5 billion. These entries will have no impact on income. These charges against equity would result in an increase in federal and state deferred tax assets, which management will assess to determine if such assets may be realized. Should a valuation allowance be required, the upper range of the cumulative charge against equity could increase from $1.5 billion discussed above to as much as $2.5 billion, representing an increase of as much as $1 billion related to a valuation allowance for the full or partial effects of the plan merger and the tax benefit included in the net charge as of September 30, 2003.

Preliminary valuations indicate that the merged plan will not require cash funding for the 2003 or 2004 plan years. Thereafter, annual funding of approximately $75 million per year is currently anticipated for the merged plan. In the fourth quarter of 2003, U. S. Steel anticipates making a $75 million voluntary contribution to its union or merged defined benefit pension plan, consisting mainly of timber assets currently managed by the Real Estate segment. U. S. Steel may also make voluntary contributions in one or more future periods in order to mitigate potentially larger required contributions in later years.

Cash payments for retiree medical and life insurance 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 the VEBA trust. U. S. Steel expects that all payments on behalf of union retirees will also 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 are expected to total $220 million and $260 million, respectively.

Legislation enacted in Indiana in April 2003 permits certain steel companies and refinery operations to claim additional depreciation on older facilities for Indiana property tax reporting. As a result of this legislation, U. S. Steel is projected to realize a reduction in Gary Works' property tax expenses of approximately $11 million in 2003 compared with 2002. This reduction does not fully address the detrimental impact of property taxes on Gary Works' competitive position, when compared to competitors in Indiana and to other steel facilities in the United States and abroad.

U. S. Steel's Real Estate segment continues to pursue the sale of its mineral interests pursuant to a letter of intent, and the contribution of timber assets to a defined benefit pension plan. These transactions are targeted for completion in the first quarter of 2004 and the fourth quarter of 2003, respectively.

The preceding discussion contains forward-looking statements with respect to market conditions, operating costs, shipments and prices, National acquisition synergies, workforce reductions, administrative cost reductions, the new labor agreement, net periodic benefit costs and cash requirements, the merger of U. S. Steel's two major pension plans, tax relief and potential asset dispositions. Some factors, among others, that could affect 2003 market conditions, costs, shipments and prices for both domestic operations and USSE include product demand, prices and mix, global and company steel production levels, plant operating performance, the timing and completion of facility projects, natural gas prices and usage, changes in environmental, tax and other laws, the resumption of operation of steel facilities sold under the bankruptcy laws, employee strikes, power outages and U.S. and European economic performance and political developments. Domestic steel shipments and prices could be affected by import levels and actions taken by the U.S. Government and its agencies. Additional factors that may affect USSE's results are foreign currency fluctuations and political factors in Europe that include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation, export quotas, tariffs, and other protectionist measures. Factors that may affect expected synergies from the National Acquisition include management's ability to, and the speed with which management is able to, successfully integrate the acquired National operations. Factors that may affect expected cost reductions include management's ability to, and the speed with which management is able to, complete the TAP program, identify and eliminate redundancies, and operate effectively with fewer employees. Factors that may affect the amount of net periodic benefit costs and the amount of any additional minimum liability include among others, pension fund investment performance, liability changes and interest rates. Cash funding requirements for pensions and other postretirement benefits depend upon various factors such as future asset performance, the level of interest rates used to measure ERISA minimum funding levels, medical cost inflation, the impacts of business acquisitions or sales, union negotiated changes and future government regulation. Consummation of the sale of the mineral interests will depend upon a number of factors including regulatory approvals, negotiation of definitive documentation and the ability of the purchaser to arrange financing. Contribution of the timber assets to a pension plan is contingent on and may be influenced by factors that include regulatory approvals. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, cautionary statements identifying important factors, but not necessarily all factors, that could cause actual results to differ materially from those set forth in the forward-looking statements have been included in the Form 10-K of U. S. Steel for the year ended December 31, 2002, and in subsequent filings for U. S. Steel.

Steel imports to the United States accounted for an estimated 20% of the domestic steel market in the first eight months of 2003, 26% for the year 2002, and 24% for the year 2001.

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. They provide for tariffs and quotas on some steel products for three years, with the tariff rates dropping and the quotas increasing on the first and second anniversary of their being in effect. Various countries and various products are exempt, and the United States Trade Representative maintains a process by which additional products can be exempted.

The United States International Trade Commission (ITC) has conducted, as required by law, a mid-term review regarding the effectiveness of the Section 201 remedies and, at the request of the House Committee on Ways and Means, has conducted a general fact finding investigation under Section 332 of the Tariff Act of 1930 to examine the impact of the Section 201 tariffs on the domestic steel-consuming industries. The report of the ITC in both proceedings was submitted to the President and Congress on September 19, 2003. The President may make a determination as to whether the Section 201 relief will remain in effect for the remainder of the three-year term or be modified or terminated prior to March 2005.

Various countries have challenged President Bush's action at the World Trade Organization (WTO) and taken other actions responding to the Section 201 remedies. In August 2003, a panel of the Dispute Settlement Body of the WTO issued a final ruling against the United States. The United States has appealed the ruling to the WTO's Appellate Body.

The Bush Administration is continuing discussions at the Organization of Economic Cooperation and Development aimed at the reduction of inefficient steel production capacity and the elimination and limitation of certain subsidies to the steel industry throughout the world.

On December 20, 2001, the European Commission commenced an anti-dumping investigation concerning hot-rolled coils imported into the EU from the Slovak Republic and five other countries. On January 20, 2003, the Commission issued a final disclosure advising of its determinations relative to the dumping and injury margins applicable to those imports. The Commission's findings set the dumping margin applicable to those imports at 25.8% and the injury margin at 18.6%. On March 18, 2003, however, this case was dismissed upon the rejection, by the EU's General Affairs and External Relations Council, of the Commission's proposal to impose definitive anti-dumping duties. The Council's decision is final and, accordingly, no anti-dumping duties will be imposed against hot rolled coils shipped by USSK into the EU.

Definitive measures were announced on September 27, 2002, in a separate safeguard trade action commenced by the European Commission. In that proceeding, which is similar to the U.S. Section 201 proceedings, quota/tariff measures were announced relative to the import of certain steel products into the EU. USSK is impacted by the quota/tariff measures on four products: non-alloy hot-rolled coils, hot-rolled strip, hot-rolled sheet and cold-rolled flat products. Annual shipment quotas were set for all four products. The shipment quotas on all products, other than non-alloy hot-rolled coils, are country-specific. The hot-rolled coil quota is a global quota. The annual hot-rolled coil quota was effectively exhausted on July 29, 2003. Accordingly, a 15.7% tariff was imposed on hot-rolled coils shipped into the EU from that date until the quota expired on September 28, 2003, the anniversary date of the imposition of the measures. Slovakia's country-specific quotas for hot-rolled sheet, hot-rolled strip and/or cold-rolled flat products were not exceeded prior to September 28, 2003. On September 29, 2003, new annual quotas, set at 5% above the first year quotas, went into effect. The EU safeguard measures are scheduled to expire on March 28, 2005. However, these measures will cease to impact USSK at such time that Slovakia becomes a member of the EU. Slovakia has been accepted for membership in the EU and entry is expected to occur in May 2004.

Safeguard measures similar to those in effect in the EU were imposed by Poland (on March 8, 2003) and Hungary (on March 28, 2003). On April 30, 2003, the Czech Republic's Trade Ministry published its decision dismissing the safeguard proceedings commenced in that country, based upon its conclusion that the conditions for the imposition of such measures were not met. That decision is final and cannot be appealed. The impact on USSK of these trade actions in the EU and Central Europe cannot be predicted at this time. However, in light of market opportunities elsewhere; and USSK's experience operating under these safeguard measures, it appears unlikely that these matters will have a material adverse effect on USSK's operating profit in 2003.

Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 established a new accounting model for the recognition and measurement of retirement obligations associated with tangible long-lived assets. SFAS No. 143 requires that an asset retirement obligation be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. U. S. Steel adopted this Statement effective January 1, 2003. See Note 8 to Selected Notes to Financial Statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The Interpretation elaborates on the disclosure to be made by a guarantor about obligations under certain guarantees that it has issued. It also clarifies that at the inception of a guarantee, the company must recognize liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements were adopted for the 2002 annual financial statements. U. S. Steel is applying the remaining provisions of the Interpretation prospectively as required.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends SFAS No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. U. S. Steel adopted the annual disclosure provisions of SFAS No. 148 for the annual financial statements and adopted the interim provisions effective with the second quarter of 2003. U. S. Steel is not changing to the fair value based method of accounting for stock-based employee compensation; therefore, the transition provisions are not applicable. See Note 6 to Selected Notes to Financial Statements.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003 and addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack the characteristics of a controlling financial interest. The FASB delayed the application of this Interpretation until December 31, 2003. At this time, U. S. Steel has not completed its assessment of the effects of the application of this Interpretation on either its financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Accounting for Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The amendments set forth in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS

No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain outlined exceptions. This Statement was adopted with no initial impact.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring these instruments be classified as liabilities (or assets in some circumstances) in the balance sheet. Further, SFAS No. 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The guidance in the Statement is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This Statement was adopted with no initial impact.

UNITED STATES STEEL CORPORATION
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk and Related Risks

Sensitivity analyses of the incremental effects on pretax income of hypothetical 10% and 25% decreases in commodity prices for open derivative commodity instruments as of September 30, 2003, are provided in the following table(a):

(Dollars in millions)	Incremental Decrease in Income Before Income Taxes Assuming a Hypothetical Price Decrease of: 10%	25%
Commodity-Based Derivative Instruments		
Zinc	1.2	3.0
Tin	0.2	0.4

(a) With the adoption of SFAS No. 133, the definition of a derivative instrument has been expanded to include certain fixed price physical commodity contracts. Such instruments are included in the above table. Amounts reflect the estimated incremental effects on pretax income of hypothetical 10% and 25% decreases in closing commodity prices for each open contract position at September 30, 2003. Management evaluates the portfolio of derivative commodity instruments on an ongoing basis and adjusts strategies to reflect anticipated market conditions, changes in risk profiles and overall business objectives. Changes to the portfolio subsequent to September 30, 2003, may cause future pretax income effects to differ from those presented in the table.

UNITED STATES STEEL CORPORATION
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

U. S. Steel is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10% decrease in September 30, 2003, interest rates on the fair value of U. S. Steel's non-derivative financial instruments is provided in the following table:

(Dollars in millions)

As of September 30, 2003 Non-Derivative Financial Instruments(a)	Fair Value	Incremental Increase in Fair Value(b)
Financial assets:		
Investments and long-term receivables	$23	$-
Financial liabilities:		
Long-term debt (c)(d)	$1,909	$79

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

(b) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at September 30, 2003, on the fair value of U. S. Steel's non-derivative financial instruments.
(c) Includes amounts due within one year.
(d) Fair value was based on market prices or estimated borrowing rates for financings with similar maturities.

At September 30, 2003, U. S. Steel's portfolio of long-term debt was comprised primarily of fixed-rate instruments. Therefore, the fair value of the portfolio is relatively sensitive to effects of interest rate fluctuations. This sensitivity is illustrated by the $79 million increase in the fair value of long-term debt assuming a hypothetical 10% decrease in interest rates. However, U. S. Steel's sensitivity to interest rate declines and corresponding increases in the fair value of its debt portfolio would unfavorably affect U. S. Steel's results and cash flows only to the extent that U. S. Steel elected to repurchase or otherwise retire all or a portion of its fixed-rate debt portfolio at prices above carrying value.

