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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2019

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

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
United States Steel Corporation Common Stock	X	New York Stock Exchange
United States Steel Corporation Common Stock	X	Chicago Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Common stock outstanding at July 29, 2019 – 170,743,333 shares

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains information that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in those sections. Generally, we have identified such forward-looking statements by using the words "believe," "expect," "intend," "estimate," "anticipate," "project," "target," "forecast," "aim," "should," "will" and similar expressions or by using future dates in connection with any discussion of, among other things, operating performance, trends, events or developments that we expect or anticipate will occur in the future, statements relating to volume changes, share of sales and earnings per share changes, and statements expressing general views about future operating results. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements are not historical facts, but instead represent only the Company's beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company's control. It is possible that the Company's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Management believes that these forward-looking statements are reasonable as of the time made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to the risks and uncertainties described in this report and in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

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

UNITED STATES STEEL CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

(Dollars in millions, except per share amounts)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net sales:				
Net sales	**$ 3,175**	$ 3,242	**$ 6,299**	$ 6,063
Net sales to related parties (Note 21)	**370**	367	**745**	695
Total (Note 5)	**3,545**	3,609	**7,044**	6,758
Operating expenses (income):				
Cost of sales (excludes items shown below)	**3,227**	3,121	**6,399**	5,929
Selling, general and administrative expenses	**82**	92	**160**	170
Depreciation, depletion and amortization	**150**	130	**293**	258
Earnings from investees	**(28)**	(19)	**(37)**	(22)
Gain on equity investee transactions (Note 25)	**—**	(18)	**—**	(18)
Net loss on disposal of assets	**—**	1	**4**	2
Other (income) expense, net	**(1)**	1	**(1)**	1
Total	**3,430**	3,308	**6,818**	6,320
Earnings before interest and income taxes	**115**	301	**226**	438
Interest expense	**31**	43	**65**	93
Interest income	**(5)**	(5)	**(10)**	(10)
Loss on debt extinguishment (Note 11)	**—**	28	**—**	74
Other financial costs (benefits)	**5**	(8)	**2**	2
Net periodic benefit cost (other than service cost)	**23**	17	**46**	34
Net interest and other financial costs (Note 11)	**54**	75	**103**	193
Earnings before income taxes	**61**	226	**123**	245
Income tax (benefit) provision (Note 13)	**(7)**	12	**1**	13
Net earnings	**68**	214	**122**	232
Less: Net earnings attributable to noncontrolling interests	**—**	—	**—**	—
Net earnings attributable to United States Steel Corporation	**$ 68**	$ 214	**$ 122**	$ 232
Earnings per common share (Note 14):				
Earnings per share attributable to United States Steel Corporation stockholders:				
-Basic	**$ 0.39**	$ 1.21	**$ 0.71**	$ 1.32
-Diluted	**$ 0.39**	$ 1.20	**$ 0.70**	$ 1.30

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

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

(Dollars in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net earnings	**$ 68**	$ 214	**$ 122**	$ 232
Other comprehensive income (loss), net of tax:				
Changes in foreign currency translation adjustments	**12**	(87)	**(5)**	(47)
Changes in pension and other employee benefit accounts	**32**	47	**64**	93
Changes in derivative financial instruments	**(11)**	(3)	**4**	(19)
Total other comprehensive income (loss), net of tax	**33**	(43)	**63**	27
Comprehensive income including noncontrolling interest	**101**	171	**185**	259
Comprehensive income attributable to noncontrolling interest	**—**	—	**—**	—
Comprehensive income attributable to United States Steel Corporation	**$ 101**	$ 171	**$ 185**	$ 259

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

UNITED STATES STEEL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(Dollars in millions)	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents (Note 6)	$ **651**	$ 1,000
Receivables, less allowance of $28 and $29	**1,420**	1,435
Receivables from related parties (Note 21)	**218**	224
Inventories (Note 7)	**2,166**	2,092
Other current assets	**92**	79
Total current assets	**4,547**	4,830
Operating lease assets (Note 8)	**237**	—
Property, plant and equipment	**16,584**	16,008
Less accumulated depreciation and depletion	**11,351**	11,143
Total property, plant and equipment, net	**5,233**	4,865
Investments and long-term receivables, less allowance of $5 in both periods	**550**	513
Intangibles – net (Note 9)	**154**	158
Deferred income tax benefits (Note 13)	**433**	445
Other noncurrent assets	**137**	171
Total assets	$ **11,291**	$ 10,982
Liabilities		
Current liabilities:		
Accounts payable and other accrued liabilities	$ **2,498**	$ 2,454
Accounts payable to related parties (Note 21)	**117**	81
Payroll and benefits payable	**334**	440
Accrued taxes	**111**	118
Accrued interest	**39**	39
Current operating lease liabilities (Note 8)	**54**	—
Current portion of long-term debt (Note 16)	**70**	65
Total current liabilities	**3,223**	3,197
Noncurrent operating lease liabilities (Note 8)	**188**	—
Long-term debt, less unamortized discount and debt issuance costs (Note 16)	**2,345**	2,316
Employee benefits	**926**	980
Deferred income tax liabilities (Note 13)	**18**	14
Deferred credits and other noncurrent liabilities	**279**	272
Total liabilities	**6,979**	6,779
Contingencies and commitments (Note 22)		
Stockholders' Equity (Note 19):		
Common stock (178,533,023 and 177,386,430 shares issued) (Note 14)	**179**	177
Treasury stock, at cost (7,176,841 shares and 2,857,578 shares)	**(155)**	(78)
Additional paid-in capital	**3,936**	3,917
Retained earnings	**1,314**	1,212
Accumulated other comprehensive loss (Note 20)	**(963)**	(1,026)
Total United States Steel Corporation stockholders' equity	**4,311**	4,202
Noncontrolling interests	**1**	1
Total liabilities and stockholders' equity	$ **11,291**	$ 10,982

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

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

(Dollars in millions)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Increase (decrease) in cash, cash equivalents and restricted cash		
Operating activities:		
Net earnings	**$ 122**	$ 232
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, depletion and amortization	**293**	258
Gain on equity investee transactions (Note 25)	**—**	(18)
Loss on debt extinguishment (Note 11)	**—**	74
Provision for doubtful accounts	**—**	1
Pensions and other postretirement benefits	**55**	37
Deferred income taxes (Note 13)	**(3)**	(1)
Net loss on disposal of assets	**4**	2
Equity investee earnings, net of distributions received	**(35)**	(19)
Changes in:		
Current receivables	**(28)**	(294)
Inventories	**(77)**	(123)
Current accounts payable and accrued expenses	**(28)**	146
Income taxes receivable/payable	**39**	(3)
Bank checks outstanding	**5**	8
All other, net	**19**	(7)
Net cash provided by operating activities	**366**	293
Investing activities:		
Capital expenditures	**(628)**	(381)
Disposal of assets	**1**	1
Investments, net	**—**	(1)
Net cash used in investing activities	**(627)**	(381)
Financing activities:		
Issuance of long-term debt, net of financing costs (Note 16)	**—**	640
Repayment of long-term debt (Note 16)	**(1)**	(874)
Common stock repurchased (Note 24)	**(70)**	—
Dividends paid	**(18)**	(18)
Receipt from exercise of stock options	**—**	33
Taxes paid for equity compensation plans (Note 12)	**(7)**	(8)
Net cash used in financing activities	**(96)**	(227)
Effect of exchange rate changes on cash	**(1)**	(10)
Net decrease in cash, cash equivalents and restricted cash	**(358)**	(325)
Cash, cash equivalents and restricted cash at beginning of year (Note 6)	**1,040**	1,597
Cash, cash equivalents and restricted cash at end of period (Note 6)	**$ 682**	$ 1,272

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

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. **Basis of Presentation and Significant Accounting Policies**

United States Steel Corporation (U. S. Steel, or the Company) produces and sells steel products, including flat-rolled and tubular products, in North America and Europe. Operations in North America also include iron ore and coke production facilities, railroad services and real estate operations. Operations in Europe also include coke production facilities.

The year-end Consolidated Balance Sheet data was derived from audited statements but does not include all disclosures required for complete financial statements by accounting principles generally accepted in the United States of America (U.S. GAAP). The other information in these condensed financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair statement of the results for the periods covered. All such adjustments are of a normal recurring nature unless disclosed otherwise. These condensed financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. Additional information is contained in the United States Steel Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which should be read in conjunction with these condensed financial statements.

2. **New Accounting Standards**

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans* (ASU 2018-14). ASU 2018-14 removes certain disclosures that the FASB no longer considers cost beneficial, adds certain disclosure requirements and clarifies others. ASU 2018-14 is effective for public companies for fiscal years beginning after December 15, 2020, with early adoption permitted. U. S. Steel is currently assessing the impact of the ASU on its defined benefit plan disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which adds an impairment model that is based on expected losses rather than incurred losses. Under ASU 2016-13, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for public companies for fiscal years beginning after December 15, 2019 including interim reporting periods, with early adoption permitted. U. S. Steel is currently assessing the impact of the ASU, but does not believe this ASU will have a material impact on its overall Condensed Consolidated Financial Statements.

3. **Recently Adopted Accounting Standards**

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). Under ASU 2016-02, for operating leases, a lessee should recognize in its statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term; recognize a single lease cost, which is allocated over the lease term, generally on a straight line basis, and classify all cash payments within operating activities in the statement of cash flows. For finance leases, a lessee is required to recognize a right-of-use asset and a lease liability; recognize interest on the lease liability separately from amortization of the right-of-use asset, and classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability within operating activities in the statement of cash flows. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) -Targeted Improvements* (ASU 2018-11), which provides an option to use a modified retrospective transition method at the adoption date. U. S. Steel adopted the new lease accounting standard effective January 1, 2019 using the optional modified retrospective transition method outlined in ASU 2018-11. As a result of the adoption, an operating lease asset and current and noncurrent liabilities for operating leases were recorded, and there was an insignificant reduction in prior year retained earnings for the cumulative effect of adoption for operating leases where payment started after lease commencement. See Note 8 for further details.

U. S. Steel's adoption of the following ASU's effective January 1, 2019 did not have a material impact on U. S. Steel's financial position, results of operations or cash flows:

Accounting Standard Update	
2018-07	Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting
2018-15	Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That is a Service Contract

4. Segment Information

U. S. Steel has three reportable segments: (1) Flat-Rolled Products (Flat-Rolled), which consists of the following three commercial entities that directly interact with our customers and service their needs: (i) automotive solutions, (ii) consumer solutions, and (iii) industrial, service center and mining solutions; (2) U. S. Steel Europe (USSE); and (3) Tubular Products (Tubular). The results of our railroad and real estate businesses that do not constitute reportable segments are combined and disclosed in the Other Businesses category.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being earnings (loss) before interest and income taxes. Earnings (loss) before interest and income taxes for reportable segments and Other Businesses does not include net interest and other financial costs (income), income taxes, and certain other items that management believes are not indicative of future results.

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

The results of segment operations for the three months ended June 30, 2019 and 2018 are:

(In millions) **Three Months Ended June 30, 2019**	**Customer Sales**	**Intersegment Sales**	**Net Sales**	**Earnings from investees**	**Earnings (loss) before interest and income taxes**
Flat-Rolled	**$ 2,539**	**$ 95**	**$ 2,634**	**$ 26**	**$ 134**
USSE	**678**	**3**	**681**	**—**	**(10)**
Tubular	**316**	**1**	**317**	**2**	**(6)**
Total reportable segments	**3,533**	**99**	**3,632**	**28**	**118**
Other Businesses	**12**	**30**	**42**	**—**	**10**
Reconciling Items and Eliminations	**—**	**(129)**	**(129)**	**—**	**(13)**
Total	**$ 3,545**	**$ —**	**$ 3,545**	**$ 28**	**$ 115**
Three Months Ended June 30, 2018					
Flat-Rolled	$ 2,435	$ 59	$ 2,494	$ 17	$ 224
USSE	848	15	863	—	115
Tubular	309	2	311	2	(35)
Total reportable segments	3,592	76	3,668	19	304
Other Businesses	17	32	49	—	17
Reconciling Items and Eliminations	—	(108)	(108)	—	(20)
Total	$ 3,609	$ —	$ 3,609	$ 19	$ 301

The results of segment operations for the six months ended June 30, 2019 and 2018 are:

(In millions) **Six Months Ended June 30, 2019**	**Customer Sales**	**Intersegment Sales**	**Net Sales**	**Earnings from investees**	**Earnings (loss) before interest and income taxes**
Flat-Rolled	**$ 4,944**	**$ 164**	**$ 5,108**	**$ 33**	**$ 229**
USSE	**1,415**	**6**	**1,421**	**—**	**19**
Tubular	**659**	**3**	**662**	**4**	**4**
Total reportable segments	**7,018**	**173**	**7,191**	**37**	**252**
Other Businesses	**26**	**60**	**86**	**—**	**18**
Reconciling Items and Eliminations	**—**	**(233)**	**(233)**	**—**	**(44)**
Total	**$ 7,044**	**$ —**	**$ 7,044**	**$ 37**	**$ 226**
Six Months Ended June 30, 2018					
Flat-Rolled	$ 4,482	$ 116	$ 4,598	$ 19	$ 257
USSE	1,671	16	1,687	—	225
Tubular	575	2	577	3	(62)
Total reportable segments	6,728	134	6,862	22	420
Other Businesses	30	63	93	—	28
Reconciling Items and Eliminations	—	(197)	(197)	—	(10)
Total	$ 6,758	$ —	$ 6,758	$ 22	$ 438

The following is a schedule of reconciling items to consolidated earnings before interest and income taxes:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(In millions)	**2019**	**2018**	**2019**	**2018**
Items not allocated to segments:				
December 24, 2018 Clairton coke making facility fire	**$ (13)**	$ —	**$ (44)**	$ —
Gain on equity investee transactions	**—**	18	**—**	18
Granite City Works restart costs	**—**	(36)	**—**	(36)
Granite City Works adjustment to temporary idling charges	**—**	(2)	**—**	8
Total reconciling items	**$ (13)**	$ (20)	**$ (44)**	$ (10)

5. Revenue

Revenue is generated primarily from contracts to produce, ship and deliver steel products, and to a lesser extent, to deliver raw materials such as iron ore pellets, to deliver coke by-products and for railroad services and real estate sales. Generally, U. S. Steel's performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or services are provided. Revenues are recorded net of any sales incentives. Shipping and other transportation costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and are expensed when incurred. Because customers are invoiced at the time title transfers and U. S. Steel's right to consideration is unconditional at that time, U. S. Steel does not maintain contract asset balances. Additionally, U. S. Steel does not maintain contract liability balances, as performance obligations are satisfied prior to customer payment for product. U. S. Steel offers industry standard payment terms.

U. S. Steel has three reportable segments: Flat-Rolled, USSE and Tubular. Flat-Rolled primarily generates revenue from sheet and coated product sales to North American customers. Flat-Rolled also sells slabs, iron ore pellets and coke making by-products. USSE sells slabs, sheet, strip mill plate, coated products and spiral welded pipe to customers primarily in the Eastern European market. Tubular sells seamless and electric resistance welded (ERW) steel casing and tubing (commonly known as oil country tubular goods or OCTG), standard and line pipe and mechanical tubing and primarily serves customers in the oil, gas and petrochemical markets. Revenue from our railroad and real estate businesses is reported in the Other Businesses category in our segment reporting structure. The following tables disaggregate our revenue by product for each of our reportable business segments for the three months and six months ended June 30, 2019 and 2018, respectively:

Net Sales by Product (In millions):

Three Months Ended June 30, 2019	**Flat-Rolled**	**USSE**	**Tubular**	**Other Businesses**	**Total**
Semi-finished	**$ 121**	**$ 5**	**$ —**	**$ —**	**$ 126**
Hot-rolled sheets	**682**	**287**	**—**	**—**	**969**
Cold-rolled sheets	**643**	**82**	**—**	**—**	**725**
Coated sheets	**816**	**269**	**—**	**—**	**1,085**
Tubular products	**—**	**11**	**311**	**—**	**322**
All Other [(a)]	**277**	**24**	**5**	**12**	**318**
Total	**$ 2,539**	**$ 678**	**$ 316**	**$ 12**	**$ 3,545**

[(a)] Consists primarily of sales of raw materials and coke making by-products.

Three Months Ended June 30, 2018	**Flat-Rolled**	**USSE**	**Tubular**	**Other Businesses**	**Total**
Semi-finished	$ 1	$ 52	$ —	$ —	$ 53
Hot-rolled sheets	640	339	—	—	979
Cold-rolled sheets	735	104	—	—	839
Coated sheets	797	310	—	—	1,107
Tubular products	—	13	299	—	312
All Other [(a)]	262	30	10	17	319
Total	$ 2,435	$ 848	$ 309	$ 17	$ 3,609

[(a)] Consists primarily of sales of raw materials and coke making by-products.

Six Months Ended June 30, 2019	Flat-Rolled	USSE	Tubular	Other Businesses	Total
Semi-finished	**$ 209**	**$ 9**	**$ —**	**$ —**	**$ 218**
Hot-rolled sheets	**1,445**	**619**	**—**	**—**	**2,064**
Cold-rolled sheets	**1,304**	**170**	**—**	**—**	**1,474**
Coated sheets	**1,544**	**548**	**—**	**—**	**2,092**
Tubular products	**—**	**20**	**646**	**—**	**666**
All Other [(a)]	**442**	**49**	**13**	**26**	**530**
Total	**$ 4,944**	**$ 1,415**	**$ 659**	**$ 26**	**$ 7,044**

[(a)] Consists primarily of sales of raw materials and coke making by-products.

Six Months Ended June 30, 2018	Flat-Rolled	USSE	Tubular	Other Businesses	Total
Semi-finished	$ 10	$ 89	$ —	$ —	$ 99
Hot-rolled sheets	1,212	692	—	—	1,904
Cold-rolled sheets	1,374	202	—	—	1,576
Coated sheets	1,503	607	—	—	2,110
Tubular products	—	25	558	—	583
All Other [(a)]	383	56	17	30	486
Total	$ 4,482	$ 1,671	$ 575	$ 30	$ 6,758

[(a)] Consists primarily of sales of raw materials and coke making by-products

6. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within U. S. Steel's Condensed Consolidated Balance Sheets that sum to the total of the same amounts shown in the Condensed Consolidated Statement of Cash Flows:

(In millions)	June 30, 2019	June 30, 2018
Cash and cash equivalents	**$ 651**	$ 1,231
Restricted cash in other current assets	**1**	5
Restricted cash in other noncurrent assets	**30**	36
Total cash, cash equivalents and restricted cash	**$ 682**	$ 1,272

Amounts included in restricted cash represent cash balances which are legally or contractually restricted, primarily for environmental capital expenditure projects and insurance purposes.

