



United States Steel Corporation



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**Fourth Quarter 2011  
Earnings Conference Call and Webcast**

*January 31, 2012*

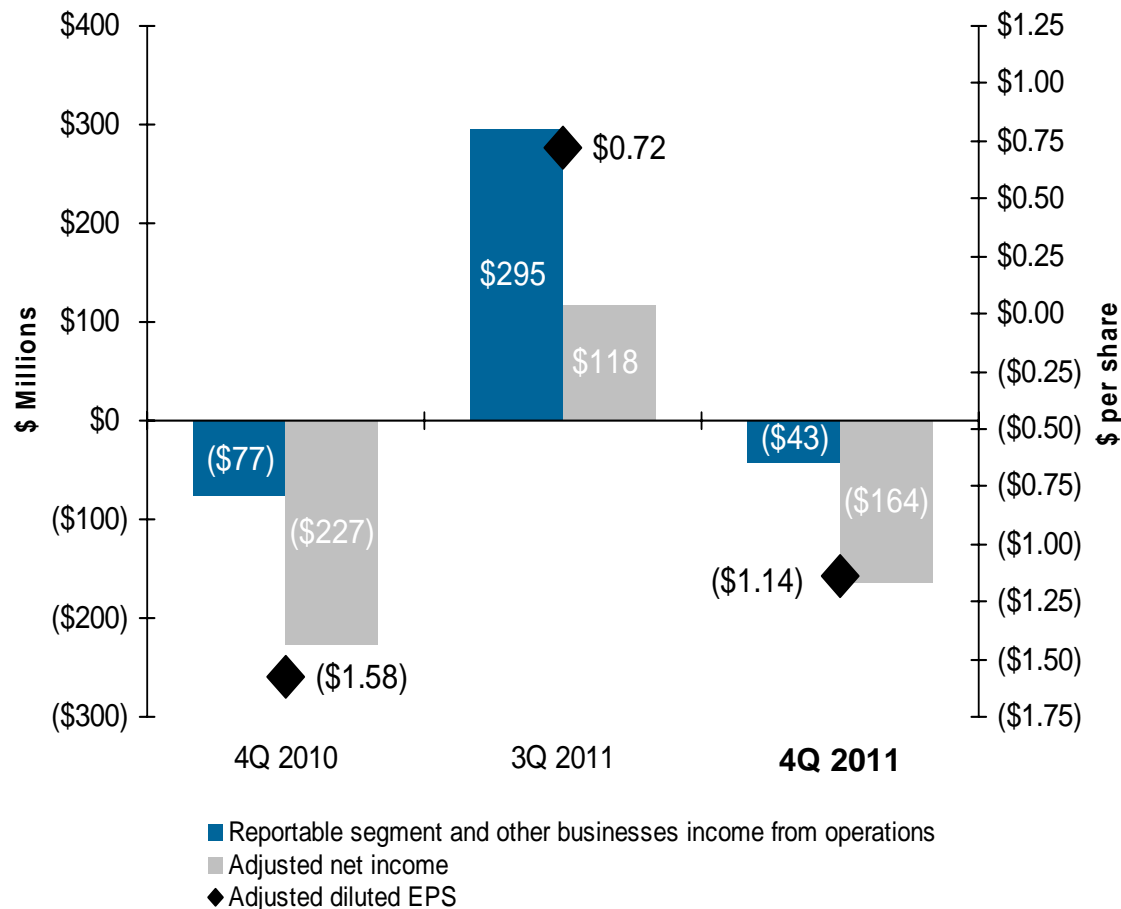


# Forward-looking Statements

This presentation and the slides contain forward-looking statements with respect to market conditions, operating costs, shipments, prices, capital spending, and employee benefit costs and payments. Although we believe that we have experienced the early stages of a gradual economic recovery, there are signs of continued economic issues in Europe and U. S. Steel cannot control or predict the extent and timing of economic recovery. U. S. Steel has incurred costs to rebuild working capital during the recovery and we may continue to incur additional working capital costs related to the increases in raw materials prices or increased product inventories, but we cannot accurately forecast the amount of such costs. The effects of the sale of our Serbian operations may differ from the current estimates due to a number of factors including working capital adjustments. Other more normal factors that could affect market conditions, costs, shipments and prices for both North American and European operations include: (a) foreign currency fluctuations and related activities; (b) global product demand, prices and mix; (c) global and company steel production levels; (d) plant operating performance; (e) natural gas, electricity, raw materials and transportation prices, usage and availability; (f) international trade developments, including court decisions, legislation and agency decisions on petitions and sunsets; (g) the impact of fixed prices in energy and raw materials contracts (many of which have terms of one year or longer) as compared to short-term contract and spot prices of steel products; (h) changes in environmental, tax, pension and other laws; (i) the terms of collective bargaining agreements; (j) employee strikes or other labor issues; and (k) U.S. and global economic performance and political developments. Domestic steel shipments and prices could be affected by import levels and actions taken by the U.S. Government and its agencies, including those related to CO2 emissions and climate change and shale gas development. Economic conditions and political factors in Europe and Canada that may affect USSE's and U. S. Steel Canada's results include, but are not limited to: (l) taxation; (m) nationalization; (n) inflation; (o) government instability; (p) political unrest; (q) regulatory actions; and (r) quotas, tariffs, and other protectionist measures. Factors that may affect our decisions on strategic initiatives include, among other things: (s) the cost and availability of capital; (t) the anticipated cost of additional facilities (whether built or acquired); and (u) current and anticipated product demand in the automotive and shale natural gas markets and availability of alternative products for such applications. Factors that may affect our ability to construct new facilities include: (v) levels of cash flow from operations; (w) general economic conditions; (x) business conditions; (y) cost and availability of capital; (z) receipt of necessary permits; and (aa) unforeseen hazards such as contractor performance, material shortages, weather conditions, explosions or fires. We present adjusted net loss and adjusted net loss per diluted share, which are non-GAAP measures, to better enable investors and others to assess our results and compare them with our competitors without the distorting impact of the accounting remeasurement of the intercompany loan and other items not allocated to segments. Additionally, the effect of the accounting remeasurement and other items not allocated to segments are not considered in the management of our business. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, cautionary statements identifying important factors, but not necessarily all factors, that could cause actual results to differ materially from those set forth in the forward-looking statements have been included in U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2010, and in subsequent filings for U. S. Steel.



# Adjusted Fourth Quarter 2011 Results



**Fourth Quarter 2011 reportable segment operating loss of \$43 million, or \$8 per ton**

**Fourth Quarter 2010 reportable segment operating loss of \$77 million, or \$14 per ton**

## Reconciliation of reported and adjusted net income and EPS

	4Q 2010	3Q 2011	4Q 2011
(\$ millions)			
Reported net income	(\$249)	\$22	(\$226)
Gain on sale of assets	(11)	-	-
Environmental charge	-	-	11
<u>FX (gain) / loss</u>	<u>33</u>	<u>96</u>	<u>51</u>
Adjusted net income	(\$227)	\$118	(\$164)
(\$ per share)			
Reported EPS	(\$1.74)	\$0.15	(\$1.57)
Gain on sale of assets	(0.07)	-	-
Environmental charge	-	-	0.08
<u>FX (gain) / loss per share</u>	<u>0.23</u>	<u>0.57</u>	<u>0.35</u>
Adjusted diluted EPS	(\$1.58)	\$0.72	(\$1.14)

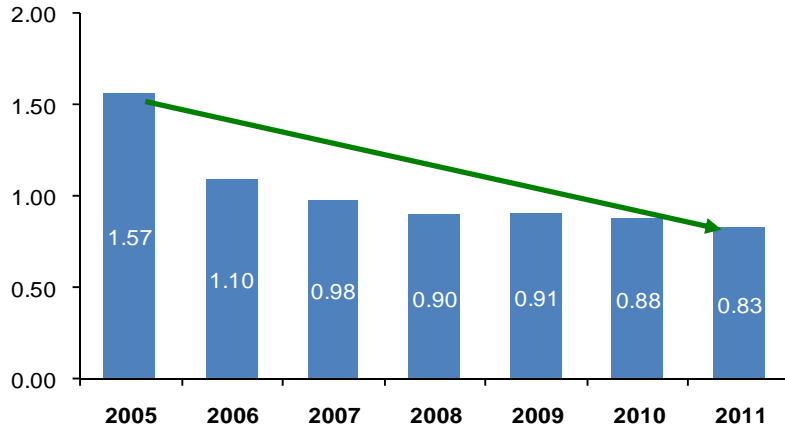
Net Income and EPS for all periods shown adjusted to exclude net foreign currency gains or losses resulting from accounting remeasurement of intercompany loans, partially offset by gains or losses on Euro/USD derivative activity ("FX (gain) / loss"). Net Income and EPS for 4Q 2010 also adjusted to exclude gain on sale of assets. Net Income and EPS for 4Q 2011 also adjusted to exclude an environmental remediation charge.