UNITED STATES STEEL CORPORATION QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

U. S. Steel, primarily through USSE, is subject to the risk of price fluctuations due to the effects of exchange rates on revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars, in particular the euro, the Slovak koruna and the Serbian dinar. U. S. Steel has not generally used derivative instruments to manage this risk. However, U. S. Steel has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. At September 30, 2003, U. S. Steel had open euro forward sale contracts for both U.S. dollars (total notional value of approximately $17.8 million) and Slovak koruna (total notional value of approximately $37.7 million). A 10% increase in the September 30, 2003 euro forward rates would result in a $5.6 million charge to income.

Safe Harbor

U. S. Steel's Quantitative and Qualitative Disclosures About Market Risk include forward-looking statements with respect to management's opinion about risks associated with U. S. Steel's use of derivative instruments. These statements are based on certain assumptions with respect to market prices, industry supply and demand for steel products and certain raw materials, and foreign exchange rates. To the extent that these assumptions prove to be inaccurate, future outcomes with respect to U. S. Steel's hedging programs may differ materially from those discussed in the forward-looking statements.

UNITED STATES STEEL CORPORATION CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

U. S. Steel has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2003. These disclosure controls and procedures are the controls and other procedures that were designed to ensure that information required to be disclosed in reports that are filed with or submitted to the SEC is: (1) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in applicable law and regulations. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2003, U. S. Steel's disclosure controls and procedures were effective.

Internal Controls

As of September 30, 2003, there have not been any significant changes in U. S. Steel's internal control over financial reporting or in other factors that could significantly affect that control.

UNITED STATES STEEL CORPORATION SUPPLEMENTAL STATISTICS (Unaudited)

(Dollars in millions)	Third Quarter Ended September 30 2003	2002	Nine Months Ended September 30 2003	2002
INCOME (LOSS) FROM OPERATIONS				
Flat-rolled Products	$(50)	$57	$(144)	$(57)
Tubular Products	(10)	3	(20)	10
U. S. Steel Europe	35	40	166	65

Straightline	(15)	(11)	(49)	(28)
Real Estate	12	16	42	37
Other Businesses	(2)	30	(38)	59
Segment Income (Loss) from Operations	(30)	135	(43)	86
Items not allocated to segments:				
Workforce reduction charges	(618)	-	(618)	(10)
Litigation items	-	-	(25)	9
Asset impairments	(46)	-	(57)	(14)
Costs related to Fairless shutdown	-	-	-	(1)
Income from sale of coal seam gas interests	-	-	34	-
Gain on sale of coal mining assets	-	-	13	-
Federal excise tax refund	-	3	-	36
Insurance recoveries related to USS-POSCO fire	-	2	-	20
Total Income (Loss) from Operations	$(694)	$140	$(696)	$126
CAPITAL EXPENDITURES				
Flat-rolled Products	$23	$8	$57	$27
Tubular Products	6	13	44	28
U. S. Steel Europe	30	11	72	45
Straightline	1	2	2	7
Real Estate	1	-	1	1
Other Businesses	12	12	29	42
Total	$73	$46	$205	$150
OPERATING STATISTICS				
Average realized price: ($/net ton)(a)				
Flat-rolled Products	$424	$428	$422	$403
Tubular Products	625	663	635	647
U. S. Steel Europe	351	290	354	265
Steel Shipments:(a)(b)				
Flat-rolled Products	3,909	2,598	9,547	7,500
Tubular Products	231	216	648	621
U. S. Steel Europe	1,153	1,009	3,561	2,870
Raw Steel-Production:(b)				
Domestic Facilities	4,396	3,022	10,629	8,926
U. S. Steel Europe	1,158	1,144	3,561	3,252
Raw Steel-Capability Utilization:(c)				
Domestic Facilities	89.9%	93.7%	88.6%	93.2%
U. S. Steel Kosice	83.5%	90.8%	92.1%	87.0%
Domestic iron ore shipments(b)(d)	5,830	4,819	12,896	12,167
Domestic coke shipments(b)(d)	1,743	1,342	4,412	3,862

(a) Excludes intersegment transfers.
(b) Thousands of net tons.
(c) Based on annual raw steel production capability of 12.8 million net tons prior to May 20, 2003, and 19.4 million net tons thereafter for domestic facilities; and 5.0 million net tons prior to September 12, 2003, and 7.4 million net tons thereafter for U. S. Steel Europe.
(d) Includes intersegment transfers.

Part II - Other Information:

Item 1. LEGAL PROCEEDINGS

Environmental Proceedings

In 1988, U. S. Steel and two other PRPs (Bethlehem Steel Corporation and William Fiore) agreed to the issuance of an administrative order by the U.S. Environmental Protection Agency (EPA) to undertake emergency removal work at the Municipal & Industrial Disposal Co. site in Elizabeth, Pa. The cost of such removal, which has been completed, was approximately $4.2 million, of which U. S. Steel paid $3.8 million. The EPA indicated that further remediation of this site would be required. In October 1991, the Pennsylvania Department of Environmental Resources (PADER) placed the site on the Pennsylvania State Superfund list and began a Remedial Investigation, which was issued in 1997. After a feasibility study by the Pennsylvania Department of Environmental Protection (PADEP) and submission of a conceptual remediation plan in 2001 by U. S. Steel, U. S. Steel submitted a revised remedial action plan on May 31, 2002. U. S. Steel and the PADEP signed a Consent Order and Agreement on August 30, 2002, under which U. S. Steel is responsible for remediation of this site. On March 18, 2003, the PADEP notified U. S. Steel that the public comment period was concluded and the Consent Order and Agreement is final. U. S. Steel estimates its future liability at the site to be $6.6 million.

On January 26, 1998, pursuant to an action filed by the EPA in the United States District Court for the Northern District of Indiana titled United States of America v. USX, U. S. Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System (NPDES) permit at Gary Works and provides for a sediment remediation project for a five mile section of the Grand Calumet River that runs through and beyond Gary Works. Contemporaneously, U. S. Steel entered into a consent decree with the public trustees, which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, U. S. Steel paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, U. S. Steel will pay the public trustees $1.0 million at the end of the remediation project for future monitoring costs and U. S. Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works. As of September 30, 2003, project costs have amounted to $47.7 million with another $2.7 million presently projected to complete the project, over the next two months, and $0.5 million necessary to operate the water treatment plant through March 2005. Construction began in January 2002 on a Corrective Action Management Unit (CAMU) to contain the dredged material on company property and construction was completed in February 2003. The water treatment plant, specific to this project, was completed in November 2002, and placed into operation in March 2003. Phase 1 removal of PCB-contaminated sediment was completed in December 2002. Dredging resumed in February 2003 and will continue until dredging on the river is concluded, which is expected to occur in December 2003. Closure costs for the CAMU are estimated to be an additional $4.9 million.

On March 11, 2003, Gary Works received a notice of violation from the EPA alleging construction of two desulfurization facilities without proper installation permitting. Negotiations began April 24, 2003, and the cost of settlement of this matter is currently indeterminable.

In December 1995, U. S. Steel reached an agreement in principle with the EPA and the U.S. Department of Justice (DOJ) with respect to alleged Resource Conservation and Recovery Act (RCRA) violations at Fairfield Works. A consent decree was signed by U. S. Steel, the EPA and the DOJ and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) on December 11, 1997, under which U. S. Steel will pay a civil penalty of $1.0 million, implement two Supplemental Environmental Projects (SEPs) costing a total of $1.75 million and implement a RCRA corrective action at the facility. One SEP was completed during 1998. The second SEP was completed in 2003. As of February 22, 2000, the Alabama Department of Environmental Management assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works, with the approval of the EPA. The first Phase I RCRA Facility Investigation (RFI) work plan was approved for the site on September 16, 2002. Field sampling for the work plan commenced immediately after approval and will continue through the end of 2003. The cost to complete this study is estimated to be $770,000.

On October 23, 1998, a final Administrative Order on Consent was issued by the EPA addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires U. S. Steel to perform an RFI and a Corrective Measure Study at Gary Works. The Current Conditions Report, U. S. Steel's first deliverable, was submitted to the EPA in January 1997 and was approved by the EPA in 1998. Phase I RFI work plans have been approved for the Coke Plant, the Process Sewers, and Background Soils at the site, along with the approval of one self-implementing interim stabilization measure and a corrective measure. Another eight Phase I RFI work plans have been submitted for EPA approval, thereby completing the Phase I requirement, along with two Phase II RFI work plans and one further self-implementing interim stabilization measure. The costs to complete these studies and corrective measures are estimated to be $4.8 million. Until the studies are completed, it is impossible to assess what additional expenditures will be necessary.

On February 12, 1987, U. S. Steel and the PADER entered into a Consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pa. That Consent Order required U. S. Steel to pay a penalty of $50,000 and a monthly payment of $2,500 for five years. In 1990, U. S. Steel and the PADER reached agreement to amend the Consent Order. Under the amended Order, U. S. Steel agreed to remediate the Peters Creek Lagoon (a former coke plant waste disposal site); to pay a penalty of $300,000; and to pay a monthly penalty of up to $1,500 each month until the former disposal site is closed. Remediation costs have amounted to $11.0 million with another $0.6 million presently estimated to complete the project.

In 1997, USS/Kobe, a joint venture between U. S. Steel and Kobe Steel, Ltd.

(Kobe), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC (Lorain Tubular), which operated as a joint venture between U. S. Steel and Kobe until December 31, 1999, when U. S. Steel purchased all of Kobe's interest in Lorain Tubular. U. S. Steel is continuing negotiations with the EPA, and has made an offer of settlement that involves a cash penalty of $100,025 and a supplemental environmental project to do PCB transformer replacement for a combined amount of $774,025. Most of the matters raised by the EPA relate to Republic's facilities; however, air discharges from U. S. Steel's #3 seamless pipe mill have also been cited. U. S. Steel will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued. Issues related to Republic have been resolved in its bankruptcy proceedings.

Prior to U. S. Steel's acquisition of the Granite City, Great Lakes and Midwest facilities, the DOJ had filed against National Steel Corporation proofs of claim asserting noncompliance allegations under various environmental statutes, including the Clean Air Act, RCRA, the Clean Water Act, the Emergency Planning and Community Right to Know Act, CERCLA and the Toxic Substances Control Act at these three facilities. The EPA had conducted inspections of the facilities and entered into negotiations with National Steel Corporation toward resolving these allegations with a consent decree. U. S. Steel is currently engaged in discussions with the DOJ, the EPA and the State of Illinois related to the conditions previously noted at these facilities. At Granite City Works, the EPA had determined that ditches and dewatering beds currently in operation were allegedly not in compliance with applicable waste oil management standards. Dredging of the ditches and dewatering beds is expected to cost $1.3 million. U. S. Steel is currently discussing with the EPA, the DOJ and the State of Illinois appropriate measures to investigate and remediate the ditches and dewatering beds. Air emissions from the steelmaking shop at Great Lakes are also under discussion. It has not been determined what, if any, corrective action may be necessary to address those emissions. Other, less significant issues are also under discussion, including Ferrous Chloride Solution handling at Granite City and Great Lakes, Spill Prevention Control and Countermeasures Plans at both facilities, RCRA training at Great Lakes and other waste handling issues.

Asbestos Litigation

U. S. Steel is a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Almost all 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 (referred to as "premises claims"); and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. 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.