7. Inventories

Inventories are carried at the lower of cost or market for last-in, first-out (LIFO) inventories and lower of cost and net realizable value for first-in, first-out (FIFO) method inventories. The LIFO method is the predominant method of inventory costing in the United States. The FIFO method is the predominant inventory costing method in Europe. At June 30, 2019 and December 31, 2018, the LIFO method accounted for 70 percent and 74 percent of total inventory values, respectively.

(In millions)		June 30, 2019		December 31, 2018
Raw materials	$	**650**	$	605
Semi-finished products		**1,033**		1,021
Finished products		**431**		404
Supplies and sundry items		**52**		62
Total	$	**2,166**	$	2,092

Current acquisition costs were estimated to exceed the above inventory values by $961 million and $1,038 million at June 30, 2019 and December 31, 2018, respectively. As a result of the liquidation of LIFO inventories, cost of sales decreased and earnings before interest and income taxes increased by $8 million and $7 million for the three and six months ended June 30, 2019, respectively. Cost of sales decreased and earnings before interest and income taxes increased by $2 million and $1 million for the three and six months ended June 30, 2018, respectively, as a result of liquidation of LIFO inventories.

Inventory includes $39 million of land held for residential/commercial development as of both June 30, 2019 and December 31, 2018.

8. Leases

Effective January 1, 2019, U. S. Steel adopted ASU 2016-02 using the optional modified retrospective transition method outlined in ASU 2018-11 which permitted application of ASU 2016-02 on January 1, 2019 using a cumulative effect adjustment to the opening balance of retained earnings. As of June 30, 2019, an operating lease asset of $237 million and current and noncurrent liabilities for operating leases of $54 million and $188 million, respectively, were recorded (see below tabular disclosure for further details). There was an insignificant cumulative effect of adoption for operating lease liabilities that exceeded their related asset values for leases where payment started after lease commencement.

Operating lease assets consist primarily of office space, heavy mobile equipment used in our mining operations and facilities and equipment under operating service agreements for electricity generation and scrap processing. We also have operating lease assets for light mobile equipment and information technology assets. Significant finance leases include the Fairfield slab caster lease and heavy mobile equipment used in our mining operations (see Note 16 for further details). Variable lease payments are primarily related to operating service agreements where payment is solely dependent on consumption of certain services, such as raw material and by-product processing. Most long-term leases include renewal options and, in certain leases, purchase options. Generally, we are not reasonably certain that these options will be exercised. We have residual value guarantees under certain light mobile equipment leases. There is no impact to our leased assets for residual value guarantees as the potential loss is not probable (see “Other Contingencies” in Note 22 for further details). We do not have material restrictive covenants associated with our leases or material amounts of sublease income. From time to time, U. S. Steel may enter into arrangements for the construction or purchase of an asset and then enter into a financing arrangement to lease the asset. U. S. Steel recognizes leased assets and liabilities under these arrangements when it obtains control of the asset.

U. S. Steel elected the option within ASU 2016-02 to straight-line expense and not record assets or liabilities for leases with an initial term of 12 months or less. For leases beginning in 2019 and later, we separate non-lease components from lease components for leases under operating service agreements. We do not separate non-lease components for other lease types as they are not significant. The Company does not have secured notes outstanding; therefore, we use an estimated secured borrowing rate as the discount rate for most of our leases. In accordance with the practical expedients outlined in ASU 2016-02, we did not use hindsight in determining the lease term for existing leases and elected not to reassess the following for existing leases: whether contracts contain a lease, lease classification, and initial direct costs.

The following table summarizes the lease amounts included in our Condensed Consolidated Balance Sheet as of June 30, 2019.

(In millions)	Balance Sheet Location		June 30, 2019
Assets			
Operating	Operating lease assets [(a)]	**$**	**237**
Finance	Property, plant and equipment [(b)]		**49**
Total Lease Assets		**$**	**286**
Liabilities			
Current			
Operating	Current operating lease liabilities	**$**	**54**
Finance	Current portion of long-term debt		**8**
Non-Current			
Operating	Noncurrent operating lease liabilities		**188**
Finance	Long-term debt less unamortized discount and issue costs		**48**
Total Lease Liabilities		**$**	**298**

(a) Operating lease assets are recorded net of accumulated amortization of$25 million.
(b) Finance lease assets are recorded net of accumulated depreciation of$23 million.

The following table summarizes lease costs included in our Condensed Consolidated Statement of Operations for the three and six month periods ended June 30, 2019.

(In millions)	Classification		Three Months Ended June 30, 2019		Six Months Ended June 30, 2019
Operating Lease Cost [(a)]	Cost of sales	$	20	$	40
Operating Lease Cost	Selling, general and administrative expenses		3		6
Finance Lease Cost					
Amortization	Depreciation, depletion and amortization		1		2
Interest	Interest expense		1		1
Total Lease Cost		$	25	$	49

(a) Operating lease cost recorded in cost of sales includes$4 million and $9 million of variable lease cost for the three and six months ended June 30, 2019, respectively. An immaterial amount of variable lease cost is included in selling, general and administrative expenses and immaterial amounts of short-term lease cost are included in cost of sales and selling, general and administrative expenses.

Lease liability maturities as of June 30, 2019 are shown below.

(In millions)		Operating		Finance		Total
2019	$	38	$	6	$	44
2020		63		11		74
2021		51		11		62
2022		41		16		57
2023		32		5		37
After 2023		78		17		95
Total Lease Payments	$	303	$	66	$	369
Less: Interest		61		10		71
Present value of lease liabilities	$	242	$	56	$	298

Future minimum commitments for capital and operating leases having non-cancelable lease terms in excess of one year as of the year ended December 31, 2018 were as follows.

(In millions)	**Capital Leases**	**Operating Leases**
2019	$ 5	$ 66
2020	5	55
2021	5	45
2022	11	37
2023	—	28
After 2023	—	72
Total minimum lease payments	$ 26	$ 303
Less imputed interest costs	4	
Present value of net minimum lease payments included in long-term debt	$ 22	

Lease terms and discount rates are shown below.

	June 30, 2019
Weighted average lease term	
Finance	6 years
Operating	6 years
Weighted average discount rate	
Finance	6.32 %
Operating	7.83 %

Supplemental cash flow information related to leases follows.

(In millions)	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2019**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 18	$ 36
Operating cash flows from finance leases	1	1
Financing cash flows from finance leases	1	1
Right-of-use assets exchanged for lease liabilities:		
Operating leases	16	24
Finance leases	19	35

9. Intangible Assets

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

		As of June 30, 2019			As of December 31, 2018		
(In millions)	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	22 Years	**$ 132**	**$ 73**	**$ 59**	$ 132	$ 70	$ 62
Patents	10-15 Years	**22**	**8**	**14**	22	7	15
Other	4-20 Years	**14**	**8**	**6**	14	8	6
Total amortizable intangible assets		**$ 168**	**$ 89**	**$ 79**	$ 168	$ 85	$ 83

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

Amortization expense was $2 million in both the three months ended June 30, 2019 and 2018. Amortization expense was $4 million in both the six months ended June 30, 2019 and 2018. The estimated amortization expense for the remainder of 2019 is $4 million. We expect a consistent level of annual amortization expense through 2023.

The carrying amount of acquired water rights with indefinite lives as of June 30, 2019 and December 31, 2018 totaled $75 million. The acquired water rights are tested for impairment annually in the third quarter, or whenever events or circumstances indicate the carrying value may not be recoverable. U. S. Steel performed a qualitative impairment evaluation of its acquired water rights during the third quarter of 2018. Based on the results of the evaluation, the water rights were not impaired.

10. Pensions and Other Benefits

The following table reflects the components of net periodic benefit cost for the three months ended June 30, 2019 and 2018:

	Pension Benefits		Other Benefits	
(In millions)	**2019**	**2018**	**2019**	**2018**
Service cost	**$ 11**	$ 12	**$ 3**	$ 4
Interest cost	**59**	58	**23**	23
Expected return on plan assets	**(81)**	(90)	**(20)**	(21)
Amortization of prior service cost	**1**	—	**7**	8
Amortization of actuarial net loss	**33**	38	**1**	1
Net periodic benefit cost, excluding below	**23**	18	**14**	15
Multiemployer plans	**19**	15	**—**	—
Net periodic benefit cost	**$ 42**	$ 33	**$ 14**	$ 15

The following table reflects the components of net periodic benefit cost for the six months ended June 30, 2019 and 2018:

	Pension Benefits		Other Benefits	
(In millions)	**2019**	**2018**	**2019**	**2018**
Service cost	**$ 22**	$ 25	**$ 6**	$ 8
Interest cost	**119**	116	**46**	46
Expected return on plan assets	**(162)**	(180)	**(40)**	(41)
Amortization of prior service cost	**1**	—	**14**	15
Amortization of actuarial net loss	**66**	76	**2**	2
Net periodic benefit cost, excluding below	**46**	37	**28**	30
Multiemployer plans	**37**	29	**—**	—
Net periodic benefit cost	**$ 83**	$ 66	**$ 28**	$ 30

Employer Contributions

During the first six months of 2019, U. S. Steel made cash payments of $ 37 million to the Steelworkers' Pension Trust and $ 4 million of pension payments not funded by trusts.

During the first six months of 2019, cash payments of $20 million were made for other postretirement benefit payments not funded by trusts.

Company contributions to defined contribution plans totaled $12 million and $11 million for the three months ended June 30, 2019 and 2018, respectively. Company contributions to defined contribution plans totaled $22 million for both the six months ended June 30, 2019 and 2018.

11. Net Interest and Other Financial Costs

Net interest and other financial costs includes interest expense (net of capitalized interest), interest income, financing costs, net periodic benefit costs (other than service costs) related to pension and other post-employment benefits (OPEB) plans, and foreign currency derivative and remeasurement gains and losses. During the three months ended June 30, 2019 and 2018, net foreign currency losses of $1 million and gains of $12 million, respectively were recorded in other financial costs. During the six months ended June 30, 2019 and 2018, net foreign currency gains of $7 million and $8 million, respectively, were recorded in other financial costs. Additionally, during the six months ended June 30, 2018, there was a loss on debt extinguishment recognized of $74 million. There were no debt extinguishment transactions in 2019.

See Note 15 for additional information on U. S. Steel’s use of derivatives to mitigate its foreign currency exchange rate exposure.

12. Stock-Based Compensation Plans

U. S. Steel has outstanding stock-based compensation awards that were granted by the Compensation & Organization Committee of the Board of Directors (the Committee) under the 2005 Stock Incentive Plan (the 2005 Plan) and the 2016 Omnibus Incentive Compensation Plan (the Omnibus Plan). On April 26, 2016, the Company's stockholders approved the Omnibus Plan and authorized the Company to issue up to 7,200,000 shares of U. S. Steel common stock under the Omnibus Plan. The Company's stockholders authorized the issuance of an additional 6,300,000 shares under the Omnibus Plan on April 25, 2017. While the awards that were previously granted under the 2005 Plan remain outstanding, all future awards will be granted under the Omnibus Plan. As of June 30, 2019, there were 6,812,857 shares available for future grants under the Omnibus Plan.

Recent grants of stock-based compensation consist of restricted stock units, total shareholder return (TSR) performance awards and return on capital employed (ROCE) performance awards. Shares of common stock under the Omnibus Plan are issued from authorized, but unissued stock. The following table is a summary of the awards made under the Omnibus Plan during the first six months of 2019 and 2018.

	2019		2018	
Grant Details	**Shares[a]**	**Fair Value[b]**	**Shares[a]**	**Fair Value[b]**
Restricted Stock Units	**1,002,400**	**$ 23.78**	728,945	$ 41.52
Performance Awards [c]				
TSR	**210,520**	**$ 29.22**	79,190	$ 61.57
ROCE	**526,140**	**$ 23.92**	247,510	$ 43.50

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

U. S. Steel recognized pretax stock-based compensation expense in the amount of $12 million and $10 million in the three-month periods ended June 30, 2019 and 2018, respectively, and $20 million and $17 million in the first six months of 2019 and 2018, respectively.

As of June 30, 2019, total future compensation expense related to nonvested stock-based compensation arrangements was $36 million, and the weighted average period over which this expense is expected to be recognized is approximately 20 months.

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

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

ROCE performance awards may vest at the end of a three-year performance period contingent upon meeting the specified ROCE metric. ROCE performance awards can vest at between zero and 200 percent of the target award. The fair value of the ROCE performance awards is the average market price of the underlying common stock on the date of grant.

For further details about our stock-based compensation incentive plans and stock awards see Note 15 of the United States Steel Corporation Annual Report on Form 10-K for the fiscal year-ended December 31, 2018.

13. Income Taxes

Tax provision

For the six months ended June 30, 2019 and 2018, we recorded a tax provision of $1 million on our pretax earnings of $123 million and a tax provision of $13 million on our pretax earnings of $245 million, respectively. The tax provision in both periods reflects a benefit for percentage depletion in excess of cost depletion from iron ore that we produce and consume or sell. In 2018, the tax provision also reflects a tax benefit for the release of a portion of the valuation allowance due to pretax income.

The tax provision for the first quarter of 2019 was based on an estimated annual effective rate, which requires management to make its best estimate of annual pretax income or loss. For the quarter ended June 30, 2019, the Company computed its tax benefit using a discrete period effective tax rate, which reflects the actual taxes attributable to year-to-date earnings and losses, because we determined that a reliable estimate of the expected annual effective tax rate could not be made. A small change in our estimated marginal pretax results for the year ended December 31, 2019 could create a large change in the expected annual effective tax rate. The sensitivity of the effective tax rate was increased by the benefit for percentage depletion in excess of cost depletion for iron ore.

Deferred taxes

Each quarter U. S. Steel analyzes the likelihood that our deferred tax assets will be realized. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion, or all, of the deferred tax asset may not be realized.

At June 30, 2019, U. S. Steel reviewed all available positive and negative evidence and determined that it is more likely than not that certain domestic deferred tax assets may not be realized.

U. S. Steel will continue to monitor the realizability of its deferred tax assets on a quarterly basis taking into consideration, among other items, the uncertainty regarding the Company's continued ability to generate domestic income in the near term. In the future, if we determine that realization is more likely than not for deferred tax assets with a valuation allowance, the related valuation allowance will be reduced, and we will record a non-cash benefit to earnings.

Unrecognized tax benefits

Unrecognized tax benefits are the differences between a tax position taken, or expected to be taken, in a tax return and the benefit recognized for accounting purposes pursuant to the guidance in Accounting Standards Codification (ASC) Topic 740 on income taxes. As of June 30, 2019, and December 31, 2018, the total amount of gross unrecognized tax benefits was $34 million and $35 million, respectively. The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate was $2 million as of both June 30, 2019 and December 31, 2018.

U. S. Steel records interest related to uncertain tax positions as a part of net interest and other financial costs in the Condensed Consolidated Statement of Operations. Any penalties are recognized as part of selling, general and administrative expenses. As of both June 30, 2019 and December 31, 2018, U. S. Steel had accrued liabilities of $2 million for interest and penalties related to uncertain tax positions.

It is reasonably expected that during the next 12 months unrecognized tax benefits related to income tax positions will decrease by approximately $32 million.

14. Earnings and Dividends Per Common Share

Earnings Per Share Attributable to United States Steel Corporation Stockholders

Basic earnings per common share is based on the weighted average number of common shares outstanding during the period.

Diluted earnings per common share assumes the exercise of stock options, the vesting of restricted stock units and performance awards, provided in each case the effect is dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions, except per share amounts)	**2019**	**2018**	**2019**	**2018**
Earnings attributable to United States Steel Corporation stockholders	**$ 68**	$ 214	**$ 122**	$ 232
Weighted-average shares outstanding (in thousands):				
Basic	**171,992**	177,027	**172,613**	176,594
Effect of stock options, restricted stock units and performance awards	**520**	1,876	**862**	1,891
Adjusted weighted-average shares outstanding, diluted	**172,512**	178,903	**173,475**	178,485
Basic earnings per common share	**$ 0.39**	$ 1.21	**$ 0.71**	$ 1.32
Diluted earnings per common share	**$ 0.39**	$ 1.20	**$ 0.70**	$ 1.30

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Securities granted under the 2016 Omnibus Incentive Compensation Plan, as amended	**3,758**	1,832	3,430	1,572

Dividends Paid Per Share

The dividend for each of the first and second quarters of 2019 and 2018 was five cents per common share.

15. Derivative Instruments

U. S. Steel is exposed to foreign currency exchange rate risks in our European operations. USSE's revenues are primarily in euros and costs are primarily in euros and U.S. dollars. U. S. Steel uses foreign exchange forward sales contracts (foreign exchange forwards) with maturities no longer than 12 months to exchange euros for U.S. dollars to manage our currency requirements and exposure to foreign currency exchange rate fluctuations. Derivative instruments are required to be recognized at fair value in the Condensed Consolidated Balance Sheet. U. S. Steel did not designate euro foreign exchange forwards entered into prior to July 1, 2019, as hedges; therefore, changes in their fair value were recognized immediately in the Condensed Consolidated Statements of Operations (mark-to-market accounting). For those contracts, U. S. Steel will continue to recognize changes in fair value immediately through earnings until the contracts mature. U. S. Steel elected cash flow hedge accounting for euro foreign exchange forwards prospectively effective July 1, 2019. Accordingly, future gains and losses for euro foreign exchange forwards entered into after July 1, 2019 will be recorded within accumulated other comprehensive income (AOCI) until the related contract impacts earnings. We mitigate the risk of concentration of counterparty credit risk by purchasing our forwards from several counterparties.

In 2018, U. S. Steel entered into long-term freight contracts in its domestic operations that require payment in Canadian dollars (CAD). We entered into foreign exchange forward contracts with remaining maturities up to 17 months to exchange USD for CAD to mitigate a portion of the related risk of exchange rate fluctuations and to manage our currency requirements. We elected to designate these contracts as cash flow hedges.