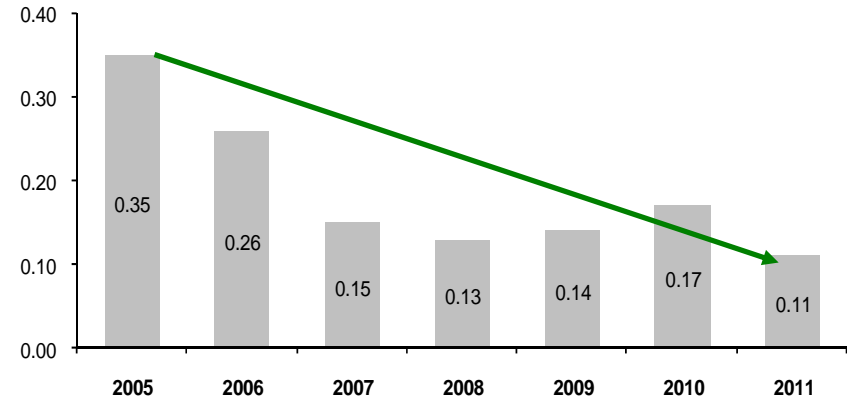
# U. S. Steel Safety Performance

## Global Safety Performance - 2005 to 2011

**OSHA Recordable Rate**  
47% Improvement 2005 to 2011  
6% Improvement 2010 to 2011



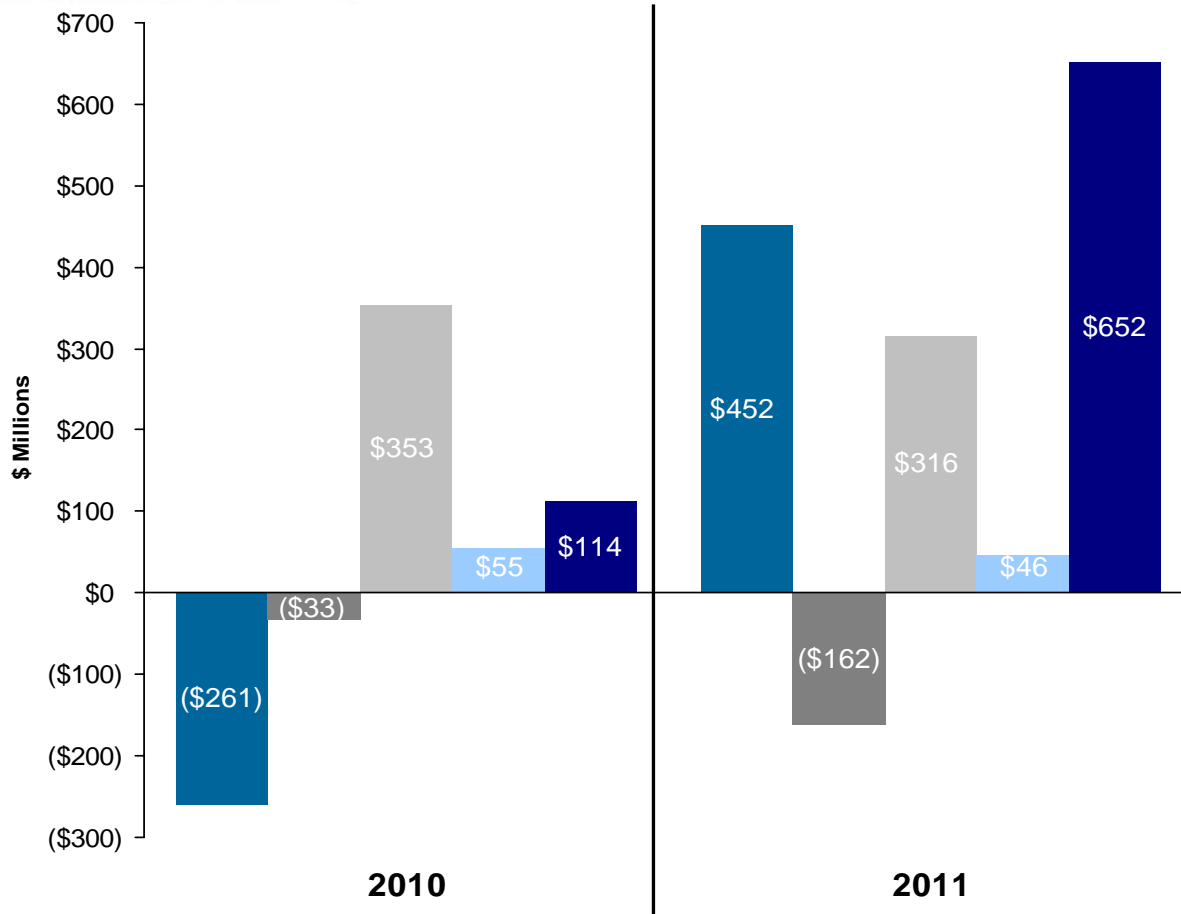
**Days Away from Work Rate**  
69% Improvement 2005 to 2011  
35% Improvement 2010 to 2011