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 premises; approximately 200 plaintiffs allege they are suffering from mesothelioma. In many cases, the plaintiffs cannot demonstrate that they have suffered any compensable loss as a result of such exposure or that any injuries they have incurred did in fact result from such exposure. Virtually all asbestos cases seek monetary damages from multiple defendants. U. S. Steel is unable to provide meaningful disclosure about the total amount of such damages alleged in these cases for the following reasons: (1) many cases do not claim a specific demand for damages, or contain a demand that is stated only as being in excess of the minimum jurisdictional limit of the relevant court; (2) even where there are specific demands for damages, there is no meaningful way to determine what amount of the damages would or could be assessed against any particular defendant; (3) plaintiffs' lawyers often allege the same amount of damages irrespective of the specific harm that has been alleged, even though the ultimate outcome of any claim may depend upon the actual disease, if any, that the plaintiff is able to prove and the actual exposure, if any, to the U. S. Steel product or the duration of exposure, if any, on U. S. Steel's premises. U. S. Steel believes the amount of any damages alleged in the complaints initially filed in these cases is not relevant in assessing its potential liability.

U. S. Steel aggressively pursues grounds for the dismissal of U. S. Steel from pending cases and makes efforts to settle appropriate cases for reasonable, and frequently nominal, amounts. In 2000, U. S. Steel settled 22 claims for a total of approximately $80,000, had 4,157 claims dismissed or otherwise resolved and 3,860 new claims filed, so that as of December 31, 2000, we had a total of approximately 30,700 active claims outstanding. In 2001, U. S. Steel settled 11,166 claims for a total of approximately $190,000, had about 4,102 claims dismissed or otherwise resolved and 1,679 new claims filed so that as of December 31, 2001, we had a total of approximately 17,100 active claims outstanding. In 2002, U. S. Steel settled 1,135 claims for a total of approximately $700,000, had a total of 2,662 claims dismissed or otherwise resolved and 842 new claims filed, so that as of December 31, 2002, we had a total of approximately 14,100 active claims outstanding.

U. S. Steel also litigates cases to verdict where it believes that litigation is appropriate. Until March 2003, U. S. Steel was successful in all asbestos cases that it tried to final judgment. 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 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 acquisition activities and other strategic initiatives, U. S. Steel settled this case and the settlement was reflected in financial results for the first quarter of 2003.

Management views the Madison County verdict as aberrational and continues to believe that it is unlikely that the resolution of the pending asbestos actions against U. S. Steel would have a material adverse effect on U. S. Steel's financial condition. Among the factors considered in reaching this conclusion were: (1) that U. S. Steel had been subject to a total of approximately 34,000 asbestos claims over the last 12 years that had been administratively dismissed or were inactive due to the failure of the claimants to present any medical evidence supporting their claims; (2) that over the last several years, the total number of pending claims had remained steady; (3) that it had been many years since U. S. Steel employed maritime workers or manufactured electrical cable; and (4) U. S. Steel's history of trial outcomes, settlements and dismissals, including such matters since the March 28 jury decision. Management concluded the recent verdict in Madison County, Illinois was an aberration and that the likelihood of similar results is remote, although not impossible.

It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this and although our results of operations or cash flows for a given period could be adversely affected by asbestos-related lawsuits, claims and proceedings, the Company believes the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition.

This statement of belief is a forward-looking statement. Predictions as to the outcome of pending litigation are subject to substantial uncertainties with respect to (among other things) factual and judicial determinations, and actual results could differ materially from those expressed in this forward-looking statement. U. S. Steel does not know whether the jury verdict described above will have any impact upon the number of claims filed against U. S. Steel in the future or on the amount of future settlements.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

3.1 U. S. Steel Restated Certificate of Incorporation dated September 30, 2003

10.1 First Amendment dated as of August 19, 2003 to the Credit Agreement dated as of May 20, 2003 among U. S. Steel, the lenders party thereto, the LC issuing banks party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender, and General Electric Capital Corporation, as Co-Collateral Agent and Co-Syndication Agent

10.2 Second Amendment dated as of September 30, 2003 to the Credit Agreement dated as of May 20, 2003 among U. S. Steel, the lenders party thereto, the LC issuing banks party thereto, JPMorgan Chase Bank, as Administrative Agent, Collateral Agent, Co-Syndication Agent and Swingline Lender, and General Electric Capital Corporation, as Co-Collateral Agent and Co-Syndication Agent

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

12.2 Computation of Ratio of Earnings to Fixed Charges

31.1 Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Part II - Other Information (Continued):

(b) REPORTS ON FORM 8-K

Form 8-K dated June 30, 2003, reporting under Item 2. Acquisition or Disposition of Assets, that U. S. Steel completed the sale of the mines and related assets of U. S. Steel Mining Company, LLC.

* Form 8-K dated July 1, 2003, reporting under Item 9. Regulation FD Disclosure, that U. S. Steel is furnishing information for the July 1, 2003 press release titled "U. S. Steel Completes Sale of Mining Company Assets."

* Form 8-K dated August 4, 2003, reporting under Item 12. Results of Operations and Financial Condition, that U. S. Steel is furnishing information for the August 4, 2003, U. S. Steel Earnings Release.

Form 8-K dated September 22, 2003, reporting under Item 5. Other Events that U. S. Steel Balkan d.o.o., an indirect wholly owned subsidiary of U. S. Steel, acquired out of bankruptcy Sartid a.d. (In Bankruptcy) and four of its subsidiaries.

* Form 8-K dated October 10, 2003, reporting under Item 12. Results of Operations and Financial Condition, that U. S. Steel is furnishing information for the October 10, 2003 press release titled "U. S. Steel Reports on Pending Asset Swap and Third Quarter Charges."

* Form 8-K dated October 28, 2003, reporting under Item 12. Results of Operations and Financial Condition, that U. S. Steel is furnishing information for the October 28, 2003, U. S. Steel Earnings Release.

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* Reports submitted to the Securities and Exchange Commission under Item 9 and Item 12. Pursuant to General Instruction B of Form 8-K, the reports submitted under Items 9 and 12 are not deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 and are not subject to the liabilities of that section. Unless it specifically does so, U. S. Steel is not incorporating, and does not intend to incorporate, by reference these reports into a filing under the Securities Act or the Exchange Act.

SIGNATURE

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

UNITED STATES STEEL CORPORATION

By /s/ Larry G. Schultz

Larry G. Schultz
Vice President & Controller

November 7, 2003

WEB SITE POSTING

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

Exhibit 3.1

United States Steel Corporation

Restated
Certificate of Incorporation

Filed in Office of Secretary of State
State of Delaware

September 30, 2003

RESTATED CERTIFICATE OF INCORPORATION

OF

UNITED STATES STEEL CORPORATION

Originally formed as a Delaware limited liability company under the name "United States Steel LLC" on May 25, 2001 and converted to a Delaware corporation, pursuant to Section 265 of the Delaware General Corporation Law and Section 18-216 of the Delaware Limited Liability Company Act, on December 31, 2001 under the name first set forth below

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FIRST: The name of the Corporation (which is hereinafter referred to as the "Corporation") is

UNITED STATES STEEL CORPORATION

SECOND: Its registered office and place of business in the State of Delaware is located at 9 East Loockerman Street, Suite 1B, City of Dover, County of Kent. The registered agent in charge thereof upon whom process against the Corporation may be served is National Registered Agents, Inc.

THIRD: The purposes of the Corporation are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, and without limiting the foregoing to engage in integrated steel operations and to develop, mine, produce, manufacture, construct, transport, buy, hold, sell and generally deal in products, materials, property, both tangible and intangible, and services of all kinds.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is Four Hundred Forty Million (440,000,000), of which Four Hundred Million (400,000,000) shares shall be Common Stock having a par value of one dollar ($1.00) per share and Forty Million (40,000,000) shares shall be shares of Preferred Stock, without par value (hereinafter called "Preferred Stock").

A statement of the designations of the Preferred Stock or of any series thereof, and the powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, or of the authority of the Board of Directors to fix by resolution or resolutions such designations and other terms not fixed by the Certificate of Incorporation, is as follows:

1. The Preferred Stock may be issued in one or more series, from time to time, with each such series to have such designation, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation, subject to the limitations prescribed by law and in accordance with the provisions hereof, the Board of Directors being hereby expressly vested with authority to adopt any such resolution or resolutions. The authority of the Board of Directors with respect to each such series shall include, but not be limited to, the determination or fixing of the following:

i. The distinctive designation and number of shares comprising such series, which number may (except where otherwise provided by the Board of Directors in creating such series) be increased or decreased (but not below the number of shares then outstanding) from time to time by like action of the Board of Directors;

ii. The dividend rate of such series, the conditions and times upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock or series thereof, or any other series of the same class, and whether dividends shall be cumulative or non-cumulative;

iii. The conditions upon which the shares of such series shall be subject to redemption by the Corporation and the times, prices and other terms and provisions upon which the shares of the series may be redeemed;

iv. Whether or not the shares of the series shall be subject to the operation of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if such retirement or sinking fund be established, the annual amount thereof and the terms and provisions relative to the operation thereof;

v. Whether or not the shares of the series shall be convertible into or exchangeable for shares of any other class or classes, with or without par value, or of any other series of the same class, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

vi. Whether or not the shares of the series shall have voting rights, in addition to the voting rights provided by law, and, if so, subject to the limitation hereinafter set forth, the terms of such voting rights;

vii. The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution, or upon the distribution of assets of the Corporation;

viii. Any other powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the shares of such series, as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of this Certificate of Incorporation.

2. The holders of shares of the Preferred Stock of each series shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, dividends at the rates fixed by the Board of Directors for such series, and no more, before any dividends, other than dividends payable in Common Stock, shall be declared and paid, or set apart for payment, on the Common Stock with respect to the same dividend period.

3. Whenever, at any time, dividends on the then outstanding Preferred Stock as may be required with respect to any series outstanding shall have been paid or declared and set apart for payment on the then outstanding Preferred Stock, and after complying with respect to any retirement or sinking fund or funds for any series of Preferred Stock, the Board of Directors may, subject to the provisions of the resolution or resolutions creating any series of Preferred Stock, declare and pay dividends on the Common Stock, and the holders of shares of the Preferred Stock shall not be entitled to share therein.

4. The holders of shares of the Preferred Stock of each series shall be entitled upon liquidation or dissolution or upon the distribution of the assets of the Corporation to such preferences as provided in the resolution or resolutions creating such series of Preferred Stock, and no more, before any distribution of the assets of the Corporation shall be made to the holders of shares of the Common Stock.

5. Except as otherwise provided by a resolution or resolutions of the Board of Directors creating any series of Preferred Stock or by the General Corporation Law of Delaware, the holders of shares of the Common Stock issued

and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and the exclusive power to vote. The holders of shares of the Preferred Stock issued and outstanding shall, in no event, be entitled to more than one vote for each share of Preferred Stock held by them unless otherwise required by law.

Pursuant to the authority conferred by this Article Fourth, the following series of Preferred Stock have been designated, each such series consisting of such number of shares, with such voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions as are stated and expressed in Exhibits A through B attached hereto and incorporated herein by reference:

Exhibit A: Series A Junior Preferred Stock

Exhibit B: 7.00% Series B Mandatory Convertible Preferred Shares

FIFTH: The existence of the Corporation is to be perpetual.

SIXTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

SEVENTH: The number of directors of the Corporation shall be fixed from time to time by, or in the manner provided in, its by-laws and may be increased or decreased as therein provided; but the number thereof shall not be less than three.