U. S. Steel may use fixed-price forward physical purchase contracts to partially manage our exposure to price risk related to the purchases of natural gas, zinc and tin used in the production process. Generally, forward physical purchase contracts qualify for the normal purchase and normal sales exceptions described in ASC Topic 815 and are not subject to mark-to-market accounting. U. S. Steel also uses financial swaps to protect from the commodity price risk associated with purchases of natural gas, zinc and tin (commodity purchase swaps). We elected cash flow hedge accounting for domestic commodity purchase swaps and use mark-to-market accounting for commodity purchase swaps used in our European operations.

From time to time, we enter into financial swaps that are used to partially manage the sales price of certain hot-rolled coil and iron ore pellet sales (sales swaps). We elected cash flow hedge accounting for hot-rolled coil sales swaps effective January 1, 2018 and for iron ore pellet sales swaps effective January 1, 2019.

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

The table below shows the outstanding swap quantities used to hedge forecasted purchases and sales as of June 30, 2019 and June 30, 2018:

Hedge Contracts	Classification	June 30, 2019	June 30, 2018
Natural gas (in mmbtus)	Commodity purchase swaps	**64,354,000**	13,845,000
Tin (in metric tons)	Commodity purchase swaps	**990**	705
Zinc (in metric tons)	Commodity purchase swaps	**13,942**	13,468
Hot-rolled coils (in tons)	Sales swaps	**—**	60,000
Foreign currency (in millions of euros)	Foreign exchange forwards	**€ 301**	€ 266
Foreign currency (in millions of CAD)	Foreign exchange forwards	**C$ 40**	C$ —

The following summarizes the fair value amounts included in our Condensed Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018:

(In millions) Designated as Hedging Instruments	Balance Sheet Location	June 30, 2019	December 31, 2018
Sales swaps	Accounts payable	**$ —**	$ 1
Commodity purchase swaps	Accounts receivable	**2**	2
Commodity purchase swaps	Accounts payable	**11**	17
Commodity purchase swaps	Investments and long-term receivables	**2**	—
Commodity purchase swaps	Other long-term liabilities	**5**	1
Foreign exchange forwards	Accounts payable	**—**	1
Foreign exchange forwards	Other long-term liabilities	**—**	1
Not Designated as Hedging Instruments			
Foreign exchange forwards	Accounts receivable	**6**	12
Foreign exchange forwards	Accounts payable	**1**	—

The table below summarizes the effect of hedge accounting on AOCI and amounts reclassified from AOCI into earnings for the three and six months ended June 30, 2019 and 2018:

	Gain (Loss) on Derivatives in AOCI			Amount of Gain (Loss) Recognized in Income	
(In millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Location of Reclassification from AOCI [(a)]	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Sales swaps [(b)]	**$ —**	$ (3)	Net sales	**$ —**	$ (3)
Commodity purchase swaps	**(15)**	—	Cost of sales [(c)]	**(6)**	(2)
Foreign exchange forwards	**1**	—	Cost of sales	**—**	—

[(a)] The earnings impact of our hedging instruments substantially offsets the earnings impact of the related hedged items since ineffectiveness is less than $1 million.
[(b)] U. S. Steel has elected hedge accounting prospectively for iron ore pellet sales swaps on January 1, 2019.
[(c)] Costs for commodity purchase swaps are recognized in cost of sales as products are sold.

(In millions)	Gain (Loss) on Derivatives in AOCI Six Months Ended June 30, 2019	Gain (Loss) on Derivatives in AOCI Six Months Ended June 30, 2018	Location of Reclassification from AOCI [(a)]	Amount of Gain (Loss) Recognized in Income Six Months Ended June 30, 2019	Amount of Gain (Loss) Recognized in Income Six Months Ended June 30, 2018
Sales swaps [(b)]	**$ 1**	$ (12)	Net sales	**$ (1)**	$ (3)
Commodity purchase swaps	**3**	(7)	Cost of sales [(c)]	**(10)**	1
Foreign exchange forwards	**1**	—	Cost of sales	**—**	—

(a) The earnings impact of our hedging instruments substantially offsets the earnings impact of the related hedged items since ineffectiveness is less than $1 million.
(b) U. S. Steel has elected hedge accounting prospectively for iron ore pellet sales swaps on January 1, 2019.
(c) Costs for commodity purchase swaps are recognized in cost of sales as products are sold.

For euro foreign exchange forward derivatives where hedge accounting was not elected, there were losses of $2 million and gains of $19 million in the three-month periods ended June 30, 2019 and 2018, respectively, and gains of $7 million and $13 million in the first six months of 2019 and 2018, respectively, recognized in other financial costs. There were no other material impacts for derivatives where hedge accounting was not elected.

At current contract values, $9 million currently in AOCI as of June 30, 2019 will be recognized as an increase in cost of sales over the next year as related hedged items are recognized in earnings. The maximum derivative contract duration for commodity purchase swaps is 29 months. There are no outstanding contracts for sales swaps.

16. Debt

(In millions)	Interest Rates %	Maturity	June 30, 2019	December 31, 2018
2037 Senior Notes	6.650	2037	**$ 350**	$ 350
2026 Senior Notes	6.250	2026	**650**	650
2025 Senior Notes	6.875	2025	**750**	750
Environmental Revenue Bonds	5.750 - 6.875	2019 - 2042	**400**	400
Fairfield Caster Lease		2022	**21**	22
Other finance leases and all other obligations		2019 - 2029	**41**	6
Fourth Amended and Restated Credit Agreement	Variable	2023	**—**	—
USSK Credit Agreement	Variable	2023	**228**	229
USSK credit facilities	Variable	2021	**—**	—
Total Debt			**2,440**	2,407
Less unamortized discount and debt issuance costs			**25**	26
Less short-term debt and long-term debt due within one year			**70**	65
Long-term debt			**$ 2,345**	$ 2,316

To the extent not otherwise discussed below, information concerning the senior notes and other listed obligations can be found in Note 17 of the audited financial statements in the United States Steel Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Fourth Amended and Restated Credit Agreement
As of June 30, 2019, there were no amounts drawn under the $1.5 billion Fourth Amended and Restated Credit Agreement (Credit Facility Agreement). U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent four consecutive quarters when availability under the Credit Facility Agreement is less than the greater of 10 percent of the total aggregate commitments and $150 million. Based on the most recent four quarters as of June 30, 2019, we would have met this covenant. If we are unable to meet this

covenant in future periods, the amount available to the Company under this facility would be reduced by $150 million.

The Credit Facility Agreement provides for borrowings at interest rates based on defined, short-term market rates plus a spread based on availability and includes other customary terms and conditions including restrictions on our ability to create certain liens and to consolidate, merge or transfer all, or substantially all, of our assets. The Credit Facility Agreement expires in February 2023. Maturity may be accelerated 91 days prior to the stated maturity of any outstanding senior debt if excess cash and credit facility availability do not meet the liquidity conditions set forth in the Credit Facility Agreement. Borrowings are secured by liens on certain North American inventory and trade accounts receivable.

U. S. Steel Košice (USSK) credit facilities
At June 30, 2019, USSK had borrowings of €200 million (approximately $228 million) under its €460 million (approximately $524 million) unsecured revolving credit facility. The USSK Credit Agreement contains certain USSK financial covenants, including a maximum net debt to EBITDA ratio and a minimum stockholders' equity to assets ratio. The covenants are measured semi-annually for the period covering the last twelve calendar months and calculated as set forth in the USSK Credit Agreement. If USSK does not comply with the USSK Credit Agreement financial covenants, it may not draw on the facility until the next measurement date, outstanding borrowings may be accelerated, or the margin on outstanding borrowings may be increased. At June 30, 2019, USSK had availability of €260 million (approximately $296 million) under the USSK Credit Agreement.

At June 30, 2019, USSK had no borrowings under its €20 million and €10 million unsecured credit facilities (collectively, approximately $34 million) and the availability was approximately $33 million due to approximately $1 million of customs and other guarantees outstanding.

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

Change in control event
If there is a change in control of U. S. Steel, the following may occur: (a) debt obligations totaling $1,978 million as of June 30, 2019 may be declared due and payable; (b) the Credit Facility Agreement and the USSK credit facilities may be terminated and any amounts outstanding declared due and payable; and (c) U. S. Steel may be required to either purchase the leased Fairfield Works slab caster for approximately $21 million or provide a letter of credit to secure the remaining obligation.

17. Asset Retirement Obligations

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

(In millions)	June 30, 2019	December 31, 2018
Balance at beginning of year	**$ 60**	$ 69
Obligations settled	**(4)**	(12)
Accretion expense	**1**	3
Balance at end of period	**$ 57**	$ 60

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

18. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, current accounts and notes receivable, accounts payable, bank checks outstanding, and accrued interest included in the Condensed Consolidated Balance Sheet approximate fair value. See Note 15 for disclosure of U. S. Steel’s derivative instruments, which are accounted for at fair value on a recurring basis.

The following table summarizes U. S. Steel's financial liabilities that were not carried at fair value at June 30, 2019 and December 31, 2018.

	June 30, 2019		December 31, 2018	
(In millions)	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**
Financial liabilities:				
Long-term debt [(a)]	**$ 2,160**	**$ 2,298**	$ 2,182	$ 2,353

(a) Excludes finance lease obligations.

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

Long-term debt: Fair value was determined using Level 2 inputs which were derived from quoted market prices and is based on the yield on public debt where available or current borrowing rates available for financings with similar terms and maturities.

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

Financial guarantees are U. S. Steel's only unrecognized financial instrument. For details relating to financial guarantees see Note 22.

19. Statement of Changes in Stockholders' Equity

The following table reflects the first six months of 2019 and 2018 reconciliation of the carrying amount of total equity, equity attributable to U. S. Steel and equity attributable to noncontrolling interests:

Six Months Ended June 30, 2019 (In millions)	Total	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Common Stock	Treasury Stock	Paid-in Capital	Non-Controlling Interest
Balance at beginning of year	$ 4,203	$ 1,212	$ (1,026)	$ 177	$ (78)	$ 3,917	$ 1
Comprehensive income (loss):							
Net earnings	54	54					
Other comprehensive income (loss), net of tax:							
Pension and other benefit adjustments	32		32				
Currency translation adjustment	(17)		(17)				
Derivative financial instruments	15		15				
Employee stock plans	2			1	(6)	7	
Common stock repurchased	(42)				(42)		
Dividends paid on common stock	(9)	(9)					
Cumulative effect upon adoption of lease accounting standard	(2)	(2)					
Balance at March 31, 2019	4,236	1,255	(996)	178	(126)	3,924	1
Comprehensive income (loss):							
Net earnings	68	68					
Other comprehensive income (loss), net of tax:							
Pension and other benefit adjustments	32		32				
Currency translation adjustment	12		12				
Derivative financial instruments	(11)		(11)				
Employee stock plans	12			1	(1)	12	
Common stock repurchased	(28)				(28)		
Dividends paid on common stock	(9)	(9)					
Balance at June 30, 2019	$ 4,312	$ 1,314	$ (963)	$ 179	$ (155)	$ 3,936	$ 1

Six Months Ended June 30, 2018 (In millions)	Total	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Common Stock	Treasury Stock	Paid-in Capital	Non-Controlling Interest
Balance at beginning of year	$ 3,321	$ 133	$ (845)	$ 176	$ (76)	$ 3,932	$ 1
Comprehensive income (loss):							
Net earnings	18	18					
Other comprehensive income (loss), net of tax:							
Pension and other benefit adjustments	46		46				
Currency translation adjustment	40		40				
Derivative financial instruments	(16)		(16)				
Employee stock plans	39			1	75	(37)	
Dividends paid on common stock	(9)	(9)					
Balance at March 31, 2018	3,439	142	(775)	177	(1)	3,895	1
Comprehensive income (loss):							
Net earnings	214	214					
Other comprehensive income (loss), net of tax:							
Pension and other benefit adjustments	47		47				
Currency translation adjustment	(87)		(87)				
Derivative financial instruments	(3)		(3)				
Employee stock plans	5					5	
Dividends paid on common stock	(9)	(9)					
Balance at June 30, 2018	$ 3,606	$ 347	$ (818)	$ 177	$ (1)	$ 3,900	$ 1

20. Reclassifications from Accumulated Other Comprehensive Income (AOCI)

(In millions)	Pension and Other Benefit Items	Foreign Currency Items	Unrealized Gain (Loss) on Derivatives	Total
Balance at December 31, 2018	$ (1,416)	$ 403	$ (13)	$ (1,026)
Other comprehensive income before reclassifications	**1**	**(5)**	**15**	**11**
Amounts reclassified from AOCI [(a)]	**63**	**—**	**(11)**	**52**
Net current-period other comprehensive income	**64**	**(5)**	**4**	**63**
Balance at June 30, 2019	**$ (1,352)**	**$ 398**	**$ (9)**	**$ (963)**
Balance at December 31, 2017	$ (1,309)	$ 463	$ 1	$ (845)
Other comprehensive income before reclassifications [(b)]	—	(47)	(18)	(65)
Amounts reclassified from AOCI [(a)(b)]	93	—	(1)	92
Net current-period other comprehensive income	93	(47)	(19)	27
Balance at June 30, 2018	$ (1,216)	$ 416	$ (18)	$ (818)

(a) See table below for further details.

(b) The Company previously disclosed in Note 19 to the Consolidated Financial Statements in its Quarterly Report on Form 10-Q for the period ended June 30, 2018, an increase to AOCI of $186 million in the Other comprehensive income before reclassifications line item and a decrease to AOCI of $93 million in the Amounts reclassified from AOCI line item for the six months ended June 30, 2018 amounts for Pension and Other Benefit Items. These amounts should have been disclosed as zero and an increase to AOCI of $93 million, respectively, which have been corrected in the table above. The Company concluded that the errors were not material to the financial statements of any prior annual or interim period and therefore, amendments of previously filed reports are not required. The revision had no impact on the Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Cash Flows or the Consolidated Statements of Comprehensive Income (Loss). Quarterly periods not presented herein will be revised, as applicable, in future filings.

		Amount reclassified from AOCI [(c)]			
		Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	Details about AOCI components	2019	2018	2019	2018
	Amortization of pension and other benefit items				
	Prior service costs [(a)]	**$ 8**	$ 8	**$ 15**	$ 15
	Actuarial losses [(a)]	**34**	39	**68**	78
	Total pensions and other benefits items	**42**	47	**83**	93
	Derivative reclassifications to Condensed Consolidated Statements of Operations	**(1)**	2	**(14)**	(1)
	Total before tax	**41**	49	**69**	92
	Tax provision [(b)]	**(10)**	—	**(17)**	—
	Net of tax	**$ 31**	$ 49	**$ 52**	$ 92

(a) These AOCI components are included in the computation of net periodic benefit cost (see Note 10 for additional details).

(b) Amounts in 2018 do not reflect a tax provision as a result of a full valuation allowance on our domestic deferred tax assets.

(c) The corrections noted in footnote [(b)] to the table above are consistently reflected in this table.

21. Transactions with Related Parties

Net sales to related parties and receivables from related parties primarily reflect sales of raw materials and steel products to equity investees. Generally, transactions are conducted under long-term contractual arrangements. Related party sales and service transactions were $370 million and $367 million for the three months ended June 30, 2019 and 2018, respectively and $745 million and $695 million for the six months ended June 30, 2019 and 2018, respectively.

Purchases from related parties for outside processing services provided by equity investees amounted to $7 million and $8 million for the three months ended June 30, 2019 and 2018, respectively and $16 million and $15 million for the six months ended June 30, 2019 and 2018, respectively. Purchases of iron ore pellets from related parties amounted to $31 million and $25 million for the three months ended June 30, 2019 and 2018, respectively, and $51 million and $42 million for the six months ended June 30, 2019 and 2018.

Accounts payable to related parties include balances due to PRO-TEC Coating Company, LLC (PRO-TEC) of $114 million and $80 million at June 30, 2019 and December 31, 2018, respectively for invoicing and receivables collection services provided by U. S. Steel on PRO-TEC's behalf. U. S. Steel, as PRO-TEC's exclusive sales agent, is responsible for credit risk related to those receivables. U. S. Steel also provides PRO-TEC marketing, selling and customer service functions. Payables to other related parties totaled $3 million and $1 million at June 30, 2019 and December 31, 2018, respectively.

22. Contingencies and Commitments

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

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

Asbestos matters – As of June 30, 2019, U. S. Steel was a defendant in approximately 777 active cases involving approximately 2,360 plaintiffs. The vast majority of these cases involve multiple defendants. About 1,540, or approximately 65 percent, of these plaintiff claims are currently pending in jurisdictions which permit filings with massive numbers of plaintiffs. At December 31, 2018, U. S. Steel was a defendant in approximately 755 cases involving approximately 2,320 plaintiffs. Based upon U. S. Steel's experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs.

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

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved [(a)]	New Claims	Closing Number of Claims
December 31, 2016	3,315	225	250	3,340
December 31, 2017	3,340	275	250	3,315
December 31, 2018	3,315	1,285	290	2,320
June 30, 2019	2,320	100	140	2,360

(a) The period ending December 31, 2018 includes approximately 1,000 dismissed cases previously pending in the State of Texas.

Historically, asbestos-related claims against U. S. Steel fall into three groups: (1) claims made by persons who allegedly were exposed to asbestos on the premises of U. S. Steel facilities; (2) claims made by persons allegedly exposed to products manufactured by U. S. Steel; and (3) claims made under certain federal and maritime laws by employees of former operations of U. S. Steel.

The amount U. S. Steel accrues for pending asbestos claims is not material to U. S. Steel's financial condition. However, U. S. Steel is unable to estimate the ultimate outcome of asbestos-related claims due to a number of uncertainties, including: (1) the rates at which new claims are filed, (2) the number of and effect of bankruptcies of other companies traditionally defending asbestos claims, (3) uncertainties associated with the variations in the litigation process from jurisdiction to jurisdiction, (4) uncertainties regarding the facts, circumstances and disease process with each claim, and (5) any new legislation enacted to address asbestos-related claims.

Further, U. S. Steel does not believe that an accrual for unasserted claims is required. At any given reporting date, it is probable that there are unasserted claims that will be filed against the Company in the future. In 2018, the Company engaged an outside valuation consultant to assist in assessing its ability to estimate an accrual for unasserted claims. This assessment was based on the Company's settlement experience, including recent claims trends. The analysis focused on settlements made over the last several years as these claims are likely to best represent future claim characteristics. After review by the valuation consultant and U. S. Steel management, it was determined that the Company could not estimate an accrual for unasserted claims.

Despite these uncertainties, management believes that the ultimate resolution of these matters will not have a material adverse effect on U. S. Steel's financial condition.