The directors of the Corporation shall be divided into three classes: Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the whole number of the Board of Directors. Each of the Class I directors shall hold office until the 2002 annual meeting of the stockholders, each of the Class II directors shall hold office until the 2003 annual meeting of the stockholders, and each of the Class III directors shall hold office until the 2004 annual meeting of the stockholders, and in the case of each class, until their respective successors are duly elected and qualified. At each annual election held from and after the 2002 annual meeting of the stockholders, directors elected to succeed those whose terms expire shall be identified as being of the same class as the directors they succeed and shall be elected to hold office for a term to expire at the third annual meeting of the stockholders after their election, and until their respective successors are duly elected and qualified. If the number of directors is changed, any increase or decrease in directors shall be apportioned among the classes so as to maintain all classes as equal in number as possible, and any additional director elected to any class shall hold office for a term which shall coincide with the terms of the other directors in such class and until his successor is duly elected and qualified.

In the case of any increase in the number of directors of the Corporation, the additional director or directors shall be elected by the Board of Directors.

In the case of any vacancy in the Board of Directors from death, resignation, disqualification or other cause, a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant, and until the election of his successor, shall be elected by a majority of the Board of Directors then in office, though less than a quorum.

Directors of the Corporation may be removed only for cause.

EIGHTH: The Board of Directors shall have power to adopt, amend and repeal the by-laws at any regular or special meeting of the Board of Directors, provided that notice of intention to adopt, amend or repeal the by-laws in whole or in part shall have been included in the notice of meeting; or, without any such notice, by a vote of two-thirds of the directors then in office.

Stockholders may adopt, amend and repeal the by-laws at any regular or special meeting of the stockholders by an affirmative vote of two-thirds of the shares outstanding and entitled to vote thereon, provided that notice of intention to adopt, amend or repeal the by-laws in whole or in part shall have been included in the notice of the meeting.

Any action required to be taken at any annual or special meeting of the stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders or otherwise, may not be taken without a meeting, prior notice and a vote, and stockholders may not act by written consent.

NINTH: The Board of Directors from time to time shall determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by law or authorized by the Board of Directors, or by the stockholders.

TENTH: The directors may from time to time declare such dividends as they shall deem advisable and proper, subject to the provisions of Article Fourth and to such restrictions as may be imposed by law, and pay the same to the stockholders at such times as they shall fix.

The Board of Directors shall have power to issue bonds, debentures, or other obligations, either non-convertible or convertible into the Corporation's stock, subject to the provisions of Article Fourth and upon such terms, in such manner and under such conditions in conformity with law, as may be fixed by the Board of Directors prior to the issue of such bonds, debentures or other obligations.

ELEVENTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director, except (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Eleventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

TWELFTH: The powers and authorities hereinbefore conferred upon the Board of Directors are in furtherance and not in limitation of those conferred by the laws of the State of Delaware.

THIRTEENTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this Article.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this Corporation as heretofore amended or supplemented, there being no discrepancies between those provisions and the provisions of this Certificate of Incorporation, and it having been duly adopted by the Corporation's Board of Directors in accordance with Section 245 of the Delaware General Corporation Law, has been executed by its duly authorized officer this 30th day of September, 2003.

UNITED STATES STEEL CORPORATION

BY: /s/ T. J. Usher

T. J. Usher
Chairman of the Board of Directors and
Chief Executive Officer

EXHIBIT A

SERIES A JUNIOR PREFERRED STOCK

Section 1. Designation and Amount.

The shares of this series shall be designated as "Series A Junior Preferred Stock" and the number of shares constituting such series shall be 2,000,000.

Section 2. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Preferred Stock with respect to dividends, the holders of shares of Series A Junior Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $5.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares, of Common Stock (by reclassification or otherwise), to be or being declared on the Common Stock, par value $1.00 per share, of the Corporation (the "Common Stock") with respect to the same dividend period. If the Quarterly Dividend Payment Date is a Saturday, Sunday or legal holiday then such Quarterly Dividend Payment Date shall be the first immediately preceding calendar day which is not a Saturday, Sunday or legal holiday. In the event the Corporation shall at any time after December 31, 2001 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Junior Preferred Stock as provided in paragraph (a) above immediately prior to the time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall be declared on the Common Stock with respect to a particular dividend period, a dividend of $5.00 per share on the Series A Junior Preferred Stock shall nevertheless be payable on such Quarterly Dividend Payment Date with respect to such quarterly period.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Preferred Stock entitled, to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof. Dividends in arrears may be declared and paid at any time, without reference to any Quarterly Dividend Payment Date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors.

(d) Except as hereinafter provided, no dividends shall be declared or paid or set apart for payment on the shares of Series A Junior Preferred Stock for any period if the Corporation shall be in default in the payment of any dividends (including cumulative dividends, if applicable) on any shares of Preferred Stock ranking, as to dividends, prior to the Series A Junior Preferred Stock, unless the same shall be contemporaneously declared and paid.

(e) Dividends payable on the Series A Junior Preferred Stock for the initial dividend period and, for any period less than a full quarterly period, shall be computed on the basis of a 360-day year of 30-day months.

Section 3. Voting Rights.

The holders of shares of Series A Junior Preferred Stock shall have the following voting rights:

(a) Each share of Series A Junior Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. The holders of Series A Junior Preferred Stock shall be entitled to notice of all meetings of the stockholders of the Corporation.

(b) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) If, on the date used to determine stockholders of record for any meeting of stockholders for the election of directors, a default in preference dividends on the Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist), shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock, to elect two directors of the Corporation to fill such newly created directorships. Each director elected by the holders of shares of Preferred Stock (herein called a

"Preferred Director"), shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at a meeting of the stockholders, or of the holders of shares of Preferred Stock, called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist (i) any vacancy in the office of a Preferred Director may be filled except as provided in the following clause (ii) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (iii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Preferred Stock, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and no default in preference dividends shall exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes of this paragraph (c), a "default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued and unpaid dividends upon any series of the Preferred Stock shall be equivalent to six full quarterly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until all accrued dividends on all shares of Preferred Stock of each and every series then outstanding shall have been paid through the last Quarterly Dividend Payment Date.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, or make any other distributions on (other than a dividend in Common Stock or in any other stock of the Corporation ranking junior to the Series A Junior Preferred Stock as to dividends and upon liquidation, dissolution or winding up and other than as provided in subparagraph (ii) of this section), or redeem or purchase or otherwise acquire for consideration (except by conversion into or exchange for stock of the Corporation ranking junior to the Series A Junior Preferred Stock as to dividends and upon dissolution, liquidation or winding up), any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Preferred Stock, except dividends paid ratably on the Series A Junior Preferred Stock and all stock ranking on a parity with the Series A Junior Preferred Stock as to dividends on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Junior Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares.

Any shares of Series A Junior Preferred Stock purchased or otherwise acquired by the Corporation, in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series A Junior Preferred Stock shall be entitled to receive the greater of (a) $100 per share, plus accrued dividends to the date of distribution, whether or not earned or declared, or (b) an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock (the "Series A Liquidation Preference"). In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Preferred Stock were entitled immediately prior to such event pursuant to clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

Section 7. Consolidation, Merger, etc.

In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Optional Redemption.

(a) The Corporation shall have the option to redeem the whole or any part of the Series A Junior Preferred Stock at any time on at least 30 days notice in accordance with the provisions of paragraph (b) of this Section 8 at a redemption price equal to, subject to the provision for adjustment hereinafter set forth, 100 times the "current per share market price" of the Common Stock on the date of the mailing of the notice of redemption, together with unpaid accumulated dividends to the date of such redemption. In the event the Corporation shall at any time after December 31, 2001 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Preferred Stock were otherwise entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. The "current per share market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the 10 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use or, if on any such date the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Corporation. If on such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors of the Corporation shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by law or executive order to close.

(b) Whenever shares of Series A Junior Preferred Stock are to be redeemed, the Corporation shall mail a notice ("Notice of Redemption") by first-class mail, postage prepaid, to each holder of record of shares of Series A Junior Preferred Stock to be redeemed and to the transfer agent for the Series A Junior Preferred Stock. The Notice of Redemption shall be addressed to the holder at the address of the holder appearing on the stock transfer books of the Corporation maintained by the transfer agent for the Series A Junior Preferred Stock. The Notice of Redemption shall include a statement of (i) the redemption date, (ii) the redemption price, (iii) the number of shares of Series A Junior Preferred Stock to be redeemed, (iv) the place or places where shares of the Series A Junior Preferred Stock are to be surrendered for payment of the redemption price, (v) that the dividends on the shares to be redeemed will cease to accrue on such redemption date, and (vi) the provision under which redemption is made. No defect in the Notice of Redemption or in the mailing thereof shall affect the validity of the redemption proceedings, except as required by law. From the date on which a Notice of Redemption shall have been given as aforesaid and the Corporation shall have deposited with the transfer agent for the Series A Junior Preferred Stock a sum sufficient to redeem the shares of Series A Junior Preferred Stock as to which Notice of Redemption has been given, with irrevocable instructions and authority to pay the redemption price to the holders thereof, or if no such deposit is made, then upon such date fixed for redemption (unless the Corporation shall default in making payment of the redemption price), all rights of the holders thereof as stockholders of the Corporation by reason of the ownership of such shares (except their right to receive the redemption price thereof, but without interest), shall terminate, including, but not limited to, their right to receive dividends, and such shares shall no longer be deemed outstanding. The Corporation shall be entitled to receive, from time to time, from the transfer agent for Series A Junior Preferred Stock the interest, if any, on such monies deposited with it and, the holders of any shares so redeemed shall have no claim to any such interest. In case the holder of any shares so called for redemption shall not claim the redemption price for his shares within one year after the date of redemption, the transfer agent for the Series A Junior Preferred Stock shall, upon demand, pay over to the Corporation such amount remaining on deposit and the transfer agent for the Series A Junior Preferred Stock shall thereupon be relieved of all responsibility to the holders of such shares and such holder of the shares of the Series A Junior Preferred Stock so called for redemption shall look only to the Corporation for the payment thereof.

(c) In the event that fewer than all the outstanding shares of the Series A Junior Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method as may be determined by the Board of Directors in its sole discretion to be equitable.

(d) If the Corporation shall be in default in the payment of any dividends (including cumulative dividends, if applicable) on any shares of Preferred Stock ranking, as to dividends, prior to the Series A Junior Preferred Stock, then no shares of the Series A Junior Preferred Stock shall be redeemed and the Corporation shall not purchase or otherwise acquire any shares of the Series A Junior Preferred Stock.

Section 9. Ranking.

(a) The Series A Junior Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, unless the terms of any such series shall provide otherwise.

(b) For purposes hereof, any stock of any class or classes of the Corporation shall be deemed to rank:

(i) prior to the shares of the Series A Junior Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in preference or priority to the holders of shares of the Series A Junior Preferred Stock. Each holder of any share of the Series A Junior Preferred Stock, by his acceptance thereof, expressly covenants and agrees that the rights of the holders of any shares of any other series of Preferred Stock of the Corporation to receive dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, shall be and hereby are expressly prior to his rights unless in the case of any particular series of Preferred Stock the certificate or other instrument creating or evidencing the same expressly provides that the rights of the holders of such series shall not be prior to the shares of the Series A Junior Preferred Stock; and

(ii) on a parity with shares of the Series A Junior Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of the Series A Junior Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of the Series A Junior Preferred Stock; and

(iii) junior to shares of the Series A Junior Preferred Stock, either as to dividends or upon liquidation, if such class or classes shall be Common Stock or if the holders of shares of the Series A Junior Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in preference or priority to the holders of shares of such class or classes.

Section 10. Amendment.