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

(In millions)	**Six Months Ended June 30, 2019**
Beginning of period	**$ 187**
Accruals for environmental remediation deemed probable and reasonably estimable	**2**
Obligations settled	**(7)**
End of period	**$ 182**

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

(In millions)	**June 30, 2019**	**December 31, 2018**
Accounts payable	**$ 38**	$ 37
Deferred credits and other noncurrent liabilities	**144**	150
Total	**$ 182**	$ 187

Expenses related to remediation are recorded in cost of sales and were immaterial for both the three and six-month periods ended June 30, 2019 and June 30, 2018. It is not currently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed. Due to uncertainties inherent in remediation projects and the associated liabilities, it is reasonably possible that total remediation costs for active matters may exceed the accrued liabilities by as much as 15 to 30 percent.

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

(1) Projects with Ongoing Study and Scope Development - Projects which are still in the development phase. For these projects, the extent of remediation that may be required is not yet known, the remediation methods and plans are not yet developed, and/or cost estimates cannot be determined. Therefore, significant costs, in addition to the accrued liabilities for these projects, are reasonably possible. There are six environmental remediation projects where additional costs for completion are not currently estimable, but could be material. These projects are at Fairfield Works, Lorain Tubular, USS-POSCO Industries (UPI), the Fairless Plant, Gary Works and the former steelmaking plant at Joliet, Illinois. As of June 30, 2019, accrued liabilities for these projects totaled $3 million for the costs of studies, investigations, interim measures, design and/or remediation. It is reasonably possible that additional liabilities associated with future requirements regarding studies, investigations, design and remediation for these projects could be as much as $30 million to $45 million.

(2) *Significant Projects with Defined Scope* - Projects with significant accrued liabilities with a defined scope. As of June 30, 2019, there are four significant projects with defined scope greater than or equal to $5 million each, with a total accrued liability of $138 million. These projects are Gary Resource Conservation and Recovery Act (RCRA) (accrued liability of $25 million), the former Geneva facility (accrued liability of $58 million), the Cherryvale zinc site (accrued liability of $10 million) and the former Duluth facility St. Louis River Estuary (accrued liability of $45 million).

(3) *Other Projects with a Defined Scope* - Projects with relatively small accrued liabilities for which we believe that, while additional costs are possible, they are not likely to be significant, and also include those projects for which we do not yet possess sufficient information to estimate potential costs to U. S. Steel. There are two other environmental remediation projects which each had an accrued liability of between $1 million and $5 million. The total accrued liability for these projects at June 30, 2019 was $4 million. These projects have progressed through a significant portion of the design phase and material additional costs are not expected.

The remaining environmental remediation projects each have an accrued liability of less than $1 million each. The total accrued liability for these projects at June 30, 2019 was approximately $5 million. We do not foresee material additional liabilities for any of these sites.

Post-Closure Costs – Accrued liabilities for post-closure site monitoring and other costs at various closed landfills totaled $22 million at June 30, 2019 and were based on known scopes of work.

Administrative and Legal Costs – As of June 30, 2019, U. S. Steel had an accrued liability of $9 million for administrative and legal costs related to environmental remediation projects. These accrued liabilities were based on projected administrative and legal costs for the next three years and do not change significantly from year to year.

Capital Expenditures – For a number of years, U. S. Steel has made substantial capital expenditures to comply with various regulations, laws and other requirements relating to the environment. In the first six months of 2019 and 2018, such capital expenditures totaled $30 million and $33 million, respectively. U. S. Steel anticipates making additional such expenditures in the future, which may be material; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

EU Environmental Requirements - Under the Emissions Trading Scheme (ETS), USSK's final allocation of allowances for the Phase III period, which covers the years 2013 through 2020 is 48 million allowances. We estimate a shortfall of approximately 14 million allowances for the Phase III period. Based on projected total production levels, we started to purchase allowances in the third quarter of 2017 to meet the annual compliance submission in the future. As of June 30, 2019, we have purchased approximately 12 million European Union Allowances totaling €132 million (approximately $150 million). However, due to a number of variables such as the future market value of allowances, future production levels and future emissions intensity levels, we cannot reliably estimate the full cost of complying with the ETS regulations at this time.

The EU's Industrial Emissions Directive requires implementation of EU determined best available techniques (BAT) for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Our most recent broad estimate of future capital expenditures for projects to comply with or go beyond BAT requirements is €138 million (approximately $157 million) over the 2017 to 2020 program period. These costs may be mitigated if USSK complies with certain financial covenants, which are assessed annually. USSK complied with these covenants as of June 30, 2019. If we are unable to meet these covenants in the future, USSK might be required to provide additional collateral (e.g. bank guarantee) to secure the full value of estimated expenditures. There could be increased operating costs associated with these projects, such as increased energy and maintenance costs. We are currently unable to reliably estimate what the increase in operating costs will be as many projects are in the development stage.

Environmental indemnifications – Throughout its history, U. S. Steel has sold numerous properties and businesses and many of these sales included indemnifications and cost sharing agreements related to the assets that were divested. These indemnifications and cost sharing agreements have included provisions related to the condition of the property, the approved use, certain representations and warranties, matters of title, and environmental matters. While most of these provisions have not specifically dealt with environmental issues, there have been transactions in which U. S. Steel indemnified the buyer for clean-up or remediation costs relating to the business sold or its then existing conditions or past practices related to non-compliance with environmental laws. Most of the recent indemnification and cost sharing agreements are of a limited nature, only applying to non-compliance with past and/or current laws. Some indemnifications and cost sharing agreements only run for a specified period of time after the transactions close and others run indefinitely. In addition, current owners or operators of property formerly owned or operated by U. S. Steel may have common law claims and cost recovery and contribution rights against U. S. Steel related to environmental matters. The amount of potential environmental liability associated with these transactions and properties is not estimable due to the nature and extent of the unknown conditions related to the properties divested and deconsolidated. Aside from the environmental liabilities already recorded as a result of these transactions due to specific environmental remediation activities and cases (included in the $182 million of accrued liabilities for remediation discussed above), there are no other known probable and estimable environmental liabilities related to these transactions.

Guarantees – The maximum guarantees of the indebtedness of unconsolidated entities of U. S. Steel totaled $4 million at June 30, 2019.

Other contingencies – Under certain operating lease agreements covering various equipment, U. S. Steel has the option to renew the lease or to purchase the equipment at the end of the lease term. If U. S. Steel does not exercise the purchase option by the end of the lease term, U. S. Steel guarantees a residual value of the equipment as determined at the lease inception date (totaling approximately $19 million at June 30, 2019). No liability has been recorded for these guarantees as the potential loss is not probable.

Insurance – U. S. Steel maintains insurance for certain property damage, equipment, business interruption and general liability exposures; however, insurance is applicable only after certain deductibles and retainages. U. S. Steel is self-insured for certain other exposures including workers' compensation (where permitted by law) and auto liability. Liabilities are recorded for workers' compensation and personal injury obligations. Other costs resulting from losses under deductible or retainage amounts or not otherwise covered by insurance are charged against income upon occurrence.

U. S. Steel uses surety bonds, trusts and letters of credit to provide whole or partial financial assurance for certain obligations such as workers' compensation. The total amount of active surety bonds, trusts and letters of credit being used for financial assurance purposes was approximately $180 million as of June 30, 2019, which reflects U. S. Steel's maximum exposure under these financial guarantees, but not its total exposure for the underlying obligations. A significant portion of our trust arrangements and letters of credit are collateralized by our Credit Facility Agreement. The remaining trust arrangements and letters of credit are collateralized by restricted cash. Restricted cash, which is recorded in other current and noncurrent assets, totaled $31 million and $40 million at June 30, 2019 and December 31, 2018, respectively.

Capital Commitments – At June 30, 2019, U. S. Steel's contractual commitments to acquire property, plant and equipment totaled $820 million.

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

Remainder of 2019	2020	2021	2022	2023	Later Years	Total
$358	$554	$390	$322	$317	$717	$2,658

The majority of U. S. Steel's unconditional purchase obligations relates to the supply of industrial gases, and certain energy and utility services with terms ranging from two to 16 years. Unconditional purchase obligations also include coke and steam purchase commitments related to a coke supply agreement with Gateway Energy & Coke Company LLC (Gateway) under which Gateway is obligated to supply a minimum volume of the expected targeted annual production of the heat recovery coke plant, and U. S. Steel is obligated to purchase the coke from Gateway at the contract price. As of June 30, 2019, if U. S. Steel were to terminate the agreement, it may be obligated to pay in excess of $127 million.

Total payments relating to unconditional purchase obligations were $168 million and $146 million for the three months ended June 30, 2019 and 2018, respectively, and $326 million and $307 million for the six months ended June 30, 2019 and 2018, respectively.

23. Significant Equity Investments

Summarized unaudited income statement information for our significant equity investments for the six months ended June 30, 2019 and 2018 is reported below (amounts represent 100% of investee financial information):

(In millions)		2019		2018
Net sales	**$**	**648**	$	571
Cost of sales		**559**		511
Operating income		**64**		38
Net earnings		**58**		33
Net earnings attributable to significant equity investments		**58**		33

U. S. Steel's portion of the equity in net earnings of the significant equity investments above was $30 million and $18 million for the six months ended June 30, 2019 and 2018, respectively, which is included in the earnings from investees line on the Condensed Consolidated Statement of Operations.

24. Common Stock Repurchase Program

In November 2018, U. S. Steel announced a two year common stock repurchase program that allows for the repurchase of up to $300 million of its outstanding common stock from time to time in the open market or privately negotiated transactions at the discretion of management. During the six months ended June 30, 2019, U. S. Steel repurchased 3,964,191 shares of common stock for approximately $70 million. As of June 30, 2019, there is approximately $155 million remaining under the share repurchase authorization.

25. Equity Investee Transactions

On May 31, 2018, U. S. Steel assigned its equity ownership interest in Leeds Retail Center, LLC and recognized a pre-tax gain of approximately $18 million.

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

RESULTS OF OPERATIONS

Net sales by segment for the three and six months ended June 30, 2019 and 2018 are set forth in the following table:

(Dollars in millions, excluding intersegment sales)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	% Change	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change
Flat-Rolled Products (Flat-Rolled)	**$ 2,539**	$ 2,435	4 %	**$ 4,944**	$ 4,482	10 %
U. S. Steel Europe (USSE)	**678**	848	(20)%	**1,415**	1,671	(15)%
Tubular Products (Tubular)	**316**	309	2 %	**659**	575	15 %
Total sales from reportable segments	**3,533**	3,592	(2)%	**7,018**	6,728	4 %
Other Businesses	**12**	17	(29)%	**26**	30	(13)%
Net sales	**$ 3,545**	$ 3,609	(2)%	**$ 7,044**	$ 6,758	4 %

Management's analysis of the **percentage change in net sales** for U. S. Steel's reportable business segments for the three months ended June 30, 2019 versus the three months ended June 30, 2018 is set forth in the following table:

Three Months Ended June 30, 2019 versus Three Months Ended June 30, 2018

	Steel Products[(a)]					
	Volume	Price	Mix	FX[(b)]	Coke & Other[(c)]	Net Change
Flat-Rolled	9%	(2)%	(4)%	—%	1%	4%
USSE	(13)%	(4)%	3%	(5)%	(1)%	(20)%
Tubular	(5)%	9%	(1)%	—%	(1)%	2%

a) Excludes intersegment sales
(b) Foreign currency translation effects
(c) Includes sales of coke and scrap inventory

Net sales were $3,545 million in the three months ended June 30, 2019, compared with $3,609 million in the same period last year. The increase in sales for the Flat-Rolled segment primarily reflects increased shipments (increase of 220 thousand net tons) primarily of hot rolled and semi-finished products. The decrease in sales for the USSE segment was primarily due to decreased shipments (decrease of 152 thousand net tons) in most product categories due to increased import competition, flat to declining demand and the weakening of the euro versus the U.S dollar. The increase in sales for the Tubular segment resulted from higher realized prices (increase of $75 per net ton) partially offset by decreased shipments (decrease of 6 thousand net tons) from lower demand levels.

Management's analysis of the **percentage change in net sales** for U. S. Steel's reportable business segments for the six months ended June 30, 2019 versus the six months ended June 30, 2018 is set forth in the following table:

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

	Steel Products[(a)]					
	Volume	Price	Mix	FX[(b)]	Coke & Other[(c)]	Net Change
Flat-Rolled	8%	4%	(3)%	—%	1%	10%
USSE	(9)%	(2)%	3%	(7)%	—%	(15)%
Tubular	6%	9%	1%	—%	(1)%	15%

(a) Excludes intersegment sales
(b) Foreign currency translation effects
(c) Includes sales of coke and scrap inventory

Net sales were $7,044 million in the six months ended June 30, 2019, compared with $6,758 million in the same period last year. The increase in sales for the Flat-Rolled segment primarily reflects increased shipments (increase of 411 thousand net tons), primarily of hot rolled and semi-finished products. The decrease in sales for the USSE segment was primarily due to decreased shipments (decrease of 215 thousand net tons) in most product categories due to increased import competition, flat to declining demand and the weakening of the euro versus the U.S dollar. The increase in sales for the Tubular segment resulted from higher realized prices (increase of $117 per net ton) and increased shipments (increase of 22 thousand net tons).

Pension and other benefits costs

Pension and other benefit costs (other than service cost) are reflected within net interest and other financial costs and the service cost component is reflected within cost of sales in the Condensed Consolidated Statements of Operations.

Defined benefit and multiemployer pension plan costs included in cost of goods sold totaled $30 million and $59 million in the three and six months ended June 30, 2019, respectively, compared to $27 million and $54 million in the comparable periods in 2018.

Costs related to defined contribution plans totaled $11 million and $23 million for the three and six months ended June 30, 2019, respectively, compared to $11 million and $21 million in the comparable periods in 2018.

Other benefit expense included in cost of sales totaled $3 million and $6 million in the three and six months ended June 30, 2019, respectively, and $4 million and $8 million in the comparable periods in 2018.

Selling, general and administrative expenses

Selling, general and administrative expenses were $82 million and $160 million in the three and six months ended June 30, 2019, respectively, compared to $92 million and $170 million in the three and six months ended June 30, 2018, respectively. For both the three and six months ended June 30, 2019 the decrease is primarily due to a decrease in variable compensation.

Strategic projects and operating configuration update

In June 2019, U. S. Steel announced that it would idle two blast furnaces in the U.S. and one blast furnace in Europe to better align global production with its order book. As a result, monthly blast furnace production capacity was reduced by approximately 200,000 - 225,000 tons in the U.S. and 125,000 tons in Europe. Blast furnace production at one or more of the idled furnaces may resume when market conditions improve.

In June 2019, U. S. Steel restarted the No. 1 Electric-Weld Pipe Mill (No. 1 Pipe Mill) at its Lone Star Tubular Operations to enable the Company to support increased demand for high-quality electric-welded pipe produced in the United States. The No. 1 Pipe Mill produces 7-16 inch welded pipe and is complimenting our current Tubular product offerings. It had been idled since 2016.

In May 2019, U. S. Steel announced that it will invest approximately $1.2 billion through 2022 to construct a new endless casting and rolling facility at its Edgar Thomson Plant in Braddock, Pennsylvania, and a cogeneration facility at its Clairton Plant in Clairton, Pennsylvania, both part of the Company's Mon Valley Works. This investment in state-of-the-art sustainable steel technology is expected to significantly upgrade the production capability of our lowest liquid steel cost mill in the U.S.

The installation of endless casting and rolling technology will give U. S. Steel another world-class asset with differentiated product capabilities to serve strategic markets. The Mon Valley Works will also become the principal source of substrate for the production of the Company's industry-leading XG3™ Advanced High Strength Steel (AHSS) a market leading solution for our customers to improve fuel efficiency. The cogeneration facility, equipped with state-of-the-art emissions control systems at the Company's Clairton Plant, will convert a portion of the coke oven gas generated at its Clairton Plant into electricity to power the steelmaking and finishing facilities throughout U. S. Steel's Mon Valley operations.

This project, in addition to producing sustainable AHSS, is expected to improve environmental performance, energy conservation and reduce our carbon footprint associated with Mon Valley Works. First steel production is expected in 2022, contingent upon permitting and construction.

In February 2019, U. S. Steel announced that it will restart construction of the electric arc furnace (EAF) steelmaking facility at its Tubular Operations in Fairfield, Alabama. The EAF is expected to strengthen our competitive position and reduce cost by $90 per ton as the Company becomes self-sufficient in its rounds supply. The EAF is expected to begin producing steel in the second half of 2020.

In January 2019, U. S. Steel announced the construction of a new Dynamo line at USSE. The new line, a $130 million investment, has an annual capacity of approximately 100,000 metric tons. Construction began in mid-2019 and is targeted to be operational in the fourth quarter of 2020. The new line will enable production of sophisticated silicon grades of non-grain oriented (NGO) electrical steels to support increased demand in vehicles and generators.

In June and October 2018, U. S. Steel restarted the "B" blast furnace and steelmaking facilities and the "A" blast furnace, respectively, at its Granite City Works facility.

U. S. Steel will continue to evaluate potential strategic and organizational opportunities, which may include the acquisition, divestiture or consolidation of assets. Given the cyclicality of our industry, we are focused on strategically maintaining and spending cash (including capital investments under our asset revitalization program), in order to invest in areas consistent with our long-term strategy, such as sustainable steel technologies, and are considering various possibilities, including exiting lines of business and the sale of certain assets, that we believe would ultimately result in maintaining a stronger balance sheet and greater stockholder value. The Company will pursue opportunities based on its long-term strategy, and what the Board of Directors determines to be in the best interests of the Company's stockholders at the time.

As we continue with the implementation of our asset revitalization program, described below, and increase investment in our facilities, we expect the sustainable improvements in safety, quality, delivery and costs we are targeting to position us to succeed over the long term, and support future growth initiatives.

Asset Revitalization

In 2017, we launched our asset revitalization program, a multi-year, comprehensive $2 billion investment in our most critical assets within our Flat-rolled segment. The program is composed of many projects designed to continuously improve safety, quality, delivery and cost performance. We expect capital spending for the entire program to be approximately $1.5 billion. As we revitalize our assets, we are increasing profitability, productivity and operational stability, and reducing volatility. This program is designed to prioritize investment in the areas with the highest returns.