Except as otherwise set forth in this Certificate of Incorporation, Preferences and Rights with respect to the Series A Junior Preferred Stock, holders of Series A Junior Preferred Stock shall not have any special powers and their consent shall not be required for taking any corporate action, provided, however, that:

(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the shares of the Series A Junior Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Series A Junior Preferred Stock shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designation, Preferences and Rights or any similar document relating to any series of Preferred Stock) so as to affect adversely the powers, preferences, or rights, of this Series A Junior Preferred Stock. The increase of the authorized amount of the Preferred Stock, or the creation, authorization or issuance of any shares of any other class of stock of the Corporation ranking prior to or on a parity with the shares of the Series A Junior Preferred Stock as to dividends or upon liquidation, or the reclassification of any authorized or outstanding stock of the Corporation into any such prior or parity shares, or the creation, authorization or issuance of any obligation or security convertible into or evidencing the right to purchase any such prior or parity shares shall not be deemed to affect adversely the powers, preferences or rights of the Series A Junior Preferred Stock.

Section 11. Fractional Shares.

Series A Junior Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Preferred Stock.

EXHIBIT B

7.00% SERIES B MANDATORY CONVERTIBLE PREFERRED SHARES

Section 1. Designation and Number of Shares.

Out of the 40,000,000 shares of preferred stock of the Corporation authorized by the Certificate of Incorporation of the Corporation, 5,750,000 shall be, and be designated as, 7.00% Series B Mandatory Convertible Preferred Shares without par value (hereinafter referred to as this "Series"). The number of authorized shares of this Series may be reduced by further resolution adopted by the Board of Directors and by filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

Section 2. Ranking.

This Series shall rank, with respect to dividends and distributions upon the liquidation, winding-up or dissolution of the Corporation (i) senior to (a) the Common Stock, par value $1.00 per share, of the Corporation (the "Common Stock") and (b) to each other class or series of stock of the Corporation (including any series of preferred stock established after February 4, 2003 by the Board of Directors) the terms of which do not expressly provide that it ranks senior to or on a parity with this Series as to dividends and distributions upon the liquidation, winding-up or dissolution of the Corporation and (ii) junior to any equity security, the terms of which expressly provide that such class or series will rank senior to this Series as to dividends and distributions upon liquidation, winding-up or dissolution of the Corporation.

Section 3. Dividends.

(i) General. The dividend rate on shares of this Series shall be $3.50 per annum, provided that the initial dividend on this Series for the dividend period commencing on February 10, 2003, to but excluding June 15, 2003, will be $1.206 per share, in each case subject to adjustment as provided in Section 12(ii) hereof. Cumulative cash dividends shall be payable quarterly when, as and if declared by the Board of Directors of the Corporation or a duly authorized committee thereof, out of the assets of the Corporation legally available therefore on the 15th calendar day (or the following business day if the 15th is not a business day) of March, June, September and December (each such date being referred to herein as a "Dividend Payment Date"), provided, that the initial dividend shall be payable, if declared, on June 15, 2003. The amount of dividends payable on each share of this Series for each quarterly period thereafter shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for any other period that is shorter or longer than a dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

A dividend period is the period ending on the day before a Dividend Payment Date and beginning on the preceding Dividend Payment Date or, if none, the date of issue. Dividends payable, if declared, on a Dividend Payment Date shall be payable to Holders (as defined below) of record as they appear on the stock register of the Corporation on the record date, which shall be the close of business on the first calendar day of the calendar month in which the applicable Dividend Payment Date falls (each, a "Dividend Record Date").

Dividends on this Series shall be cumulative if the Corporation fails to declare or pay one or more dividends on this Series in any amount, whether or not the earnings or financial condition of the Corporation were sufficient to pay such dividends in whole or in part.

Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of the then applicable full dividends calculated pursuant to this Section 3(i) (including accrued dividends, if any) on shares of this Series. No interest or sum of money in lieu of interest shall be payable in respect of any dividend or payment which may be in arrears.

Dividends in arrears on this Series not declared for payment or paid on any Dividend Payment Date may be declared by the Board of Directors of the Corporation or a duly authorized committee thereof and paid on any date fixed by the Board of Directors of the Corporation or a duly authorized committee thereof, whether or not a Dividend Payment Date, to the Holders of record of the shares of this Series, as they appear on the stock register of the Corporation on a record date selected by the Board of Directors of the Corporation or a duly authorized committee thereof, which shall be not more than 60 days prior to the date fixed for such dividend payment.

(ii) Payment Restrictions. The Corporation may not declare or pay any dividend or make any distribution of assets (other than dividends paid or other distributions made in capital stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up and cash in lieu of fractional shares in connection with any such dividend or distribution) on, or redeem, purchase or otherwise acquire (except upon conversion or exchange for capital stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up and cash in lieu of fractional shares in connection with any such conversion or exchange), the Corporation's Common Stock or any other stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, unless all accrued and unpaid dividends on this Series for all prior dividend periods have been or contemporaneously are declared and paid and the full quarterly dividend on this Series for the current dividend period has been or contemporaneously is declared and set apart for payment.

Whenever all accrued and unpaid dividends on this Series for all prior dividend periods are not paid in full, the Corporation may not redeem, purchase or otherwise acquire (except upon conversion or exchange for capital stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up and cash in lieu of fractional shares in connection with any such conversion or exchange), other capital stock of the Corporation then outstanding ranking on a parity with this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, including this Series.

Section 4. Liquidation Preference.

In the event of any liquidation, dissolution or winding-up of the Corporation, the Holders of shares of this Series shall be entitled to receive out of the assets of the Corporation legally available for distribution to stockholders, before any distribution of assets is made on the Common Stock of the Corporation or any other class or series of stock of the Corporation ranking junior to this Series as to the distribution of assets upon liquidation, dissolution or winding-up, a liquidating distribution, in the amount of $50 per share, subject to adjustment as provided in Section 12(ii) hereof, plus an amount equal to the sum of all accrued and unpaid dividends (whether or not earned or declared) for the portion of the then-current dividend period until the payment date and all dividend periods prior thereto.

Neither the sale nor transfer of all or substantially all of the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation shall constitute a liquidation, dissolution or winding-up, for the purposes of the foregoing paragraph. After the payment to the Holders of the shares of this Series of the full preferential amounts provided for above, the Holders of the shares of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

In the event the assets of the Corporation available for distribution to the Holders of the shares of this Series upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such Holders are entitled as provided above, no such distribution shall be made on account of any other stock of the Corporation ranking on a parity with this Series as to the distribution of assets upon such liquidation, dissolution or winding-up, unless a pro rata distribution is made on this Series and such other stock of the Corporation, with the amount allocable to each series of such stock determined on the basis of the aggregate liquidation preference of the outstanding shares of each series and distributions to the shares of each series being made on a pro rata basis.

Section 5. Voting Rights.

(i) The Holders of shares of this Series shall have no voting rights, except as set forth below or as expressly required by applicable law. In exercising any such vote, each outstanding share of this Series shall be entitled to one vote.

(ii) If the equivalent of six quarterly dividends payable, whether consecutively or not, on this Series or any other class or series of preferred stock ranking on a parity with this Series as to the payment of dividends has not been paid, the number of directors of the Corporation shall be increased by two (without duplication of any increase, resulting from the same failure to pay dividends, made pursuant to the terms of any other series of preferred stock of the Corporation ranking on a parity with this Series as to payment of dividends and which does not have a separate class vote and upon which like voting rights have been conferred and are exercisable (this Series, together with such other class or classes, the "Electing Preferred Shares")), and the Holders of this Series, voting as a single class with the holders of shares of any such other class of preferred stock, shall have the exclusive right to vote for and to elect such two directors at any meeting of stockholders of the Corporation at which directors are to be elected held during the period such dividends remain in arrears. Each class or series of preferred stock entitled to vote for the additional directors shall have a number of votes proportionate to the aggregate liquidation preference of its outstanding shares. Such voting right shall continue until full cumulative dividends for all past dividend periods on all such preferred stock of the Corporation, including any shares of this Series, have been paid or declared and set apart for payment. Any such elected directors shall serve until the Corporation's next annual meeting of stockholders (notwithstanding that prior to the end of such term the right to elect directors shall cease to exist) or until their respective successors shall be elected and qualify.

(iii) Whenever such exclusive voting right shall vest, it may be exercised initially either at a special meeting of Holders of Electing Preferred Shares or at any annual stockholders' meeting, but thereafter it shall be exercised only at annual stockholders' meetings. Any director who shall have been elected by the Holders of Electing Preferred Shares as a class pursuant to this Section 5 may be removed at any time, either for or without cause by, and only by, the affirmative votes of the Holders of record of a majority of the outstanding shares of Electing Preferred Shares given at a special meeting of such stockholders called for such purpose, and any vacancy created by such removal may also be filled at such meeting. Any vacancy caused by the death or resignation of a director who shall have been elected by the Holders of Electing Preferred Shares as a class pursuant to this Section 5 may be filled only by the Holders of outstanding Electing Preferred Shares at a meeting called for such purpose.

Any meeting of the Holders of outstanding Electing Preferred Shares entitled to vote as a class for the election or removal of directors shall be held at the place at which the last annual meeting of stockholders was held. At such meeting, the presence in person or by proxy of the Holders of a majority of the outstanding shares of all outstanding Electing Preferred Shares shall be required to constitute a quorum; in the absence of a quorum, a majority of the Holders present in person or by proxy shall have the power to adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum shall be present.

(iv) So long as any shares of this Series is outstanding, the affirmative vote or consent of the Holders of at least 66-2/3% of the outstanding shares of this Series will be required for any amendment of the Certificate of Incorporation of the Corporation (or any certificate supplemental thereto, including any Certificate of Designation or any similar document relating to any series of Preferred Stock) that will adversely affect the powers, preferences, privileges or rights of this Series. The affirmative vote or consent of the Holders of at least 66-2/3% of the outstanding shares of this Series and any other series of the preferred stock of the Corporation ranking on a parity with this Series as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, voting as a single class without regard to series, will be required (a) to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any additional class or series of stock ranking prior to this Series as to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up or (b) to reclassify any authorized stock of the Corporation into any class or series of stock or any obligation or security convertible into or evidencing a right to purchase such stock ranking prior to this Series as to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up; provided that such vote will not be required for the Corporation to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any stock ranking on a parity with or junior to this Series as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up.

Section 6. Mandatory Conversion.

(i) Each share of this Series will automatically convert (unless previously converted at the option of the Holder in accordance with Section 7, or a Merger Early Settlement has occurred in accordance with Section 8) on June 15, 2006 or any New Conversion Date, if a Conversion Date Deferral has occurred in accordance with Section 6(ii)(the "Conversion Date"), into a number of newly issued shares of Common Stock equal to the Conversion Rate (as defined in Section 9 below). Dividends on the shares of this Series shall cease to accrue and such shares of this Series shall cease to be outstanding on the Conversion Date. The Corporation shall make such arrangements as it deems appropriate for the issuance of certificates, if any, representing Common Stock, and for the payment of cash in respect of accrued and unpaid dividends (whether or not earned or declared) on this Series, if any, or cash in lieu of fractional shares of Common Stock, if any, in exchange for and contingent upon surrender of certificates representing the shares of this Series (if such shares are held in certificated form). The Corporation may defer the payment of dividends on the Common Stock issuable upon conversion of shares of this Series and the voting thereof until, and make such payment and voting contingent upon, the surrender of the certificates representing the shares of this Series, provided that the Corporation shall give the Holders of the shares of this Series such notice of any such actions as the Corporation deems appropriate and upon such surrender such Holders shall be entitled to receive such dividends declared and paid on such Common Stock subsequent to the Conversion Date. Amounts payable in cash in respect of the shares of this Series or in respect of such Common Stock shall not bear interest. Transfer or similar taxes in connection with the issuance of Common Stock to any person other than the Holder will be paid by the Holder.