We are investing approximately $500 million to upgrade the Gary hot strip mill through a series of projects focused on expanding the line's competitive advantages. The Gary hot strip mill will further differentiate itself as a leader in heavy gauge products in strategic markets. Asset Revitalization investments are also being made at other critical Flat-rolled steel making assets, including the Mon Valley steel shop, which will provide high quality, low cost liquid steel for our future endless casting and rolling line.

The investments we are making in our strategic projects, as well as the continued execution of our Asset Revitalization program, are making the Company more competitive and better positioned to achieve our critical success factors.

Earnings (loss) before interest and income taxes by segment for the three and six months ended June 30, 2019 and 2018 is set forth in the following table:

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
(Dollars in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Flat-Rolled	**$ 134**	$ 224	(40)%	**$ 229**	$ 257	(11)%
USSE	**(10)**	115	(109)%	**19**	225	(92)%
Tubular	**(6)**	(35)	83 %	**4**	(62)	106 %
Total earnings from reportable segments	**118**	304	(61)%	**252**	420	(40)%
Other Businesses	**10**	17	(41)%	**18**	28	(36)%
Segment earnings before interest and income taxes	**128**	321	(60)%	**270**	448	(40)%
Items not allocated to segments:						
December 24, 2018 Clairton coke making facility fire	**(13)**	—		**(44)**	—	
Gain on equity investee transactions	**—**	18		**—**	18	
Granite City Works restart costs	**—**	(36)		**—**	(36)	
Granite City Works adjustment to temporary idling charges	**—**	(2)		**—**	8	
Total earnings before interest and income taxes	**$ 115**	$ 301	(62)%	**$ 226**	$ 438	(48)%

Segment results for Flat-Rolled

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2019	**2018**	**Change**	**2019**	**2018**	**Change**
Earnings before interest and taxes ($ millions)	**$ 134**	$ 224	(40)%	**$ 229**	$ 257	(11)%
Gross margin	**11%**	15%	(4)%	**11%**	12%	(1)%
Raw steel production (mnt)	**2,984**	2,841	5 %	**6,059**	5,626	8 %
Capability utilization	**70%**	67%	3 %	**72%**	67%	5 %
Steel shipments (mnt)	**2,804**	2,584	9 %	**5,529**	5,118	8 %
Average realized steel price per ton	**$ 779**	$ 819	(5)%	**$ 789**	$ 780	1 %

The decrease in Flat-Rolled results for the three months ended June 30, 2019 compared to the same period in 2018 was primarily due to lower average realized prices (approximately $65 million), higher raw material costs (approximately $30 million), increased spending for operating costs (approximately $40 million). These changes were partially offset by increased shipments, including substrate to our Tubular segment (approximately $30 million) and decreased other costs, including variable compensation (approximately $15 million).

The decrease in Flat-Rolled results for the six months ended June 30, 2019 compared to the same period in 2018 was primarily due to higher raw material costs (approximately $90 million), increased spending for operating costs (approximately $90 million) and higher energy costs (approximately $20 million). These changes were partially offset by higher realized prices (approximately $110 million) and increased shipments, including substrate to our Tubular segment (approximately $60 million)

Gross margin for the three months ended June 30, 2019 compared to the same period in 2018 decreased primarily as a result of lower average realized prices due to an increased mix of semi-finished sales and continued high import levels.

Segment results for USSE

USSE	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	% Change	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change
(Loss) earnings before interest and taxes ($ millions)	**$ (10)**	$ 115	(109)%	**$ 19**	$ 225	(92)%
Gross margin	**4%**	18%	(14)%	**6%**	17%	(11)%
Raw steel production (mnt)	**1,148**	1,308	(12)%	**2,307**	2,600	(11)%
Capability utilization	**92%**	105%	(13)%	**93%**	105%	(12)%
Steel shipments (mnt)	**1,004**	1,156	(13)%	**2,068**	2,283	(9)%
Average realized steel price per ($/ton)	**$ 652**	$ 707	(8)%	**$ 661**	$ 707	(7)%
Average realized steel price per (€/ton)	**€ 580**	€ 593	(2)%	**€ 585**	€ 584	— %

The decrease in USSE results for the three months ended June 30, 2019 compared to the same period in 2018 was primarily due lower average realized euro-based prices (approximately $40 million) and decreased shipments (approximately $20 million) primarily from increasing imports and adverse European Union economic conditions and the weakening of the euro versus the U.S. dollar (approximately $20 million). Additionally, USSE results reflect higher raw material costs, primarily for iron ore, (approximately $35 million) and higher energy costs (approximately $10 million).

The decrease in USSE results for the six months ended June 30, 2019 compared to the same period in 2018 was primarily due to lower average realized prices (approximately $30 million) and decreased shipments (approximately $30 million) primarily from increasing imports and adverse European Union economic conditions and the weakening of the euro versus the U.S. dollar (approximately $50 million). Additionally, USSE results reflect higher raw material costs, primarily for iron ore and an unfavorable first-in-first-out (FIFO) inventory impact, (approximately $55 million), higher energy costs (approximately $15 million), increased operating costs (approximately $15 million) and increased costs for carbon dioxide (CO_2) emissions allowance (approximately $10 million).

Gross margin for the three and six months ended June 30, 2019 compared to the same period in 2018 decreased primarily as a result of lower average realized prices from increasing imports and adverse European Union economic conditions.

Segment results for Tubular

Tubular	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	% Change	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change
(Loss) earnings before interest and taxes ($ millions)	**$ (6)**	$ (35)	83 %	**$ 4**	$ (62)	106%
Gross margin	**2%**	(5)%	7 %	**5%**	(5)%	10%
Steel shipments (mnt)	**195**	201	(3)%	**402**	380	6%
Average realized steel price per ton	**$ 1,524**	$ 1,449	5 %	**$ 1,537**	$ 1,420	8%

The increase in Tubular results for the three months ended June 30, 2019 as compared to the same period in 2018 was primarily due to higher average realized prices (approximately $15 million) and lower substrate costs (approximately $25 million). These changes were partially offset by increased operating costs (approximately $10 million).

The increase in Tubular results for the six months ended June 30, 2019 compared to the same period in 2018 was primarily due to higher average realized prices (approximately $45 million), increased shipments (approximately $5 million) and lower substrate costs (approximately $20 million). These changes were partially offset by increased operating costs (approximately $5 million).

Gross margin for the three and six months ended June 30, 2019 compared to the same period in 2018 increased primarily as a result of higher average realized prices.

Tubular continues to face significant import competition, with tubular imports comprising nearly half of the U.S tubular market.

Results for Other Businesses

Other Businesses had earnings of $10 million and $18 million in the three and six months ended June 30, 2019, compared to earnings of $17 million and $28 million in the three and six months ended June 30, 2018.

Items not allocated to segments

We incurred $13 million and $44 million of costs associated with the **December 24, 2018 Clairton coke making facility fire** in the three and six months ended June 30, 2019, respectively (see Environmental Matters, Litigation and Contingencies in the Liquidity and Capital Resources section for more details).

We recognized a **gain on equity investee transactions** of $18 million in the three and six months ended June 30, 2018 as a result of the assignment of our entire equity ownership interest in Leed's Retail Center, LLC in May 2018.

We recognized $36 million in **Granite City Works restart costs** in the three and six months ended June 30, 2018 as a result of costs associated with the restart of the "B" blast furnace at Granite City Works.

We recorded an $8 million favorable adjustment in the six months ended June 30, 2018 related to **Granite City Works temporary idling charges** as a result of the decision to restart the "B" blast furnace and steelmaking facilities at this facility in 2018.

Net interest and other financial costs

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
(Dollars in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Interest expense	**$ 31**	$ 43	(28)%	**$ 65**	$ 93	(30)%
Interest income	**(5)**	(5)	— %	**(10)**	(10)	— %
Loss on debt extinguishment	**—**	28	(100)%	**—**	74	(100)%
Other financial costs	**5**	(8)	(163)%	**2**	2	— %
Net periodic benefit cost (other than service cost)	**23**	17	35 %	**46**	34	35 %
Total net interest and other financial costs	**$ 54**	$ 75	(28)%	**$ 103**	$ 193	(47)%

The decrease in net interest and other financial costs in the three months ended June 30, 2019 as compared to the same period last year is primarily due to the loss on debt extinguishment in the three months ended June 30, 2018, reduced interest expense due to our improved debt profile and foreign exchange gains.

The decrease in net interest and other financial costs in the six months ended June 30, 2019 as compared to the same period last year is primarily due to the loss on debt extinguishment in the six months ended June 30, 2018 as described below, reduced interest expense due to our improved debt profile and higher net periodic benefit cost as discussed below.

During the six months ended June 30, 2018, U. S. Steel issued $650 million aggregate principal amount of 2026 Senior Notes and repurchased through a tender offer and redemption $780 million of its 2021 Senior Secured Notes for an aggregate cash outflow of approximately $840 million, which included $60 million in premiums. Additionally, U. S. Steel repurchased approximately $31 million of its 2020 Senior Notes during the first six months of 2018. The loss on debt extinguishment line in the table above includes $63 million in premiums and $11 million in unamortized debt issuance costs which were written off in connection with the extinguishment of debt. For further information, see Note 16 to the Condensed Consolidated Financial Statements.

The net periodic benefit cost (other than service cost) components of pension and other benefit costs are reflected in the table above, and increased in the three and six month periods ended June 30, 2019 as compared to the same periods last year primarily due to a lower expected return on asset assumption for pension assets, a lower asset return than expected in 2018 partially offset by the natural maturation of the plan and increased discount rates.

Total net periodic pension cost, including service cost and multiemployer plans, is expected to total approximately $165 million in 2019. Total other benefits costs, including service cost, in 2019 are expected to total approximately $55 million. The pension cost projection includes approximately $72 million of contributions to the Steelworkers Pension Trust.

Income taxes

The **income tax (benefit) provision** was $(7) million and $1 million in the three and six months ended June 30, 2019 compared to $12 million and $13 million in the three and six months ended June 30, 2018. The tax provision in both periods reflects a benefit for percentage depletion in excess of cost depletion from iron ore that we produce and consume or sell. In 2018, the tax provision also reflects a tax benefit for the release of a portion of the valuation allowance due to pretax income.

The tax provision for the first quarter of 2019 was based on an estimated annual effective rate, which requires management to make its best estimate of annual pretax income or loss. For the quarter ended June 30, 2019, the Company computed its tax benefit using the discrete period effective tax rate, which reflects the actual taxes attributable to year-to-date earnings and losses, because we determined that a reliable estimate of the expected annual effective tax rate could not be made. A small change in our estimated marginal pretax results for the year ended December 31, 2019 could create a large change in the expected annual effective tax rate. The sensitivity of the effective tax rate was increased by the benefit for percentage depletion in excess of cost depletion for iron ore.

For further information on income taxes see Note 13 to the Condensed Consolidated Financial Statements.

Net earnings attributable to United States Steel Corporation were $68 million and $122 million in the three and six months ended June 30, 2019, compared to net earnings of $214 million and $232 million in the three and six months ended June 30, 2018. The changes primarily reflect the factors discussed above.

BALANCE SHEET

Inventories increased by $74 million from year-end 2018 primarily as a result of higher raw material prices for our Flat-Rolled and USSE segments.

Operating lease assets increased by $237 million from year-end 2018 as a result of the adoption of the new accounting standard for leases (see Note 8 for further details).

Property, plant and equipment, net increased by $368 million from year-end 2018 primarily due to the level of capital expenditures exceeding depreciation expense.

Accounts payable and other accrued liabilities increased by $80 million from year-end 2018 primarily as a result of higher raw material prices for our Flat-Rolled and USSE segments.

Payroll and benefits payable decreased by $106 million from year-end 2018 primarily due to profit-based incentive payments related to 2018 financial performance that were paid in the first quarter of 2019.

Current operating lease liabilities increased by $54 million from year-end 2018 as a result of the adoption of the new accounting standard for leases (see Note 8 for further details).

Noncurrent operating lease liabilities increased by $188 million from year-end 2018 as a result of the adoption of the new accounting standard for leases (see Note 8 for further details).

Employee benefits decreased by $54 million from year-end 2018 primarily as a result of impacts from the natural maturation of our pension plans.

CASH FLOW

Net cash provided by operating activities was $366 million for the six months ended June 30, 2019 compared to net cash provided by operating activities of $293 million in the same period last year. The increase in cash from operations is primarily due to changes in working capital period over period, partially offset by lower financial results.

Changes in working capital can vary significantly depending on factors such as the timing of inventory production and purchases, which is affected by the length of our business cycles as well as our captive raw materials position, customer payments of accounts receivable and payments to vendors in the regular course of business.

Our key working capital components include accounts receivable and inventory. The accounts receivable and inventory turnover ratios for the three months and twelve months ended June 30, 2019 and 2018 are as follows:

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Accounts Receivable Turnover	**2.1**	2.2	**8.8**	8.5
Inventory Turnover	**1.5**	1.7	**6.4**	6.4

The decrease in the accounts receivable turnover approximates 3 days for the three months ended June 30, 2019 as compared to the same period ended June 30, 2018 and is primarily due to decreased sales as a result of lower average realized prices and decreased shipments in our USSE segment. The increase in the accounts receivable turnover approximates 1 day for the twelve months ended June 30, 2019 as compared to the same period ended June 30, 2018 and is primarily due to increased sales as a result of higher average realized prices and increased shipments in our Flat-Rolled and Tubular segments.

The decrease in the inventory turnover approximates 7 days for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and is primarily due to an increase in cost of goods sold mainly attributed to higher raw material costs.

The last-in, first-out (LIFO) inventory method is the predominant method of inventory costing in the United States. At June 30, 2019 and June 30, 2018, the LIFO method accounted for 70 percent and 73 percent of total inventory values, respectively. In the U.S., management monitors inventory realizability by comparing the LIFO cost of inventory with the replacement cost of inventory. To the extent the replacement cost (i.e., market value) of inventory is lower than the LIFO cost of inventory, management will write the inventory down. As of June 30, 2019, and December 31, 2018 the replacement cost of the inventory was higher by approximately $961 million and $1,038 million, respectively. Additionally, based on the Company's latest internal forecasts and its inventory requirements, management does not believe there will be significant permanent LIFO liquidations that would impact earnings for the remainder of 2019.

Our cash conversion cycle for the second quarter of 2019 increased by five days as compared to the fourth quarter of 2018 as shown below:

Cash Conversion Cycle	**2019**		**2018**	
	$ millions	Days	$ millions	Days
Accounts receivable, net [a]	$1,638	43	$1,659	42
+ Inventories [b]	$2,166	61	$2,092	58
- Accounts Payable and Other Accrued Liabilities [c]	$2,565	71	$2,477	72
= Cash Conversion Cycle [d]		33		28

[a] Calculated as Average Accounts Receivable, net divided by total Net Sales multiplied by the number of days in the period.
[b] Calculated as Average Inventory divided by total Cost of Sales multiplied by the number of days in the period.
[c] Calculated as Average Accounts Payable and Other Accrued Liabilities less bank checks outstanding and other current liabilities divided by total Cost of Sales multiplied by the number of days in the period.
[d] Calculated as Accounts Receivable Days plus Inventory Days less Accounts Payable Days.

The cash conversion cycle is a non-generally accepted accounting principles (non-GAAP) financial measure. We believe the cash conversion cycle is a useful measure in providing investors with information regarding our cash management performance and is a widely accepted measure of working capital management efficiency. The cash conversion cycle should not be considered in isolation or as an alternative to other GAAP metrics as an indicator of performance.

Capital expenditures for the six months ended June 30, 2019, were $628 million, compared with $381 million in the same period in 2018. Flat-rolled capital expenditures were $501 million and included spending for the Mon Valley No. 3 Blast Furnace outage, Gary Hot Strip Mill upgrades, Great Lakes B2 Blast Furnace outage, Midwest Tin Cold Mill upgrades, and various other infrastructure, environmental and strategic projects. Tubular capital expenditures were $48 million and included spending for the Fairfield Electric Arc Furnace (EAF) project, Offshore Operations threading line & swage extension and various other strategic capital projects. USSE capital expenditures of $75 million consisted of spending for a Sinter Strand emission control, the new Dynamo line, Ore Bridges Emission control and various other infrastructure and environmental projects.

U. S. Steel's contractual commitments to acquire property, plant and equipment at June 30, 2019, totaled $820 million.

Capital expenditures for 2019 are expected to total approximately $1.3 billion and remain focused largely on projects that further our strategy (including the Fairfield EAF project and continued execution of Asset Revitalization), infrastructure and environmental projects.

Common stock repurchased under our common stock repurchase program approved in 2018 totaled 3,964,191 shares and approximately $70 million in the six months ended June 30, 2019. See Note 24 to the Condensed Consolidated Financial Statements for further details.

Issuance of long-term debt, net of financing costs, totaled $640 million in the six months ended June 30, 2018. During the six months ended June 30, 2018, U. S. Steel issued $650 million aggregate principal amount of 2026 Senior Notes. U. S. Steel received net proceeds from the offering of approximately $640 million after fees of approximately $10 million related to underwriting and third party expenses.

Repayment of long-term debt totaled $874 million in the six months ended June 30, 2018. U. S. Steel repurchased through a tender offer and subsequent redemption approximately $780 million of its outstanding 2021 Senior Secured Notes and paid premiums of $60 million for the tender. Additionally, U. S. Steel repurchased approximately $31 million of its 2020 Senior Notes through a series of open market purchases in June 2018 and paid premiums of approximately $3 million.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes U. S. Steel's liquidity as of June 30, 2019:

(Dollars in millions)		
Cash and cash equivalents	$	651
Amount available under $1.5 Billion Credit Facility Agreement		1,500
Amount available under USSK credit facilities		329
Total estimated liquidity	$	2,480

As of June 30, 2019, $122 million of the total cash and cash equivalents was held by our foreign subsidiaries. Substantially all of the liquidity attributable to our foreign subsidiaries can be accessed without the imposition of income taxes as a result of the election effective December 31, 2013 to liquidate for U.S. income tax purposes a foreign subsidiary that holds most of our international operations.

As of June 30, 2019, there were no amounts drawn under the $1.5 billion Credit Facility Agreement. U. S. Steel must maintain a fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent four consecutive quarters when availability under the Credit Facility Agreement is less than the greater of 10 percent of the total aggregate commitments and $150 million. Based on the four quarters as of June 30, 2019, we would have met this covenant. If we are unable to meet this covenant in future periods, the amount available to the Company under this facility would be reduced by $150 million. The Credit Facility Agreement expires in February 2023.