(ii) If the Board of Directors of the Corporation makes a determination in good faith that the payment in cash on June 15, 2006 in respect of all accrued and unpaid dividends on this Series would breach any of the terms of, or constitute a default under, the terms of the Corporation's 10-3/4% Senior Notes due August 1, 2008 (the "Senior Notes"), the Conversion Date shall be deferred (a "Conversion Date Deferral") and the Corporation shall provide prompt notice of such deferral to each Holder, but no earlier than 60 days before June 15, 2006. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Each such notice shall contain the calculations setting forth the Board of Directors' determination as to the potential breach or default of the Senior

Notes. Subsequent to any Conversion Date Deferral, promptly after any determination by the Board of Directors of the Corporation in good faith that the payment of cash in respect of all accrued and unpaid dividends on this Series would not breach any of the terms of, or constitute a default under, the terms of the Senior Notes, the Board of Directors shall declare a new conversion date (the "New Conversion Date"). Upon such declaration, the Corporation shall provide notice of the New Conversion Date to each Holder at least 30 days but not more than 60 days before the New Conversion Date. The New Conversion Date shall be the first Dividend Payment Date that is at least 30 days after the delivery of such notice. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Delivery of notice of a Conversion Date Deferral or the New Conversion Date may be satisfied by publishing such notice in an Authorized Newspaper on a Business Day. Notwithstanding any Conversion Date Deferral, dividends shall continue to accrue on this Series until conversion.

Section 7. Early Conversion at the Option of the Holder.

(i) Shares of this Series are convertible, in whole or in part, at the option of the Holders thereof ("Optional Conversion"), at any time prior to the Conversion Date, into shares of Common Stock at a rate of 3.1928 shares of Common Stock for each share of this Series, subject to adjustment as set forth in Section 9(ii) below.

(ii) Optional Conversion of shares of this Series may be effected by delivering certificates evidencing such shares (if such shares are held in certificated form), together with written notice of conversion and a proper assignment of such certificates to the Corporation or in blank (and, if applicable, payment of an amount equal to the dividend payable on such shares), to the office of the Transfer Agent (as defined below) for this Series or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with Optional Conversion procedures established by the Corporation. Each Optional Conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the foregoing requirements shall have been satisfied.

(iii) Holders of shares of this Series at the close of business on a Dividend Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the Optional Conversion of such shares following such Dividend Record Date and prior to such Dividend Payment Date. However, shares of this Series surrendered for Optional Conversion after the close of business on a Dividend Record Date and before the opening of business on the next succeeding Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividend payable on such shares on such Dividend Payment Date. Except as provided above, upon any Optional Conversion of shares of this Series, the Corporation shall make no payment or allowance for unpaid preferred dividends, whether or not in arrears, on such shares of this Series as to which Optional Conversion has been effected or for dividends or distributions on the Common Stock issued upon such Optional Conversion.

Section 8. Early Conversion Upon Cash Merger.

(i) In the event of a merger or consolidation of the Corporation of the type described in Section 9(iii) in which the shares of Common Stock outstanding immediately prior to such merger or consolidation are exchanged for consideration consisting of at least 30% cash or cash equivalents (any such event, a "Cash Merger"), then the Corporation (or the successor to the Corporation hereunder) shall be required to offer the Holder of each share of this Series the right to convert shares of this Series prior to the Conversion Date ("Merger Early Settlement") as provided herein. On or before the fifth Business Day after the consummation of a Cash Merger, the Corporation or, at the request and expense of the Corporation, the Transfer Agent, shall give all Holders notice of the occurrence of the Cash Merger and of the right of Merger Early Settlement arising as a result thereof. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Each such notice shall contain:

(a) the date, which shall be not less than 20 nor more than 30 calendar days after the date of such notice, on which the Merger Early Settlement will be effected (the "Merger Early Settlement Date");

(b) the date, which shall be on or one Business Day prior to the Merger Early Settlement Date, by which the Merger Early Settlement right must be exercised;

(c) the Conversion Rate in effect immediately before such Cash Merger and the kind and amount of securities, cash and other property receivable by the Holder upon conversion of shares of this Series pursuant to Section 9(iii); and

(d) the instructions a Holder must follow to exercise the Merge Early Settlement right.

(ii) To exercise a Merger Early Settlement right, a Holder shall deliver to the Transfer Agent at the Corporate Trust Office (as defined below) by 5:00

p.m., New York City time on or one Business Day before the date by which the Merger Settlement right must be exercised as specified in the notice, the certificate(s) (if such shares are held in certificated form) evidencing the shares of this Series with respect to which the Merger Early Settlement right is being exercised duly endorsed for transfer to the Corporation or in blank with a written notice to the Corporation stating the Holder's intention to convert early in connection with the Cash Merger and providing the Corporation with payment instructions.

(iii) On the Merger Early Settlement Date, the Corporation shall deliver or cause to be delivered the net cash, securities and other property to be received by such exercising Holder determined by assuming the Holder had converted, immediately before the Cash Merger at the Conversion Rate (as adjusted pursuant to Section 9(ii)), the shares of this Series for which such Merger Early Settlement right was exercised into shares of Common Stock. In the event a Merger Early Settlement right shall be exercised by a Holder in accordance with the terms hereof, all references herein to Conversion Date shall be deemed to refer to such Merger Early Settlement Date.

(iv) Upon a Merger Early Settlement, the Transfer Agent shall, in accordance with the instructions provided by the Holder thereof on the notice provided to the Corporation as set forth in paragraph (ii) above deliver to the Holder such net cash, securities or other property issuable upon such Merger Early Settlement together with payment in lieu of any fraction of a share, as provided herein.

(v) In the event that Merger Early Settlement is effected with respect to shares of this Series representing less than all the shares of this Series held by a Holder, upon such Merger Early Settlement the Corporation (or the successor to the Corporation hereunder) shall execute and the Transfer Agent shall authenticate, countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares as to which Merger Early Settlement was not effected.

Section 9. Definition of Conversion Rate: Anti-dilution Adjustments.

(i) The "Conversion Rate" is equal to (a) if the Average Market Price (as defined below) is greater than or equal to $15.66 (the "Threshold Appreciation Price"), 3.1928 shares of Common Stock per share of this Series, (b) if the Average Market Price is less than the Threshold Appreciation Price, but is greater than $13.05, the number of shares of Common Stock per share of this Series that equals $50 divided by the Average Market Price, and (c) if the Average Market Price is equal to or less than $13.05, 3.8314 shares of Common Stock per share of this Series, in each case subject to adjustment as provided in Section 9(ii) (and in each case rounded upward or downward to the nearest 1/10,000th of a share).

(ii) Upon the occurrence of any of the following events, (x) the formula for determining the Conversion Rate, (y) the number of shares of Common Stock to be delivered on an early conversion as set forth in Sections 7 or 8 and (z) the number of shares of Common Stock to be delivered on mandatory conversion if there has been a Conversion Date Deferral as set forth in Section 6(ii), shall each be subject to the following adjustments (in the case of clauses (y) and (z), as though references to the Conversion Rate were replaced with references to the number of shares of Common Stock to be delivered on such conversion):

(a) Stock Dividends. In case the Corporation shall pay or make a dividend or other distribution on the shares of Common Stock in Common Stock, the Conversion Rate, as in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination.

(b) Stock Purchase Rights. In case the Corporation shall issue (other than pursuant to a dividend reinvestment, share purchase or similar plan) rights, options or warrants to all holders of its Common Stock (not being available on an equivalent basis to Holders of the shares of this Series upon conversion) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price (as defined below) per share of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants, the Conversion Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current Market Price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination.

(c) Stock Splits: Reverse Splits. In case outstanding shares of Common Stock shall be subdivided or split into a greater number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision or split becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision, split or combination becomes effective.

(d) Debt or Asset Distributions. (1) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights, options or warrants referred to in paragraph (b) of this Section 9(ii), any dividend or distribution paid exclusively in cash and any dividend, shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of a Spin-Off referred to in the next subparagraph, or distribution referred to in paragraph (a) of this Section 9(ii)), the Conversion Rate shall be increased by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the Current Market Price per share of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution filed with the Transfer Agent) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator of which shall be such Current Market Price per share of Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution. In any case in which this subparagraph (d)(1) is applicable, subparagraph (d)(2) of this Section 9(ii) shall not be applicable.

(2) In the case of a Spin-Off, the Conversion Rate in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive that distribution will be increased by multiplying the Conversion Rate by a fraction, the numerator of which is the Current Market Price per share of Common Stock plus the Fair Market Value (as defined below) of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to one share of Common Stock and the denominator of which is the Current Market Price per share of Common Stock. Any adjustment to the Conversion Rate under this subparagraph (d)(2) will occur at the earlier of (A) the tenth Trading Day from, and including the effective date of, the Spin-Off and (B) the date of the securities being offered in the Initial Public Offering of the Spin-Off, if that Initial Public Offering is effected simultaneously with the Spin-Off.

(e) Cash Distributions. In case the Corporation shall (1) by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding any cash that is distributed in a Reorganization Event to which Section 9(iii) applies or as part of a distribution referred to in paragraph (d) of this Section 9(ii)) in an aggregate amount that combined together with (2) the aggregate amount of any other distributions to all holders of its Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (e) or paragraph (f) of this Section 9(ii) has been made and (3) the aggregate of any such cash plus the fair market value, as of the date of the expiration of the tender or exchange offer referred to below (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), of the consideration payable in respect of any tender or exchange offer by the Corporation or any of its subsidiaries for all or any portion of the Common Stock concluded within the 12 months preceding the date of payment of the distribution described in clause (1) of this paragraph (e) and in respect of which no adjustment pursuant to this paragraph (e) or paragraph (f) of this Section 9(ii) has been made, exceeds 15% of the product of the Current Market Price (as defined below) per share of Common Stock on the date for the determination of Holders of Common Stock entitled to receive such distribution times the number of shares of Common Stock outstanding on such date, then and in each such case, immediately after the close of business on such date for determination, the Conversion Rate shall be increased so that the same shall equal the rate determined by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (A) the numerator of which shall be equal to the Current Market Price per share of Common Stock on the date fixed for such determination less an amount equal to the quotient of (x) the combined amount distributed or payable in the transactions described in clauses (1), (2) and (3) of this paragraph (e) and (y) the number of shares of Common Stock outstanding on such date for determination and (B) the denominator of which shall be equal to the Current Market Price per share of Common Stock on such date for determination.

(f) Tender Offers. In case (1) a tender or exchange offer made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to holders (based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) that combined together with (2) the aggregate of such payment plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of such tender or exchange offer, of consideration payable in respect of any other tender or exchange offer by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock expiring within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 9(ii) or this paragraph (f) has been made and (3) the aggregate amount of any distributions to all Holders of the Corporation's Common Stock made exclusively in cash within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 9(ii) or this paragraph (f) has been made, exceeds 15% of the product of the Current Market Price per share of Common Stock as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender or exchange offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by dividing the Conversion Rate immediately prior to the close of business on the date of the Expiration Time by a fraction (A) the numerator of which shall be equal to (x) the product of (I) the Current Market Price per share of Common Stock on the date of the Expiration Time and (II) the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time less (y) the amount of cash plus the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the transactions described in clauses (1), (2) and (3) of this paragraph (f) (assuming in the case of clause (1) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Purchased Shares), and (B) the denominator of which shall be equal to the product of (x) the Current Market Price per share of Common Stock as of the Expiration Time and (y) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares").