At June 30, 2019, USSK had borrowings of €200 million (approximately $228 million) under its €460 million (approximately $524 million) unsecured revolving credit facility. The USSK Credit Agreement contains certain USSK financial covenants, including a maximum net debt to EBITDA ratio and a minimum stockholders' equity to assets ratio. At June 30, 2019, USSK had availability of €260 million (approximately $296 million) under the USSK Credit Agreement. The USSK Credit Agreement expires in September 2023.

At June 30, 2019, USSK had no borrowings under its €20 million and €10 million unsecured credit facilities (collectively, approximately $34 million) and the availability was approximately $33 million due to approximately $1 million of customs and other guarantees outstanding.

We may from time to time seek to retire or repurchase our outstanding long-term debt through open market purchases, privately negotiated transactions, exchange transactions, redemptions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, and other factors and may be commenced or suspended at any time. The amounts involved may be material.

We use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. The use of some forms of financial assurance and cash collateral have a negative impact on liquidity. U. S. Steel has committed $180 million of liquidity sources for financial assurance purposes as of June 30, 2019. Increases in certain of these commitments which use collateral are reflected within cash, cash equivalents and restricted cash on the Condensed Consolidated Statement of Cash Flows.

At June 30, 2019, in the event of a change in control of U. S. Steel, the following may occur: (a) debt obligations totaling $1,978 million as of June 30, 2019 may be declared due and payable; (b) the Credit Facility Agreement and the USSK credit facilities may be terminated and any amounts outstanding declared due and payable; and (c) U. S. Steel may be required to either repurchase the leased Fairfield slab caster for $21 million or provide a cash collateralized letter of credit to secure the remaining obligation.

The maximum guarantees of the indebtedness of unconsolidated entities of U. S. Steel totaled $4 million at June 30, 2019. If any default related to the guaranteed indebtedness occurs, U. S. Steel has access to its interest in the assets of the investees to reduce its potential losses under the guarantees.

Our major cash requirements in 2019 are expected to be for capital expenditures, including asset revitalization, employee benefits and operating costs, which includes purchases of raw materials. We finished the second quarter of 2019 with $651 million of cash and cash equivalents and $2.5 billion of total liquidity. Available cash is left on deposit with financial institutions or invested in highly liquid securities with parties we believe to be creditworthy.

U. S. Steel management believes that U. S. Steel's liquidity will be adequate to satisfy our obligations for the foreseeable future, including obligations to complete currently authorized capital spending programs. Future requirements for U. S. Steel’s business needs, including the funding of acquisitions and capital expenditures, scheduled debt maturities, repurchase of debt, share buyback, contributions to employee benefit plans, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds (including asset sales), proceeds from the sale of stock, borrowings, refinancings and other external financing sources.

Environmental Matters, Litigation and Contingencies

Some of U. S. Steel’s facilities were in operation before 1900. Although management believes that U. S. Steel’s environmental practices have either led the industry or at least been consistent with prevailing industry practices, hazardous materials may have been released at current or former operating sites or delivered to sites operated by third parties.

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

U. S. Steel has incurred and will continue to incur substantial capital, operating, and maintenance and remediation expenditures as a result of environmental laws and regulations, related to release of hazardous materials, which in recent years have been mainly for process changes to meet CAA obligations and similar obligations in Europe.

Midwest Plant Incident

On April 11, 2017, there was a process waste water release at our Midwest Plant (Midwest) in Portage, Indiana that impacted a water outfall that discharges to Burns Waterway near Lake Michigan. U. S. Steel identified the source of the release and made the necessary repairs. We determined that all repairs were safely working as intended and, on April 14, 2017, resumed operations in a controlled, phased and highly monitored approach with extensive input from participating government agencies. The Company has since implemented substantial operational, process and notification improvements at Midwest. The Company has been presented with cost reimbursements, loss of use and penalty requests from the involved governmental agencies. In January of 2018, The Surfrider Foundation and the City of Chicago initiated suits in the Northern District of Indiana alleging CWA and Permit violations at Midwest. On April 2, 2018, the U.S. Environmental Protection Agency (U.S. EPA) and the State of Indiana initiated a separate action against the Company and lodged a Consent Decree negotiated between U. S. Steel and the relevant governmental agencies consisting of all material terms to resolve the CWA and National Pollutant Discharge Elimination System (NPDES) violations at the Midwest Plant. A public comment period for the Consent Decree ensued. The suits that the Surfrider Foundation and the City of Chicago filed are currently stayed. The Surfrider Foundation and the City of Chicago also filed motions, which were granted, to intervene in the Consent Decree case. U. S. Steel continues to work with United States Department of Justice, U.S. EPA, and Indiana Department of Environmental Management (IDEM) towards a finalized Consent Decree.

EU Environmental Requirements and Slovak Operations

Under the Emissions Trading Scheme (ETS), USSK's final allocation of allowances for the Phase III period, which covers the years 2013 through 2020 is 48 million allowances. We estimate a shortfall of approximately 14 million allowances for the Phase III period. Based on projected future production levels, we started to purchase allowances in the third quarter of 2017 to meet the annual compliance submission in the future. As of June 30, 2019, we have purchased approximately 12 million European Union Allowances totaling € 132 million (approximately $150 million). However, due to a number of variables such as the future market value of allowances, future production levels and future emissions intensity levels, we cannot reliably estimate the full cost of complying with the ETS regulations at this time.

The EU’s Industrial Emissions Directive requires implementation of EU determined best available techniques (BAT) for iron and steel production, to reduce environmental impacts as well as compliance with BAT associated emission levels. Our most recent broad estimate of future capital expenditures for projects that go beyond BAT requirements is up to €138 million (approximately $157 million) over the 2017 to 2020 program period. These costs may be mitigated if USSK complies with certain financial covenants, which are assessed annually. USSK complied with these covenants as of June 30, 2019. If we are unable to meet these covenants in the future, USSK might be required to provide additional collateral (e.g. bank guarantee) to secure the full value of estimated expenditures. There could be increased operating costs associated with these projects, such as increased energy and maintenance costs. We are currently unable to reliably estimate what the increase in operating costs will be as many projects are still in the development stage.

For further discussion of laws applicable in Slovakia and the EU and their impact on USSK, see Note 22 to the Condensed Consolidated Financial Statements, “Contingencies and Commitments - Environmental Matters, EU Environmental Requirements.”

New and Emerging Environmental Regulations

United States and European Greenhouse Gas Emissions Regulations

Future compliance with CO_2 emission requirements may include substantial costs for emission allowances, restriction of production and higher prices for coking coal, natural gas and electricity generated by carbon based systems. Because we cannot predict what requirements ultimately will be imposed in the U.S. and Europe, it is difficult to estimate the likely impact on U. S. Steel, but it could be substantial. On March 28, 2017, President Trump signed Executive Order 13783 instructing the U.S. EPA to review the Clean Power Plan. On October 16, 2017, the U.S. EPA proposed to repeal the Clean Power Plan after reviewing the plan pursuant to President Trump's executive order. Any repeal and/or replacement of the Clean Power Plan is likely to be challenged by various proponents of the plan, such as environmental groups and certain states. Any impacts to our operations as a result of any future greenhouse gas regulations are not estimable at this time since the matter is unsettled. In any case, to the extent expenditures associated with any greenhouse gas regulation, as with all costs, are not ultimately reflected in the prices of U. S. Steel's products and services, operating results will be reduced.

There have been no material changes in U. S. Steel's exposure to European Greenhouse Gas Emissions regulations since December 31, 2018.

United States - Air

The CAA imposes stringent limits on air emissions with a federally mandated operating permit program and civil and criminal enforcement sanctions. The CAA requires, among other things, the regulation of hazardous air pollutants through the development and promulgation of National Emission Standards for Hazardous Air Pollutants (NESHAP) and Maximum Achievable Control Technology (MACT) Standards. The U.S. EPA has developed various industry-specific MACT standards pursuant to this requirement. The CAA requires the U.S. EPA to promulgate regulations establishing emission standards for each category of Hazardous Air Pollutants. The U.S. EPA also must conduct risk assessments on each source category that is already subject to MACT standards and determine if additional standards are needed to reduce residual risks.

While our operations are subject to several different categories of NESHAP and MACT standards, the principal impact of these standards on U. S. Steel operations includes those that are specific to coke making, iron making, steel making and iron ore processing.

The U.S. EPA is currently in the process of completing a Residual Risk and Technology Review of the Integrated Iron and Steel MACT regulations, Coke MACT regulations, and Taconite Iron Ore Processing MACT regulations as required by the CAA. The U.S. EPA is under a court order to complete the Residual Risk and Technology Review of the Integrated Iron and Steel regulations no later than March 13, 2020; and to complete the Residual Risk and Technology Review of the Taconite Iron Ore Processing Regulations by June 30, 2020. Because the U.S. EPA has not completed its review, any impacts related to the U.S. EPA's review of these standards cannot be estimated at this time.

On March 12, 2018, the New York State Department of Environmental Conservation (DEC) submitted a CAA Section 126(b) petition to the U.S. EPA. In the petition, the DEC asserts that stationary sources from the following nine states are interfering with attainment or maintenance of the 2008 and 2015 ozone National Ambient Air Quality Standards (NAAQS) in New York: Illinois, Indiana, Kentucky, Maryland, Michigan, Ohio, Pennsylvania, Virginia, and West Virginia. DEC is requesting the U.S. EPA to require sources of nitrogen oxides in the nine states to reduce such emissions. On May 4, 2018, citing Section 307(d)(10) of the CAA, the U.S. EPA issued a notice extending the deadline for the agency to respond to the petition until November 9, 2018. On May 20, 2019, U.S. EPA published a notice in the Federal Register in which it proposed to deny DEC's 126(b) petition. The public comment period for the proposed action closed on July 15, 2019.

The CAA also requires the U.S. EPA to develop and implement NAAQS for criteria pollutants, which include, among others, particulate matter (PM) - consisting of PM_{10} and $PM_{2.5}$, lead, carbon monoxide, nitrogen dioxide, sulfur dioxide (SO_2), and ozone.

In June 2010, the U.S. EPA significantly lowered the primary NAAQS for SO_2 from 140 parts per billion (ppb) on a 24-hour basis to an hourly standard of 75 ppb. Subsequently, U.S. EPA designated the areas in which Great Lakes Works and Mon Valley Works facilities are located as nonattainment with the 2010 standard for the SO_2 NAAQS. The nonattainment designation requires the region to implement operational and/or capital improvements to demonstrate attainment with the 2010 standard. U. S. Steel worked with the Allegheny County Health Department (ACHD) in developing a State Implementation Plan (SIP) for the Allegheny County portion of the Pennsylvania SIP that includes reductions of SO_2 and improved dispersion from U. S. Steel sources. On November 19, 2018, U.S. EPA published a proposed rule to approve the SIP. Comments on the proposed rule were accepted until December 19, 2018. In addition, as noted in the Legal Proceedings section, U. S. Steel continues to work with the regulatory authorities to address the Wayne County, Michigan (where Great Lakes Works is located) nonattainment status. The operational and financial impacts of the SO_2 NAAQS are not estimated to be material at this time.

In October 2015, the U.S. EPA lowered the NAAQS for ozone from 75 ppb to 70 ppb. On November 6, 2017, the U.S. EPA designated most areas in which we operate as attainment with the 2015 standard. In a separate ruling, on June 4, 2018, the U.S. EPA designated other areas in which we operate as “marginal nonattainment” with the 2015 ozone standard. While on December 6, 2018, U.S. EPA published a final rule regarding implementation of the 2015 ozone standard. Because no state regulatory or permitting actions to bring the ozone nonattainment areas into attainment have yet to be proposed or developed for U. S. Steel facilities, the operational and financial impact of the ozone NAAQS cannot be reasonably estimated at this time.

On December 14, 2012, the U.S. EPA lowered the annual standard for $PM_{2.5}$ from 15 micrograms per cubic meter (ug/m3) to 12 ug/m3, and retained the $PM_{2.5}$ 24-hour and PM_{10} NAAQS rules. In December 2014, the U.S. EPA designated some areas in which U. S. Steel operates as nonattainment with the 2012 annual $PM_{2.5}$ standard. On April 6, 2018, the U.S. EPA published a notice that Pennsylvania, California and Idaho failed to submit a SIP to demonstrate attainment with the 2012 fine particulate standard by the deadline established by the CAA. As a result of the notice, Pennsylvania, a state in which we operate, is required to submit a SIP to the U.S. EPA no later than November 7, 2019 to avoid sanctions. On April 29, 2019, the ACHD published a draft SIP for the Allegheny County nonattainment area which demonstrates that all of Allegheny County will meet its reasonable further progress requirements and be in attainment with the 2012 $PM_{2.5}$ annual and 24-hour NAAQS by December 31, 2021 with the existing controls that are in place.

In 2010, the U.S. EPA retained the annual nitrogen dioxide NAAQS standard, but created a new 1-hour NAAQS and established new data reduction and monitoring requirements. While the U.S. EPA has classified all areas as being in attainment or unclassifiable, it is requiring implementation of a network of monitoring stations to assess air quality. Until the network is implemented and further designations are made, the impact on operations at U. S. Steel facilities cannot be reasonably estimated.

In July 2018, the ACHD provided U. S. Steel, ACHD Regulation Subcommittee members and interested parties with draft regulations that would modify the existing air regulations applicable to coke plants in Allegheny County. While ACHD currently has some of the most stringent air regulations in the country governing coke plants, which apply to U. S. Steel’s coke plant in Clairton, Pennsylvania (the only remaining coke plant in Allegheny County and one of two remaining in Pennsylvania), the draft regulations would reduce the current allowable emissions from coke plant operations and would be more stringent than the Federal Best Available Control Technology and Lowest Achievable Emission Rate requirements. In various meetings with ACHD, U. S. Steel has raised significant objections, in particular, that ACHD has not demonstrated that continuous compliance with the draft rule is economically and technologically feasible. While U. S. Steel continues to meet with ACHD regarding the draft rule, U. S. Steel believes that any rule promulgated by ACHD must comply with their statutory authority. If the draft rule or similar rule is adopted, the financial and operational impacts to U. S. Steel could be material. In U. S. Steel’s June 27, 2019, Settlement Agreement with ACHD, in which the appeals of four recently issued Orders were resolved as discussed in the Legal Proceedings, to assist in developing rules objectively and with technical justification, U. S. Steel and ACHD agreed to certain procedures that ACHD will follow in developing a new rule.

Environmental Remediation

In the United States, U. S. Steel has been identified as a potentially responsible party (PRP) at eight sites under CERCLA as of June 30, 2019. Of these, there are three sites where information requests have been received or there are other indications that U. S. Steel may be a PRP under CERCLA, but where sufficient information is not presently available to confirm the existence of liability or to make a reasonable estimate with respect to any potential liabilities. There are also 17 additional sites where U. S. Steel may be liable for remediation costs in excess of $100,000 under other environmental statutes, both federal and state, or where private parties are seeking to impose liability on U. S. Steel for remediation costs through discussions or litigation. At many of these sites, U. S. Steel is one of a number of parties involved and the total cost of remediation, as well as U. S. Steel’s share, is frequently dependent upon the outcome of ongoing investigations and remedial studies. U. S. Steel accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs is reasonably estimable. As environmental remediation matters proceed toward ultimate resolution or as remediation obligations arise, charges in excess of those previously accrued may be required.

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

OFF-BALANCE SHEET ARRANGEMENTS

U. S. Steel did not enter into any new material off-balance sheet arrangements during the second quarter of 2019.

INTERNATIONAL TRADE

U. S. Steel continues to face import competition, much of which is unfairly-traded, supported by foreign governments, and fueled by massive global steel overcapacity. Such practices, policies and overcapacity impact the Company's operational and financial performance. U. S. Steel continues to lead the industry in efforts to address these challenges that threaten the Company, our workers, our stockholders, and our country's national and economic security.

Through a series of Presidential Proclamations pursuant to Section 232 of the Trade Expansion Act of 1962, as of the date of this filing, U.S. imports of certain steel products are subject to a 25 percent tariff, except for imports from: (1) Argentina, Brazil, and South Korea, which are subject to restrictive quotas; (2) Canada and Mexico, which are currently not subject to either tariffs or quotas but tariffs could be re-imposed on surging product groups after consultations; and (3) Australia, which is not subject to tariffs, quotas, or an anti-surge mechanism.

In May 2019, the Section 232 tariffs for imports from Turkey were adjusted from 50 to 25 percent. Also in May 2019, the United States announced agreements with Canada and Mexico to eliminate the Section 232 tariffs on imports from Canada and Mexico; eliminate the retaliatory tariffs on U.S. exports to Canada and Mexico; terminate World Trade Organization (WTO) disputes regarding Section 232 and retaliation; implement effective measures to prevent unfairly traded imports and transshipment, to monitor for import surges, re-impose Section 232 tariffs on import surges after consultations; and limit retaliation to steel.

The U.S. Department of Commerce (DOC) is managing a process in which U.S. companies may request and/or oppose temporary product exclusions from the Section 232 tariffs or quotas. Over 77,000 exclusions have been requested for steel products. U. S. Steel is opposing exclusion requests for products that are the same as, or substitute products for, those U. S. Steel produces.

Several legal challenges and retaliatory trade measures have been initiated in response to the Section 232 action. In June 2019, the Supreme Court denied the American Institute for International Steel's (AIIS) petition for writ of certiorari in AIIS' constitutional challenge to the Section 232 statute. AIIS' appeal of the U.S. Court of International Trade's (CIT) March 2019 decision upholding the constitutionality of the Section 232 statute is still pending before the U.S. Court of Appeals for the Federal Circuit (CAFC). Multiple countries have challenged the Section 232 action at the WTO, imposed retaliatory tariffs, and/or acted to safeguard their domestic steel industries from increased steel imports. In turn, the United States has challenged the retaliation at the WTO. Decisions in these WTO disputes are not expected until the fourth quarter of 2019 at the earliest.

Since its implementation in March 2018, the Section 232 action has supported the U.S. steel industry's and U. S. Steel's multiple restarts and investment initiatives. The Company continues to actively defend the Section 232 action through all available tools and strategies, including by highlighting these benefits and the importance of maintaining the Section 232 action.

In February 2019, the European Commission (EC) imposed a definitive tariff rate quota (TRQ) safeguard on certain steel imports: 25 percent tariffs on certain steel imports that exceed quotas based on 105 percent of average import volumes for 2015-2017 and increasing 5 percent annually, effective February 2019 through June 2021. In May 2019, the EC initiated a review of the safeguard with a decision on any changes to the safeguard expected by late September 2019. In July 2019, the EC increased its safeguard quotas by 5 percent, pursuant to automatic increase provisions, despite the current EC review and the significant opposition to the increase from the EU steel industry.

Antidumping (AD) and countervailing (CVD or antisubsidy) duties apply in addition to the Section 232 tariffs and quotas and the EC's TRQ safeguard, and AD/CVD orders will last beyond the Section 232 action and EC's TRQ safeguard. Thus, U. S. Steel continues to actively defend and maintain the 54 U.S. AD/CVD orders and 11 EU AD/CVD orders covering products U. S. Steel produces in multiple proceedings before the DOC, U.S. International Trade Commission (ITC), CIT, CAFC, the EC and European courts, and the WTO.

In 2018, following an investigation of China’s technology transfer and intellectual property violations by the U.S. Trade Representative (USTR) under Section 301 of the Trade Act of 1974, the United States imposed 10 and 25 percent tariffs on approximately $250 billion of U.S. imports from China, including finished steel couplings, some products used in steel production and certain downstream products. In May 2019, the Section 301 tariffs on certain imports from China increased from 10 to 25 percent. As of the date of this filing, the United States plans to impose 10 percent tariffs on the approximately $300 billion of imports from China that are currently not subject to the Section 301 tariffs, including many steel products, effective September 1. The United States continues to negotiate with China on structural trade issues, including China's subsidies and government support of its steel industry.

The G-20’s Global Forum on Steel Excess Capacity continues to work to reduce global steel overcapacity, currently estimated at 425 million tons. The Organization for Economic Co-operation and Development Steel Committee and trilateral negotiations between the United States, EU, and Japan also continue to address global steel overcapacity.

U. S. Steel will continue to execute a broad, global strategy to maximize opportunities and navigate challenges presented by imports, global steel overcapacity, and international trade law and policy developments.

NEW ACCOUNTING STANDARDS

See Notes 2 and 3 to the Condensed Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in U. S. Steel's exposure to market risk from December 31, 2018.

Item 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

U. S. Steel has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2019. These disclosure controls and procedures are the controls and other procedures that were designed to ensure that information required to be disclosed in reports that are filed with or submitted to the U.S. Securities and Exchange Commission are: (1) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in applicable law and regulations. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2019, U. S. Steel's disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

UNITED STATES STEEL CORPORATION
SUPPLEMENTAL STATISTICS (Unaudited)

(Dollars in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
SEGMENT EARNINGS (LOSS) BEFORE INTEREST AND INCOME TAXES:				
Flat-Rolled	**$ 134**	$ 224	**$ 229**	$ 257
U. S. Steel Europe	**(10)**	115	**19**	225
Tubular	**(6)**	(35)	**4**	(62)
Total reportable segments	**118**	304	**252**	420
Other Businesses	**10**	17	**18**	28
Items not allocated to segments:				
December 24, 2018 Clairton coke making facility fire	**(13)**	—	**(44)**	—
Gain on equity investee transactions	**—**	18	**—**	18
Granite City Works restart costs	**—**	(36)	**—**	(36)
Granite City Works adjustment to temporary idling charges	**—**	(2)	**—**	8
Total earnings before interest and income taxes	**$ 115**	$ 301	**$ 226**	$ 438
CAPITAL EXPENDITURES				
Flat-Rolled	**$ 254**	$ 142	**$ 501**	$ 318
U. S. Steel Europe	**41**	17	**75**	38
Tubular	**29**	13	**48**	24
Other Businesses	**2**	1	**4**	1
Total	**$ 326**	$ 173	**$ 628**	$ 381
OPERATING STATISTICS				
Average realized price: ($/net ton unless otherwise noted)[a]				
Flat-Rolled	**$ 779**	$ 819	**$ 789**	$ 780
U. S. Steel Europe	**652**	707	**661**	707
U. S. Steel Europe (€/net ton)	**580**	593	**585**	584
Tubular	**1,524**	1,449	**1,537**	1,420
Steel shipments (thousands of net tons):[a]				
Flat-Rolled	**2,804**	2,584	**5,529**	5,118
U. S. Steel Europe	**1,004**	1,156	**2,068**	2,283
Tubular	**195**	201	**402**	380
Intersegment steel (unless otherwise noted) shipments (thousands of net tons):				
Flat-Rolled to Tubular	**52**	65	**133**	132
Flat-Rolled to U. S. Steel Europe (iron ore pellets and fines)	**189**	—	**189**	—
U. S. Steel Europe to Flat-Rolled	**—**	22	**—**	22
Raw steel production (thousands of net tons):				
Flat-Rolled	**2,984**	2,841	**6,059**	5,626
U. S. Steel Europe	**1,148**	1,308	**2,307**	2,600
Raw steel capability utilization:[b]				
Flat-Rolled	**70%**	67%	**72%**	67%
U. S. Steel Europe	**92%**	105%	**93%**	105%

[a] Excludes intersegment transfers.
[b] Based on annual raw steel production capability of 17.0 million net tons for Flat-Rolled and 5.0 million net tons for USSE.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

GENERAL LITIGATION

On April 11, 2017, there was a process waste water release at our Midwest Plant (Midwest) in Portage, Indiana that impacted a water outfall that discharges to Burns Waterway near Lake Michigan. U. S. Steel identified the source of the release and made the necessary repairs. We determined that all repairs were safely working as intended and, on April 14, 2017, resumed operations in a controlled, phased and highly monitored approach with extensive input from participating government agencies. The Company has since implemented substantial operational, process and notification improvements at Midwest. The Company has been presented with cost reimbursements, loss of use and penalty requests from the involved governmental agencies. In January of 2018, The Surfrider Foundation and the City of Chicago initiated suits in the Northern District of Indiana alleging CWA and Permit violations at Midwest. On April 2, 2018, the U.S. EPA and the State of Indiana initiated a separate action against the Company and lodged a Consent Decree negotiated between U. S. Steel and the relevant governmental agencies consisting of all material terms to resolve the CWA and NPDES violations at the Midwest Plant. A public comment period for the Consent Decree ensued. The suits that the Surfrider Foundation and the City of Chicago filed are currently stayed. The Surfrider Foundation and the City of Chicago also filed motions, which were granted, to intervene in the Consent Decree case. U. S. Steel continues to work with United States Department of Justice, U.S. EPA, and IDEM towards a finalized Consent Decree.

On November 30, 2018, the Minnesota Pollution Control Agency (MPCA) issued a new Water Discharge Permit for the Minntac Tailings Basin waters. The Permit contains new sulfate limitations applicable to water in the Tailings Basin and groundwater flowing from U. S. Steel's property. The MPCA also acted on the same date, denying the Company's requests for variances from ground and surface water standards and request for a contested case hearing. U. S. Steel filed appeals with the Minnesota Court of Appeals on December 19, 2018 challenging the actions taken by the MPCA. Separate appeals have been filed by a Minnesota Native American Tribe (Fond du Lac Band) and a nonprofit environmental group (Water Legacy). U. S. Steel has filed Petitions to Intervene in both cases. The briefing is now complete and the matter is pending a determination by the Court.

On October 2, 2017, an Amended Shareholder Class Action Complaint was filed in Federal Court in the Western District of Pennsylvania consolidating previously-filed actions. Separately, four related shareholder derivative lawsuits were filed in State and Federal courts in Pittsburgh, Pennsylvania. The underlying consolidated class action lawsuit alleges that U. S. Steel, certain current and former officers, an upper level manager of the Company and the financial underwriters who participated in the August 2016 secondary public offering of the Company's common stock (collectively, Defendants) violated federal securities laws in making false statements and/or failing to discover and disclose material information regarding the financial condition of the Company. The lawsuit claims that this conduct caused a prospective class of plaintiffs to sustain damages during the period from January 27, 2016 to April 25, 2017 as a result of the prospective class purchasing the Company's common stock at artificially inflated prices and/or suffering losses when the price of the common stock dropped. The derivative lawsuits generally make the same allegations against the same officers and also allege that certain current and former members of the Board of Directors failed to exercise appropriate control and oversight over the Company and were unjustly compensated. The plaintiffs seek to recover losses that were allegedly sustained. The class action Defendants moved to dismiss plaintiffs' claims. On September 29, 2018 the Court ruled on those motions granting them in part and denying them in part. On March 18, 2019, the plaintiffs withdrew the claims against the Defendants related to the 2016 secondary offering. Therefore, the underwriters are no longer parties to the case. The Company and the individual defendants are vigorously defending the remaining claims.

ENVIRONMENTAL PROCEEDINGS

The following is a summary of the proceedings of U. S. Steel that were pending or contemplated as of June 30, 2019, under federal and state environmental laws. Information about specific sites where U. S. Steel is or has been engaged in significant clean up or remediation activities is also summarized below. Except as described herein, it is not possible to accurately predict the ultimate outcome of these matters.

CERCLA Remediation Sites

Claims under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) have been raised with respect to the cleanup of various waste disposal and other sites. Under CERCLA, potentially responsible parties (PRPs) for a site include current owners and operators, past owners and operators at the time of disposal, persons who arranged for disposal of a hazardous substance at a site, and persons who transported a hazardous substance to a site. CERCLA imposes strict and joint and several liabilities. Because of various factors, including the ambiguity of the regulations, the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques, and the amount of damages and cleanup costs and the time period during which such costs may be incurred, we are unable to reasonably estimate U. S. Steel’s ultimate liabilities under CERCLA.

As of June 30, 2019, U. S. Steel has received information requests or been identified as a PRP at a total of eight CERCLA sites, three of which have liabilities that have not been resolved. Based on currently available information, which is in many cases preliminary and incomplete, management believes that U. S. Steel’s liability for CERCLA cleanup and remediation costs at the other five sites will be between $100,000 and $1 million for four of the sites, and over $5 million for one site as described below.

Duluth Works

The former U. S. Steel Duluth Works site was placed on the National Priorities List under CERCLA in 1983 and on the State of Minnesota’s Superfund list in 1984. Liability for environmental remediation at the site is governed by a Response Order by Consent executed with the MPCA in 1985 and a Record of Decision signed by MPCA in 1989. U. S. Steel has partnered with the Great Lakes National Program Office (GLNPO) of U.S. EPA Region 5 to address contaminated sediments in the St. Louis River Estuary and several other Operable Units that could impact the Estuary if not addressed. An amendment to the Project Agreement between U. S. Steel and GLNPO was executed during the second quarter of 2018 to recognize the costs associated with implementing the proposed remedial plan at the site.

While work continues on completion of the remedial design and educating the public and key stakeholders on the details of the plan, there has been no material change in the status of the project during the six months ended June 30, 2019. Additional study, investigation, design, oversight costs, and implementation of U. S. Steel's preferred remedial alternatives on the upland property and Estuary are currently estimated as of June 30, 2019 at approximately $45 million.

RCRA and Other Remediation Sites

U. S. Steel may be liable for remediation costs under other environmental statutes, both federal and state, or where private parties are seeking to impose liability on U. S. Steel for remediation costs through discussions or litigation. There are 17 such sites where remediation is being sought involving amounts in excess of $100,000. Based on currently available information, which is in many cases preliminary and incomplete, management believes that liability for cleanup and remediation costs in connection with seven sites have potential costs between $100,000 and $1 million per site, five sites may involve remediation costs between $1 million and $5 million per site and five sites are estimated to or could have, costs for remediation, investigation, restoration or compensation in excess of $5 million per site.

For more information on the status of remediation activities at U. S. Steel’s significant sites, see the discussions related to each site below.

Gary Works

On October 23, 1998, the U.S. EPA issued a final Administrative Order on Consent (Order) addressing Corrective Action for Solid Waste Management Units (SWMU) throughout Gary Works. This Order requires U. S. Steel to perform a Resource Conservation and Recovery Act (RCRA) Facility Investigation (RFI), a Corrective Measures Study (CMS) and Corrective Measure Implementation. Evaluations are underway at six groundwater areas on the east side of the facility and it is likely that corrective measures will be required, but it is not possible at this time to define a scope or estimate costs for what may be required by the U.S. EPA. Until the remaining Phase I work and Phase II field investigations are completed, it is not possible to assess what additional expenditures will be necessary for Corrective Action projects at Gary Works. In total, the accrued liability for Corrective Action projects is approximately $25 million as of June 30, 2019, based on our current estimate of known remaining costs. Significant additional costs associated with the six groundwater areas at this site are possible and are referenced in Note 22 to the Condensed Consolidated

Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Geneva Works

At U. S. Steel’s former Geneva Works, liability for environmental remediation, including the closure of three hazardous waste impoundments and facility-wide corrective action, has been allocated between U. S. Steel and the current property owner pursuant to an agreement and a permit issued by the Utah Department of Environmental Quality (UDEQ). Having completed the investigation on a majority of the remaining areas identified in the permit, U. S. Steel has determined the most effective means to address the remaining impacted material is to manage those materials in a previously approved on-site Corrective Action Management Unit (CAMU). U. S. Steel awarded a contract for the implementation of the CAMU project during the fourth quarter of 2018 and submitted several design documents to UDEQ for approval. Construction, waste stabilization and placement along with closure of the CAMU are expected to be complete in 2020. U. S. Steel has an accrued liability of approximately $58 million as of June 30, 2019, for our estimated share of the remaining costs of remediation.

USS-POSCO Industries (UPI)

A joint venture in Pittsburg, California between subsidiaries of U. S. Steel and POSCO, UPI's facilities were previously owned and operated solely by U. S. Steel which retains primary responsibility for the existing environmental conditions. U. S. Steel continues to monitor the impacts of the remedial plan implemented in 2016 to address groundwater impacts from trichloroethylene at SWMU 4. Evaluations continue for the three SWMUs known as the Northern Boundary Group and it is likely that corrective measures will be required, but it is not possible at this time to define a scope or estimate costs for what may be required by the California Department of Toxic Substances Control. As such, there has been no material change in the status of the project during the six months ended June 30, 2019. As of June 30, 2019, approximately $1 million has been accrued for ongoing environmental studies, investigations and remedy monitoring. Significant additional costs associated with this site are possible and are referenced in Note 22 to the Condensed Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Fairfield Works

A consent decree was signed by U. S. Steel, the U.S EPA and the U.S. Department of Justice and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) in December 1997. In accordance with the consent decree, U. S. Steel initiated a RCRA corrective action program at the Fairfield Works facility. The Alabama Department of Environmental Management, with the approval of the U.S EPA, assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works. While work continues on different aspects of the program, there has been no material change in the status of the project during the six months ended June 30, 2019. In total, the accrued liability for remaining work under the Corrective Action Program, was approximately $271,000 at June 30, 2019. Significant additional costs associated with this site are possible and are referenced in Note 22 to the Condensed Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Fairless Plant

In April 1993, U. S. Steel entered into a consent order with the U.S EPA pursuant to RCRA, under which U. S. Steel would perform Interim Measures (IM), an RFI and CMS at our Fairless Plant. A Phase I RFI Final Report was submitted in September of 1997. With U.S EPA’s agreement, in lieu of conducting subsequent phases of the RFI and the CMS, U. S. Steel has been working through the Pennsylvania Department of Environmental Protection Act 2 Program to characterize and remediate facility parcels for redevelopment. While work continues on these items, there has been no material change in the status of the project during the six months ended June 30, 2019. As of June 30, 2019, the accrued liability to maintain the interim measures, and clear properties through the Act 2 process is approximately $214,000. Significant additional costs associated with this site are possible and are referenced in Note 22 to the Condensed Consolidated Financial Statements “Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development.”

Lorain Tubular Operations

In September 2006, U. S. Steel and the Ohio Environmental Protection Agency (OEPA) commenced discussions about RCRA Corrective Action at Lorain Tubular Operations. A Phase I RFI on the identified SWMUs and Areas of Contamination was submitted in March 2012. While discussions continue with OEPA on drafting the Statement of Basis identifying potential remedies to address areas documented in the Phase II RFI, there has been no material change in the status of the project during the six months ended June 30, 2019. As of June 30, 2019, costs to complete additional projects are estimated to be approximately $81,000. Significant additional costs associated with this site are possible and are referenced in Note 22 to the Condensed Consolidated Financial Statements "Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development."

Joliet Works

The 50-acre parcel at the former Joliet Works is enrolled in the Illinois Environmental Protection Agency's (IEPA) voluntary Site Remediation Program (the Program). The Program requires investigation and establishment of cleanup objectives followed by submission/approval of a Remedial Action Plan to meet those objectives. The 50-acre parcel was divided into four subareas with remedial activities completed in 2015 for three of the subareas. While work continues to define the requirements for further investigation of the remaining subarea, there has been no material change in the status of the project during the six months ended June 30, 2019. U. S. Steel has an accrued liability of $273,000 as of June 30, 2019. Significant additional costs associated with this site are possible and are referenced in Note 22 to the Condensed Consolidated Financial Statements "Contingencies and Commitments - Environmental Matters - Remediation Projects - Projects with Ongoing Study and Scope Development."

Cherryvale (KS) Zinc

In April 2003, U. S. Steel and Salomon Smith Barney Holdings, Inc. (SSB) entered into a Consent Order with the Kansas Department of Health & Environment (KDHE) concerning a former zinc smelting operation in Cherryvale, Kansas. Remediation of the site proper was essentially completed in 2007. The Consent Order was amended on May 3, 2013, to require investigation (but not remediation) of potential contamination beyond the boundary of the former zinc smelting operation. On November 22, 2016, KDHE approved a State Cooperative Final Agency Decision Statement that identified the remedy selected to address potential contamination beyond the boundary of the former zinc smelting site. The Removal Action Design Plan was approved during the second quarter of 2018. The Waste Deposition Area design and the Interim Risk Management Plan (which includes institutional controls) were approved by KDHE during the fourth quarter of 2018. An amended consent order for remediation was signed in May 2019 and a remediation contract was executed in June 2019. U. S. Steel has an accrued liability of approximately $10 million as of June 30, 2019, for our estimated share of the cost of remediation.

South Works

On August 29, 2017, U. S. Steel was notified by the U.S. Coast Guard of a sheen on the water in the North Vessel Slip at our former South Works in Chicago, Illinois. U. S. Steel has been working with the IEPA under their voluntary Site Remediation Program since 1993 to evaluate the condition of the property including the North Vessel Slip. The result of this cooperative effort has been the issuance of a series of "No Further Remediation" (NFR) notices to U. S. Steel including one specific to the North Vessel Slip. U. S. Steel has notified the IEPA of the potential changed condition and is working closely with the IEPA and the U. S. Coast Guard to determine the source of the sheen and options to address the issue. U. S. Steel has an accrued liability of $22,000 as of June 30, 2019.