(g) Reclassification. The reclassification of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a Reorganization Event to which Section 9(iii) applies) shall be deemed to involve (1) a distribution of such securities other than Common Stock to all Holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and the "date fixed for such determination" within the meaning of paragraph (d) of this Section 9(ii)), and (2) a subdivision, split or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediate thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision or split becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision, split or combination becomes effective" within the meaning of paragraph (c) of this Section 9(ii)).

(h) Calculation of Adjustments. All adjustments to the Conversion Rate shall be calculated to the nearest 1/10,000th of a share of Common Stock (or if there is not a nearest 1/10,000th of a share to the next lower 1/10,000th of a share). No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% therein; provided, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If an adjustment is made to the

Conversion Rate pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (i) of this Section 9(ii), an adjustment shall also be made to the Average Market Price solely to determine which of clauses (a), (b) or (c) of the definition of Conversion Rate will apply on the Conversion Date. Such adjustment shall be made by multiplying the Average Market Price by a fraction, the numerator of which shall be the Conversion Rate immediately after such adjustment pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (i) of this Section 9(ii) and the denominator of which shall be the Conversion Rate immediately before such adjustment; provided, that if such adjustment to the Conversion Rate is required to be made pursuant to the occurrence of any of the events contemplated by paragraph (a), (b), (c), (d), (e), (f) or (g) of this Section 9(ii) during the period taken into consideration for determining the Average Market Price, appropriate and customary adjustments shall be made to the Conversion Rate.

(i) Increase of Conversion Rate. The Corporation may make such increases in the Conversion Rate, in addition to those required by this Section 9(ii), as it considers to be advisable in order to avoid or diminish any income tax to any Holders of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons. The Corporation shall have the power to resolve any ambiguity or correct any error in this Section 9(ii) and its action in so doing, as evidenced by a resolution of the Board of Directors, shall be final and conclusive.

(j) Notice of Adjustment. Whenever the Conversion Rate is adjusted in accordance with Section 9(ii), the Corporation shall: (i) forthwith compute the Conversion Rate in accordance with Section 9(ii), and prepare and transmit to the Transfer Agent an Officer's Certificate setting forth the Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Rate pursuant to Sections 9(ii) (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware) provide a written notice to the Holders of this Series of the occurrence of such event and a statement setting forth in reasonable detail the method by which the adjustment to the Conversion Rate was determined and setting forth the adjusted Conversion Rate.

(iii) In the event of:

(a) any consolidation or merger of the Corporation with or into another person (other than a merger or consolidation in which the Corporation is the surviving corporation and in which the Common Stock outstanding immediately prior to the merger or consolidation is not exchanged for cash, securities or other property of the Corporation or another corporation); or

(b) any sale, transfer, lease or conveyance to another person of the property of the Corporation as an entirety or substantially as an entirety; or

(c) any statutory exchange of securities of the Corporation with another person (other than in connection with a merger or acquisition) (any such event, a "Reorganization Event"):

each share of this Series outstanding immediately prior to such Reorganization Event shall, after such Reorganization Event, be convertible solely into the kind and amount of securities, cash and other property receivable in such Reorganization Event (without any interest thereon, and without any right to dividends or distribution thereon that have a record date that is prior to the Conversion Date) by a holder of the number of shares of Common Stock (including fractional shares for this purpose) into which such share of this Series (x) might have been converted immediately prior to such Reorganization Event pursuant to Section 7(i), in the case of any conversion of a share of this Series at the option of the Holder thereof, or (y) would have been converted pursuant to Section 6(i) if the Conversion Date had occurred immediately prior to such Reorganization Event, in the case of the mandatory conversion of a share of this Series on the Conversion Date, assuming in each case that such holder of such shares of Common Stock (1) is not a person with which the Corporation consolidated or into which the Corporation merged or which merged into the Corporation or to which such sale or transfer was made, as the case may be (any such person, a "Constituent Person"), or an Affiliate (as defined below) of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Stock held by Affiliates of the Corporation and non-Affiliates, and (2) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such Reorganization Event (provided that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each share of Common Stock held immediately prior to such Reorganization Event by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("Non-electing Share"), then for the purpose of this Section 9(iii) the kind and amount of securities, cash and other property receivable upon such Reorganization Event by each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares).

In the event of such a Reorganization Event, the person formed by such consolidation, merger or exchange or the person which acquires the assets of the Corporation shall execute and deliver to the Transfer Agent an agreement supplemental hereto providing that the Holder of each share of this Series shall have the rights provided by this Section 9(iii). Such supplemental agreement shall provide for adjustments which, for events subsequent to the effective date of such supplemental agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 9. The above provisions of this Section 9(iii) shall similarly apply to successive Reorganization Events.

Section 10. Definitions.

(i) "Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

(ii) "Authorized Newspaper" means a newspaper customarily published at least once a day for at least five days in each calendar week and of general circulation in New York City. Such publication (which may be in different newspapers) is expected to be made in the Eastern edition of The Wall Street Journal.

(iii) The "Average Market Price" means the average of the Closing Prices (as defined below) per share of the Common Stock on each of the 20 consecutive Trading Days (as defined below) ending on the third Trading Day immediately preceding (a) June 15, 2006 or, if earlier, the date immediately prior to a Reorganization Event with respect to a conversion pursuant to Section 6 or (b) the date immediately prior to a Cash Merger with respect to a conversion pursuant to Section 8.

(iv) "Business Day" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are authorized or required by law or executive order to close.

(v) The "Closing Price" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means the closing sale price (or, if no closing price is reported the last reported sale price) per share on the New York Stock Exchange ("NYSE") on such date or, if such security is not quoted for trading on NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed or quoted, or if such security is not so listed or quoted on a United States national or regional securities exchange, as reported by NYSE, or, if such security is not so reported, the last quoted bid price for the such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by the Corporation.

(vi) "Corporate Trust Office" means the principal corporate trust office of the Transfer Agent at which, at any particular time, its corporate trust business shall be administered.

(vii) "Current Market Price" means (a) on any day the average of the Closing Prices for the five consecutive Trading Days preceding the earlier of the day preceding the day in question and the day before the "ex date" with respect to the issuance or distribution requiring computation, (b) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the Closing Price of the Common Stock on the Trading Day on which the initial public offering price of the securities being distributed in the Spin-Off is determined, and (c) in the case of any other Spin-Off, the average of the Closing Prices of the Common Stock over the first 10 Trading Days after the effective date of such Spin-Off. For purposes of this paragraph, the term "ex date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(viii) "Fair Market Value" means (a) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of such securities, the initial public offering price of those securities, and (b) in the case of any other Spin-Off, the average of the Closing Prices of those securities over the first 10 Trading Days after the effective date of such Spin-Off.

(ix) "Holder" means the person in whose name any shares of this Series are registered in the books and records of the Corporation.

(x) "Initial Public Offering" means the first time securities of the same class or type as the securities being distributed in the Spin-Off are offered to the public for cash.

(xi) "Spin-Off" means a dividend or other distribution of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit of the Corporation.

(xii) "Trading Day" means a day on which the Common Stock (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

(xiii) "Transfer Agent" shall be the Shareholder Services Division of the Corporation unless and until a successor is selected by the Corporation, and then such successor.

Section 11. Fractional Shares.

No fractional Common Stock shall be issued upon the conversion of any shares of this Series. In lieu of any fraction of a share of Common Stock that would otherwise be issuable in respect of the aggregate number of shares of this Series surrendered by the same Holder upon a conversion as described in Sections 7(i), 8 or 9(i), such Holder shall have the right to receive an amount in cash (computed to the nearest cent) equal to the same fraction of (a) in the case of Section 9(i), the Current Market Price or (b) in the case of Sections 7(i) or 8, the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion.

Section 12. Miscellaneous.

(i) Procedures for conversion of shares of this Series, in accordance with Sections 6, 7 or 8, not held in certificated form will be governed by arrangements among the depositary, participants and persons that may hold beneficial interests through participants designed to permit conversion without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time.

(ii) The liquidation preference and the annual dividend rate set forth herein, each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving this Series. Such adjustments shall be determined in good faith by the Board of Directors and submitted by the Board of Directors to the Transfer Agent.

(iii) For the purposes of Section 9, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution with respect to shares held in treasury.

(iv) If the Corporation shall take any action affecting the Common Stock, other than action described in Section 9, that in the opinion of the Board of Directors would materially adversely affect the conversion rights of the Holders of the shares of this Series, then (x) the Conversion Rate, (y) the number of shares of Common Stock to be delivered on an early conversion as set forth in Sections 7 or 8 and/or (z) the number of shares of Common Stock to be delivered on mandatory conversion if there has been a Conversion Date Deferral as set forth in Section 6(ii) may each be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(v) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock for the purpose of effecting conversion of this Series, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of this Series not theretofore converted. For purposes of this Section 12(v), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of this Series shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(vi) The Corporation covenants that any shares of Common Stock issued upon conversion of shares of this Series shall be validly issued, fully paid and non-assessable.

(vii) The Corporation shall endeavor to list the shares of Common Stock required to be delivered upon conversion of shares of this Series, prior to such delivery, upon each national securities exchange or quotation system, if any, upon which the outstanding shares of Common Stock are listed at the time of such delivery.

(viii) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of

Common Stock or other securities or property on conversion of shares of this Series pursuant thereto; provided, however, that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other securities or property in a name other than that of the Holder of this Series to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or established, to the reasonable satisfaction of the Corporation, that such tax has been paid.

(ix) This Series is not redeemable.

(x) All shares of this Series shall be deemed outstanding, except from the date of registration of transfer, all shares of this Series held of record by the Corporation or any subsidiary of the Corporation.

(xi) Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If the court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

(xii) This Series may be issued in fractions of a share which shall entitle the Holder, in proportion to such Holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of Holders of this Series.

(xiii) Subject to applicable escheat laws, any monies set aside by the Corporation in respect of any payment with respect to shares of this Series, or dividends thereon, and unclaimed at the end of two years from the date upon which such payment is due and payable shall revert to the general funds of the Corporation, after which reversion the Holders of such shares shall look only to the general funds of the Corporation for the payment thereof. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(xiv) Except as may otherwise be required by law, the shares of this Series shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this Certificate of Incorporation.

(xv) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(xvi) If any of the voting powers, preferences and relative participating, optional and other special rights of this Series and qualifications, limitations and restrictions thereof set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative participating, optional and other special rights of this Series and qualifications, limitations and restrictions thereof set forth herein that can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative participating, optional and other special rights of this Series and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no voting powers, preferences and relative participating, optional or other special rights of this Series and qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative participating, optional or other special rights of this Series and qualifications, limitations and restrictions thereof unless so expressed herein.

(xvii) Shares of this Series that have been issued and reacquired in any manner, including shares purchased or exchanged or converted, shall (upon compliance with any applicable provisions of the laws of Delaware) have the status of authorized but unissued shares of preferred stock of the Corporation undesignated as to series and may be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Corporation, provided that any issuance of such shares as this Series must be in compliance with the terms hereof.

(xviii) If any certificates of shares of this Series shall be mutilated, lost, stolen or destroyed, the Corporation shall issue, in exchange and in substitution for and upon cancellation of the mutilated certificates of shares of this Series, or in lieu of and substitution for certificates of this Series lost, stolen or destroyed, a new certificate of this Series and of like tenor and representing an equivalent amount of shares of this Series, but only upon receipt of evidence of such loss, theft or destruction of such certificate of this Series and indemnity, if requested, satisfactory to the Corporation and the

Transfer Agent. The Corporation is not required to issue any certificates representing shares of this Series on or after the Conversion Date. In place of the delivery of a replacement certificate following the Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, will deliver shares of Common Stock pursuant to the terms of this Series evidenced by the certificate.

Exhibit 10.1

AMENDMENT NO. 1 TO CREDIT AGREEMENT

FIRST AMENDMENT dated as of August 19, 2003 (this "Amendment") to the Credit Agreement dated as of May 20, 2003 (the "Credit Agreement") among UNITED STATES STEEL CORPORATION (the "Borrower"), the LENDERS party thereto (the "Lenders"), the LC ISSUING BANKS party thereto, JPMORGAN CHASE BANK, as Administrative Agent (the "Administrative Agent"), Collateral Agent, Co-Syndication Agent and Swingline Lender, and GENERAL ELECTRIC CAPITAL CORPORATION, as Co-Collateral Agent and Co-Syndication Agent.

The parties hereto agree as follows:

SECTION 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. Amendment. Pursuant to Section 9.02 of the Credit Agreement, Section 1.01 of the Credit Agreement is amended by adding to clause (d) of the definition of "Permitted Liens" the phrase ", Hedging Agreements" immediately after the word "leases".

SECTION 3. Representations of Borrower. The Borrower represents and warrants that (i) the representations and warranties of the Borrower set forth in Article 3 of the Credit Agreement are true on and as of the date hereof and (ii) no Default has occurred and is continuing on and as of the date hereof.

SECTION 4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 6. Effectiveness. This Amendment shall become effective as of the date hereof on the date when the Administrative Agent shall have received from each of the Borrower and the Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

UNITED STATES STEEL CORPORATION

By: /s/ G. R. Haggerty

Title: Executive Vice President, Treasurer and Chief Financial Officer

JPMORGAN CHASE BANK

By: /s/ Peter S. Predun

Title: Vice President

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Timothy Canon

Title: Duly Authorized Signatory

BANK ONE

By: /s/ Roger F. Reeder

Title: VP / Associate Director

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ George Louis McKinley

Title: Vice President

CITIZENS BANK

By: /s/ Dwayne R. Finney

Title: Vice President

CONGRESS FINANCIAL CORPORATION (CENTRAL)

By: /s/ Laura Dixon

Title: AVP

GMAC COMMERCIAL FINANCE LLC

By: /s/ Marline Alexander-Thomas

Title: Vice President

GOLDMAN SACHS CREDIT PARTNERS LP

By: /s/ Stephen B. King

Title: Authorized Signatory

MELLON BANK, N.A.

By: /s/ Robert J. Reichenbach

Title: Vice President

MERRILL LYNCH CAPITAL

By: /s/ Tara Wrobel

Title: Vice President

NATIONAL CITY COMMERCIAL FINANCE, INC.

By: /s/ James C. Ritchie

Title: Vice President

THE BANK OF NEW YORK

By: /s/ Kenneth R. McDonnell

Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Craig L. Smith

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ N. Bell

Title: Senior Manager

PNC BANK, NATIONAL ASSOCIATION

By: /s/ David B. Gookin

Title: Managing Director

TRANSAMERICA BUSINESS CAPITAL CORPORATION

By: /s/ Ari D. Kaplan

Title: Vice President

WELLS FARGO FOOTHILL, LLC

By: /s/ Michael P. Baranowski

Title: Vice President

Exhibit 10.2

AMENDMENT NO. 2 TO CREDIT AGREEMENT

SECOND AMENDMENT dated as of September 30, 2003 (this "Amendment") to the Credit Agreement dated as of May 20, 2003 (the "Credit Agreement") among UNITED STATES STEEL CORPORATION (the "Borrower"), the LENDERS party thereto (the "Lenders"), the LC ISSUING BANKS party thereto, JPMORGAN CHASE BANK, as Administrative Agent (the "Administrative Agent"), Collateral Agent, Co-Syndication Agent and Swingline Lender, and GENERAL ELECTRIC CAPITAL CORPORATION, as Co-Collateral Agent and Co-Syndication Agent.

The parties hereto agree as follows:

SECTION 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. Amendment. Pursuant to Section 9.02 of the Credit Agreement, the Credit Agreement is amended as follows:

(a) Section 1.01 of the Credit Agreement is amended by adding thereto, in alphabetical order, the following new definitions:

"Engineering Note" means one or more promissory notes in an aggregate amount not to exceed $1,500,000 and maturing no later than January 1, 2007 to be executed and delivered to the Borrower by the ultimate purchaser in the UEC Lab Sale as partial consideration for such UEC Lab Sale.

"Plate Mill Transaction" means the proposed transaction between the Borrower and ISG Indiana Harbor Inc. ("ISG") whereby (x) the Borrower's plate mill located in Gary, Indiana (the "Exchanged Plate Mill") will be exchanged for ISG's pickling facilities located in East Chicago, Illinois and (y) certain raw materials and other inventory related to the Exchanged Plate Mill will be transferred to ISG in exchange for cash in an amount equal to the aggregate net book value thereof.

"UEC Lab Sale" means the proposed sale of the Borrower's line of business known as "UEC Labs" and the laboratory testing equipment comprising the assets thereof

(b) Section 6.04(a) of the Credit Agreement is amended by replacing clause (v) thereof with the following:

(v) the Engineering Note;

(c) Section 6.04(a) of the Credit Agreement is further amended by replacing clause (xiv) thereof with the following:

(xiv) investments in any Person to the extent such investment represents either (x) the non-cash portion of the consideration received for an asset sale permitted under Section 6.05(b), (e) or (f), or (y) non-cash consideration received for an asset sale permitted under Section 6.05(d), so long as such non-cash consideration is permitted under clause (z) of the first proviso in the final paragraph of Section 6.05"

(d) Section 6.05 of the Credit Agreement is amended by replacing clause (g) thereof with the following:

(g) so long as no Default has occurred and is continuing (or would result therefrom), the Plate Mill Transaction;

(e) Section 6.05 of the Credit Agreement is further amended by deleting the words "solely for cash consideration" in the first proviso of the final paragraph of such Section 6.05, and substituting therefor the following:

"either (w) solely for cash consideration, (x) in the case of the UEC Lab Sale, solely for cash consideration and the Engineering Note, (y) in the case of the Plate Mill Transaction, the consideration described in the definition of such term, or (z) in the case of any other sale, transfer or other disposition permitted by clause (d) above, for cash consideration and/or non-cash consideration, so long as (1) the aggregate amount of non-cash consideration for any such sale, transfer or other disposition does not exceed $2,000,000 and (2) after giving effect to any such transaction, the aggregate amount of non-cash consideration for all sales, transfers and other dispositions permitted by clause (d) above and consummated during the term of this Agreement would not exceed $10,000,000,"

SECTION 3. Representations of Borrower. The Borrower represents and warrants that (i) the representations and warranties of the Borrower set forth in Article 3 of the Credit Agreement are true on and as of the date hereof and (ii) no Default has occurred and is continuing on and as of the date hereof.

SECTION 4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 6. Effectiveness. This Amendment shall become effective as of the date hereof on the date when the Administrative Agent shall have received from each of the Borrower and the Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

UNITED STATES STEEL CORPORATION

By: /s/ G. R. Haggerty

Title: Executive Vice President, Treasurer and Chief Financial Officer

JPMORGAN CHASE BANK

By: /s/ James Ramage

Title: Managing Director

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Timothy Canon

Title: Duly Authorized Signatory

BANK ONE

By: /s/ Roger F. Reeder

Title: VP/Associate Director

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ George Louis McKinley

Title: Vice President

CITIZENS BANK

By: /s/ Dwayne R. Finney

Title: Vice President

CONGRESS FINANCIAL CORPORATION (CENTRAL)

By: /s/ Laura Dixon

Title: Assistant Vice President

GMAC COMMERCIAL FINANCE LLC

By: /s/ Marline Alexander-Thomas

Title: Vice President

GOLDMAN SACHS CREDIT PARTNERS LP

By: /s/ Elizabeth Fischer

Title: Authorized Signatory

MELLON BANK, N.A.

By: /s/ Robert J. Reichenbach

Title: Vice President

MERRILL LYNCH CAPITAL

By: /s/ Tara Wrobel

Title: Vice President

NATIONAL CITY COMMERCIAL FINANCE, INC.

By: /s/ William E. Welsh, Jr.

Title: Officer

THE BANK OF NEW YORK

By: /s/ Ernest Fung

Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Christopher L. McKean

Title: Second Vice President

THE BANK OF NOVA SCOTIA

By: /s/ V. H. Gibson

Title: Assistant Agent

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Peter A. Yanief

Title: Assistant Vice President

TRANSAMERICA BUSINESS CAPITAL CORPORATION

By: /s/ Ari D. Kaplan

Title: Vice President

WELLS FARGO FOOTHILL, LLC

By: /s/ Dennis King

Title: Assistant Vice President

Exhibit 12.1

UNITED STATES STEEL CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Unaudited)

(Dollars in Millions)

	Nine Months Ended September 30		Year Ended December 31				
	2003	2002	2002	2001	2000	1999	1998
Portion of rentals representing interest	$ 27	$ 25	$ 34	$ 45	$ 48	$ 46	$ 52
Capitalized interest	6	4	6	1	3	6	6
Other interest and fixed charges	116	102	136	153	115	75	47
Pretax earnings which would be required to cover preferred stock dividend requirements	22	-	-	12	12	14	15
Combined fixed charges and preferred stock dividends (A)	$ 171	$ 131	$ 176	$ 211	$ 178	$ 141	$ 120
Earnings-pretax income with applicable adjustments (B)	$(618)	$ 175	$ 183	$(387)	$ 187	$ 295	$ 618
Ratio of (B) to (A)	(a)	1.34	1.04	(b)	1.05	2.10	5.15

(a) Earnings did not cover fixed charges and preferred stock dividends by $789 million.
(b) Earnings did not cover fixed charges and preferred stock dividends by $598 million.

Exhibit 12.2

UNITED STATES STEEL CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)

(Dollars in Millions)

	Nine Months Ended September 30		Year Ended December 31				
	2003	2002	2002	2001	2000	1999	1998
Portion of rentals representing interest	$ 27	$ 25	$ 34	$ 45	$ 48	$ 46	$ 52
Capitalized interest	6	4	6	1	3	7	6
Other interest and fixed charges	116	102	136	153	115	74	47
Total fixed charges (A)	$ 149	$ 131	$ 176	$ 199	$ 166	$ 127	$ 105
Earnings-pretax income with applicable adjustments (B)	$(618)	$ 175	$ 183	$(387)	$ 187	$ 295	$ 618
Ratio of (B) to (A)	(a)	1.34	1.04	(b)	1.13	2.33	5.89

(a) Earnings did not cover fixed charges by $767 million.
(b) Earnings did not cover fixed charges by $586 million.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER
CERTIFICATION REQUIRED BY ITEM 307 OF REGULATION S-K
AS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Usher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Steel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2003 /s/ Thomas J. Usher

Thomas J. Usher
Chairman of the Board of Directors
and Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER
CERTIFICATION REQUIRED BY ITEM 307 OF REGULATION S-K
AS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gretchen R. Haggerty, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Steel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2003 /s/ Gretchen R. Haggerty

Gretchen R. Haggerty
Executive Vice President, Treasurer
and Chief Financial Officer

Exhibit 32.1

CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United States Steel Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Usher, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Thomas J. Usher

Thomas J. Usher
Chairman of the Board of Directors
and Chief Executive Officer

November 7, 2003

A signed original of this written statement required by Section 906 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United States Steel Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gretchen R. Haggerty, Executive Vice President, Treasurer and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Gretchen R. Haggerty

Gretchen R. Haggerty
Executive Vice President, Treasurer
and Chief Financial Officer

November 7, 2003

A signed original of this written statement required by Section 906 has been provided to United States Steel Corporation and will be retained by United States Steel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.