Air Related Matters

Gary Works

In November 2018, the Indiana Department of Environmental Management (IDEM) advised U. S. Steel that it intends to address certain deviations from the Gary Works Title V Permit that were to have occurred in late 2017 and the first three quarters of 2018 in an enforcement action that it anticipates would be resolved through an Agreed Order. IDEM indicated that it intends to address the following issues in the action: intermittent exceedances of opacity standards at the steel producing roof monitor; deviations from certain miscellaneous inspection requirements; exceedance of the hydrochloric acid limit at the pickle line (which U. S. Steel has since demonstrated compliance); and exceedance of the particulate matter limit at the iron pellet screeners. Generally, the deviations were self-disclosed by U. S. Steel in reports submitted to IDEM. U. S. Steel is currently working with IDEM to resolve the issues.

Great Lakes Works

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

As a result, pursuant to the CAA, the Michigan Department of Environment, Great Lakes and Energy (EGLE) was required to submit a SIP to the U.S. EPA that demonstrates that the entire nonattainment area (and not just the monitor) would be in attainment by October 2018 by using conservative air dispersion modeling. To develop the SIP, U. S. Steel met with EGLE on multiple occasions and had offered reduction plans to EGLE but the parties could not agree to a plan. EGLE, instead promulgated Rule 430 which was solely directed at U. S. Steel. The Company challenged Rule 430 before the Michigan Court of Claims who by Order dated October 4, 2017, granted the Company's motion for summary disposition voiding Rule 430 finding that it violated rule-making provisions of the Michigan Administrative Procedures Act and Michigan Constitution. Since Rule 430 has been invalidated and EGLE's SIP has not been approved, U.S. EPA has indicated that it would promulgate a Federal Implementation Plan (FIP) pursuant to its obligations and authority under the CAA. Because development of the FIP is in the early stages, the impacts of the nonattainment designation to the Company are not estimable at this time.

On January 17, 2019, U. S. Steel and EGLE met to discuss resolution of violations that were alleged to have occurred intermittently in 2017 and 2018 regarding opacity from: the D4 Blast Furnace slag pit, D4 Blast Furnace backdraft stack, B2 Blast Furnace casthouse roof monitor, B2 Blast Furnace backdraft stack, and Basic Oxygen Furnace Shop Roof Monitor; and exceedances of applicable limits at the pickle line. Subsequent to the meeting in late February, EGLE advised U. S. Steel that it was assessing a civil penalty of $378,883 for these alleged violations. U. S. Steel and EGLE continue to negotiate resolution.

Granite City Works

In October 2015, Granite City Works received a Violation Notice from IEPA in which the IEPA alleges that U. S. Steel violated the emission limits for nitrogen oxides (NOx) and volatile organic compounds from the Basic Oxygen Furnace Electrostatic Precipitator Stack. In addition, the IEPA alleges that U. S. Steel exceeded its natural gas usage limit at its CoGeneration Boiler. U. S. Steel responded to the notice and is currently discussing resolution of the matter with IEPA.

Although discussions with IEPA regarding the foregoing alleged violations are ongoing and the resolution of these matters is uncertain at this time, it is not anticipated that the result of those discussions will be material to U. S. Steel.

Minnesota Ore Operations

On February 6, 2013, the U.S. EPA published a FIP that applies to taconite facilities in Minnesota. The FIP establishes and requires emission limits and the use of low NOx reduction technology on indurating furnaces as Best Available Retrofit Technology (BART). While U. S. Steel installed low NOx burners on three furnaces at Minntac and is currently obligated to install low NOx burners on the two other furnaces at Minntac pursuant to existing agreements and permits, the rule would require the installation of a low NOx burner on the one furnace at Keetac for which U. S. Steel did not have an otherwise existing obligation. U. S. Steel estimates expenditures associated with the installation of low NOx burners of as much as $25 to $30 million. In 2013, U. S. Steel filed a petition for administrative reconsideration to the U.S. EPA and a petition for judicial review of the 2013 FIP and denial of the Minnesota SIP to the Eighth Circuit. In April 2016, the EPA promulgated a revised FIP with the same substantive requirements for U. S. Steel. In June 2016, U. S. Steel filed a petition for administrative reconsideration of the 2016 FIP to the U.S. EPA and a petition for judicial review of the 2016 FIP before the Eighth Circuit Court of Appeals. While the proceedings regarding the petition for judicial review of the 2013 FIP remained stayed, oral arguments regarding the petition for judicial review of the 2016 FIP were heard by the Eighth Circuit Court of Appeals on November 15, 2017. Thus, both petitions for judicial review remain with the Eighth Circuit. On December 4, 2017, U.S. EPA published a notification in the Federal Register in which the U.S. EPA denied U. S. Steel's administrative petitions for reconsideration and stay of the 2013 FIP and 2016 FIP. On February 1, 2018, U. S. Steel filed a petition for judicial review of U.S. EPA's denial of the administrative petitions for reconsideration to the Eighth Circuit Court of Appeals. U. S. Steel continues to defend its three petitions that are before the Eighth Circuit Court of Appeals regarding BART requirements at Minntac and Keetac while pursuing a resolution that would include an equitable revision to the FIP.

Mon Valley Works

On November 9, 2017, U.S. EPA Region III and ACHD jointly issued a Notice of Violation (NOV) regarding the Company's Edgar Thomson facility in Braddock, PA. In addition, on November 20, 2017, ACHD issued a separate, but related NOV to the Company regarding the Edgar Thomson facility. In the NOVs, based upon their inspections and review of documents collected throughout the last two years, the agencies allege that the Company has violated the CAA by exceeding the allowable visible emission standards from certain operations during isolated events. In addition, the agencies allege that the Company has violated certain maintenance, reporting, and recordkeeping requirements. U. S. Steel met with U.S. EPA Region III and ACHD on December 18, 2017 and again on August 15, 2018. ACHD, U.S. EPA Region III and U. S. Steel continue to negotiate a potential resolution of the matter.

On June 28, 2018, U. S. Steel received an Enforcement Order from the ACHD for the Clairton Plant for alleged violations of various environmental permit and regulatory requirements pertaining to air emissions. The total penalty demand is $1,091,950 for alleged violations that were to have occurred in late 2017 and early 2018. ACHD ordered U. S. Steel to conduct SO_2 stack tests of C Battery Quench Tower exhaust. ACHD also ordered U. S. Steel to provide an assessment of all emissions points at the Clairton facility to ACHD; and to propose measures, for ACHD approval, to reduce SO_2, particulate matter and visible emissions within sixty days of receipt of the Order. In the Order, ACHD demanded that if U. S. Steel fails to meet any requirements in the Order, U. S. Steel shall place its two worst performing batteries on hot idle until ACHD determines U. S. Steel is in compliance with the Order. U. S. Steel has appealed the Order and posted the penalty amount in an escrow account. A hearing was held December 3 - 6, 2018 and post-hearing briefing concluded on March 29, 2019.

On November 14, 2018, U. S. Steel received a revised Administrative Order from the ACHD with an assessed penalty of $613,716 for alleged violations regarding fugitive emission sources (coke oven doors, lids, offtakes, charging, high opacity doors and soaking) at the Clairton Plant that were alleged to have occurred during the second quarter of 2018. On December 12, 2018, U. S. Steel appealed the Administrative Order.

On March 29, 2019, ACHD issued Enforcement Order #190305, in which ACHD assessed a civil penalty of $707,568 for alleged battery fugitive emissions violations that were to have occurred during the third and fourth quarters of 2018. On April 25, 2019, U. S. Steel appealed Administrative Order #190305 and placed the civil penalty into escrow.

On May 10, 2019, ACHD issued Enforcement Order #190501, in which ACHD assessed a civil penalty of $337,670 for alleged battery fugitive emissions violations that were to have occurred during the first quarter of 2019. On June 4, 2019, U. S. Steel appealed Administrative Order #190501 and placed the civil penalty into escrow.

All four appeals were consolidated. On June 27, 2019, U. S. Steel and ACHD entered into a Settlement Agreement that is now in effect resolving the four appeals discussed above. A comment period expired on July 31, 2019 after a public hearing that was held on July 30, 2019.

On December 24, 2018, U. S. Steel's Clairton Plant experienced a fire, affecting portions of the facility involved in desulfurization of the coke oven gas generated during the coking process. With the desulfurization process out of operation as a result of the fire, U. S. Steel was not able to certify compliance with Clairton Plant's Title V permit levels for sulfur emissions. U. S. Steel promptly notified ACHD, which has regulatory jurisdiction for the Title V permit, and updated the ACHD regularly on our efforts to mitigate any potential environmental impacts until the desulfurization process was returned to normal operations. Of the approximately 2,400 hours between the date of the fire and April 4, 2019, when the Company resumed desulfurization, there were ten intermittent hours where average SO_2 emissions exceeded the hourly NAAQS for SO_2 at the Allegheny County regional air quality monitors located in Liberty and North Braddock boroughs which are near U. S. Steel's Mon Valley Works facilities. ACHD has asserted that these emission levels were the result of our inability to complete the desulfurization process following the fire and informed U. S. Steel that it will pursue enforcement action against the Company following restoration of the desulfurization process to normal operations. On February 13, 2019, PennEnvironment and Clean Air Council, both environmental, non-governmental organizations, sent U. S. Steel a 60-day notice of intent to sue letter pursuant to the CAA. The letter alleges Title V permit violations at the Clairton, Irvin, and Edgar Thomson facilities as a result of the December 24, 2018 Clairton Plant fire. The 60-day notice letter also alleged that the violations caused adverse public health and welfare impacts to the communities surrounding the Clairton, Irvin, and Edgar Thomson facilities. PennEnvironment and Clean Air Council subsequently filed a Complaint in Federal Court in the Western District of Pennsylvania on

April 29, 2019 to which U. S. Steel has responded. On May 3, 2019, ACHD filed a motion to intervene in the lawsuit which was granted by the Court. On June 25, 2019, ACHD filed its Complaint in Intervention, seeking injunctive relief and civil penalties regarding the alleged Permit violations following the December 24, 2018 fire.

On May 2, 2019 the Environmental Integrity Project, the Breathe Project and Clean Air Council, environmental, non-governmental organizations, issued a separate 60-day notice of intent to sue letter contending that the Company violated the CERCLA notification requirements with respect to the Clairton fire.

In addition, as a result of the fire and our temporary inability to desulfurize coke oven gas, on February 28, 2019, the ACHD issued an Enforcement Order that would have required U. S. Steel to take immediate measures to significantly reduce the production of coke oven gas that would have put the safety of employees, contractors and the public at risk. On March 1, 2019, U. S. Steel filed a notice of appeal of the Order, submitted a petition for stay of the Order, and requested an emergency status conference. On March 1, 2019, after hearing U. S. Steel's testimony, the ACHD Hearing Officer ordered a temporary stay of the Order. After meeting with U. S. Steel, on March 12, 2019, the ACHD issued a revised order that superseded the February 28, 2019 Order. On April 4, 2019, U. S. Steel completed repairs to the desulphurization equipment which enabled us to resume desulfurizing all of the coke oven gas generated. No penalty was assessed in the February 28 or March 12 orders. U. S. Steel fully complied with the revised order.

On April 24, 2019, U. S. Steel was served with a class action complaint that was filed in the Allegheny Court of Common Pleas related to the December 24, 2018 fire at Clairton. The complaint asserts common law nuisance and negligence claims and seeks compensatory and punitive damages that allegedly were the result of U. S. Steel's conduct that resulted in the fire and U. S. Steel's operations subsequent to the fire. U. S. Steel is vigorously defending the matter.

ASBESTOS LITIGATION

As of June 30, 2019, U. S. Steel was a defendant in approximately 777 active cases involving approximately 2,360 plaintiffs. The vast majority of these cases involve multiple defendants. About 1,540, or approximately 65 percent, of these plaintiff claims are currently pending in jurisdictions which permit filings with massive numbers of plaintiffs. At December 31, 2018, U. S. Steel was a defendant in approximately 755 active cases involving approximately 2,320 plaintiffs. Based upon U. S. Steel’s experience in such cases, it believes that the actual number of plaintiffs who ultimately assert claims against U. S. Steel will likely be a small fraction of the total number of plaintiffs.

The following table shows activity with respect to asbestos litigation:

Period ended	Opening Number of Claims	Claims Dismissed, Settled and Resolved[(a)]	New Claims	Closing Number of Claims
December 31, 2016	3,315	225	250	3,340
December 31, 2017	3,340	275	250	3,315
December 31, 2018	3,315	1,285	290	2,320
June 30, 2019	2,320	100	140	2,360

(a) The period ending December 31, 2018 includes approximately 1,000 dismissed cases previously pending in the State of Texas.

Historically, asbestos-related claims against U. S. Steel fall into three groups: (1) claims made by persons who allegedly were exposed to asbestos on the premises of U. S. Steel facilities; (2) claims made by persons allegedly exposed to products manufactured by U. S. Steel; and (3) claims made under certain federal and maritime laws by employees of former operations of U. S. Steel.

The amount U. S. Steel accrues for pending asbestos claims is not material to U. S. Steel’s financial condition. However, U. S. Steel is unable to estimate the ultimate outcome of asbestos-related claims due to a number of uncertainties, including: (1) the rates at which new claims are filed, (2) the number of and effect of bankruptcies of other companies traditionally defending asbestos claims, (3) uncertainties associated with the variations in the litigation process from jurisdiction to jurisdiction, (4) uncertainties regarding the facts, circumstances and disease process with each claim, and (5) any new legislation enacted to address asbestos-related claims.

Further, U. S. Steel does not believe that an accrual for unasserted claims is required. At any given reporting date, it is probable that there are unasserted claims that will be filed against the Company in the future. In 2018, the Company engaged an outside valuation consultant to assist in assessing its ability to estimate an accrual for unasserted claims. This assessment was based on the Company's settlement experience, including recent claims trends. The analysis focused on settlements made over the last several years as these claims are likely to best represent future claim characteristics. After review by the valuation consultant and U. S. Steel management, it was determined that the Company could not estimate an accrual for unasserted claims.

Despite these uncertainties, management believes that the ultimate resolution of these matters will not have a material adverse effect on U. S. Steel’s financial condition.

Item 4. **MINE SAFETY DISCLOSURES**

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

Item 5. **ISSUER PURCHASES OF EQUITY SECURITIES**

Purchases of Equity Securities by the Issuer and the Affiliated Purchasers

Share repurchase activity under the Company's stock repurchase program during the three months ended June 30, 2019 was as follows:

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(a)]
April 1 - 30, 2019	557,673	$	17.637	557,673	$	173,113,900
May 1 - 31, 2019	770,162	$	14.719	770,162	$	161,778,200
June 1 - 30, 2019	520,481	$	13.107	520,481	$	154,956,300
Quarter ended June 30, 2019	**1,848,316**	**$**	**15.145**	**1,848,316**	**$**	**154,956,300**

[(a)] On November 1, 2018, the Company announced that its Board of Directors authorized a stock repurchase program to repurchase up to $300 million of our outstanding common stock over a two-year period at the discretion of management, of which approximately $145 million had been utilized as of June 30, 2019. The Company's stock repurchase program does not obligate it to acquire any specific number of shares. Under this program, the shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending upon market conditions.

Item 6. **EXHIBITS**

31.1	Certification of Chief Executive Officer required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as promulgated by the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as promulgated by the Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety Disclosure required under Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
101 INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document
101 LAB	XBRL Taxonomy Extension Label Linkbase Document
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

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

UNITED STATES STEEL CORPORATION

By /s/ Kimberly D. Fast

Kimberly D. Fast
Acting Controller

August 2, 2019

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 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, David B. Burritt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) 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
    d) 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.

August 2, 2019

/s/ David B. Burritt

David B. Burritt
President and Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Kevin P. Bradley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) 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
    d) 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.

August 2, 2019

/s/ Kevin P. Bradley

Kevin P. Bradley
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

I, David B. Burritt, President and Chief Executive Officer of United States Steel Corporation, certify that:

(1) The Quarterly Report on Form 10-Q of United States Steel Corporation for the period ending June 30, 2019, 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 foregoing report fairly presents, in all material respects, the financial condition and results of operations of United States Steel Corporation.

/s/ David B. Burritt

David B. Burritt
President and Chief Executive Officer

August 2, 2019

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 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

I, Kevin P. Bradley, Executive Vice President and Chief Financial Officer of United States Steel Corporation, certify that:

(1) The Quarterly Report on Form 10-Q of United States Steel Corporation for the period ending June 30, 2019, 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 foregoing report fairly presents, in all material respects, the financial condition and results of operations of United States Steel Corporation.

/s/ Kevin P. Bradley

Kevin P. Bradley
Executive Vice President and Chief Financial Officer

August 2, 2019

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 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 95

United States Steel Corporation
Mine Safety Disclosure
(Unaudited)

For the quarter ended June 30, 2019

Mine (Federal Mine Safety and Health Administration (MSHA) ID)	Total # of Significant & Substantial violations under §104(a) [(a)]	Total # of orders under §104(b) [(a)]	Total # of unwarrantable failure citations and orders under §104(d) [(a)]	Total # of violations under §110(b)(2) [(a)]	Total # of orders under §107(a) [(a)]	Total dollar value of proposed assessments from MSHA	Total # of mining related fatalities	Received Notice of Pattern of Violations under §104(e) [(a)] (yes/no)?	Received Notice of Potential to have Pattern under §104(e) [(a)] (yes/no)?	Total # of Legal Actions Pending with the Mine Safety and Health Review Commission as of Last Day of Period [(b)]	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Mt. Iron (2100820, 2100282)	16	—	—	—	—	$308,536	—	no	no	71	69	2
Keewatin (2103352)	16	—	—	—	—	$179,082	—	no	no	28	28	—

(a) References to Section numbers are to sections of the Federal Mine Safety and Health Act of 1977.

(b) Includes all legal actions pending before the Federal Mine Safety and Health Review Commission, together with the Administrative Law Judges thereof, for each of our iron ore operations. These actions may have been initiated in prior quarters. All of the legal actions were initiated by us to contest citations, orders or proposed assessments issued by the Federal Mine Safety and Health administration, and if we are successful, may result in the reduction or dismissal of those citations, orders or assessments. As of the last day of the period, all 99 legal actions were to contest citations and proposed assessments.