Frequency of Injuries (Per 200,000 Manhours)



# Full Year 2011 Segment Results



*Full year 2011 reportable segment operating income of \$652 million, compared to \$114 million in 2010*

*Flat-rolled income from operations improved by \$713 million, or \$46 per ton*

- Flat-rolled
- U. S. Steel Europe
- Tubular
- Other Businesses
- Total Reportable Segments and Other Businesses



## *Sale to Republic of Serbia*

### **Background:**

**Blast furnace/basic oxygen furnace steel plant with annual raw steel capability of 2.4 million tons**

**Actions taken to change our operating configuration, shift commercial focus toward value-added products, and improve the operation's cost structure unable to offset particularly difficult market conditions in Southern Europe**

**Conditions worsened in the second half of 2011**

**Pursued all options to address our situation, including efforts to find a buyer**

**Significant additional capital required to address cost and commercial position**

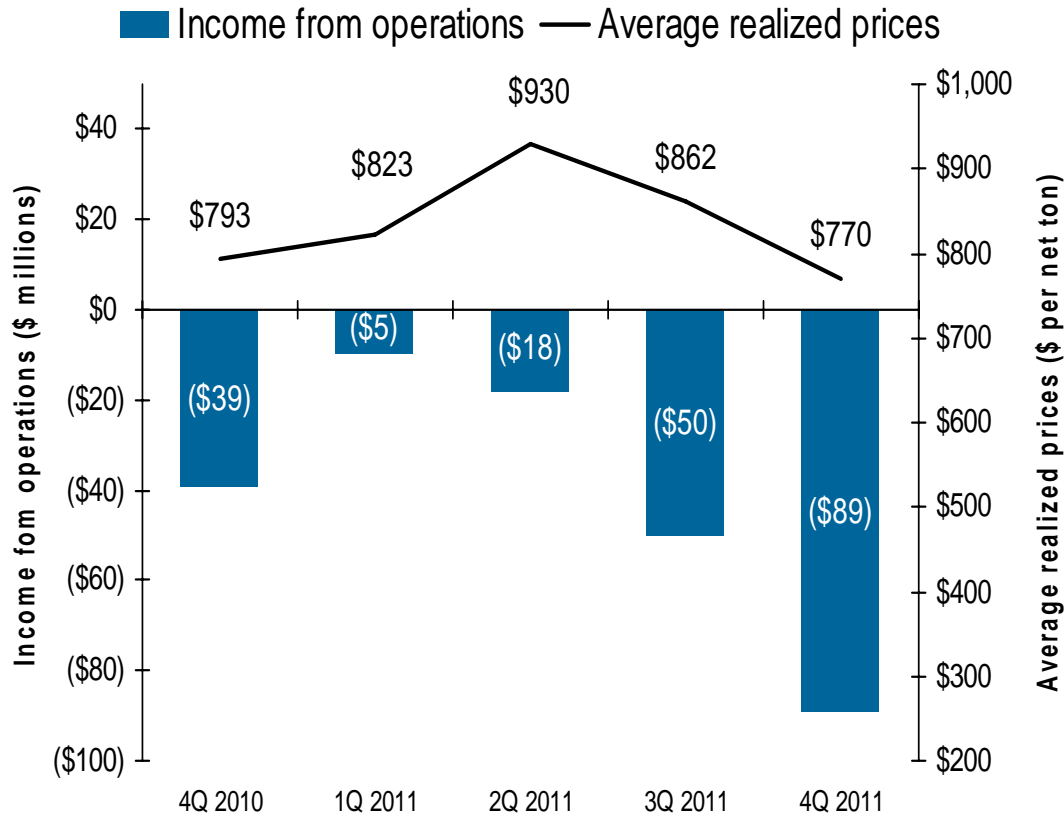
**Sale to Republic of Serbia proved to be in the best interest of our shareholders**

**Allows U. S. Steel to exit operations quickly, avoid further losses and redirect capital**

**First quarter estimated non-cash charge of \$400 to \$450 million**



# Fourth Quarter 2011 U. S. Steel Europe Segment



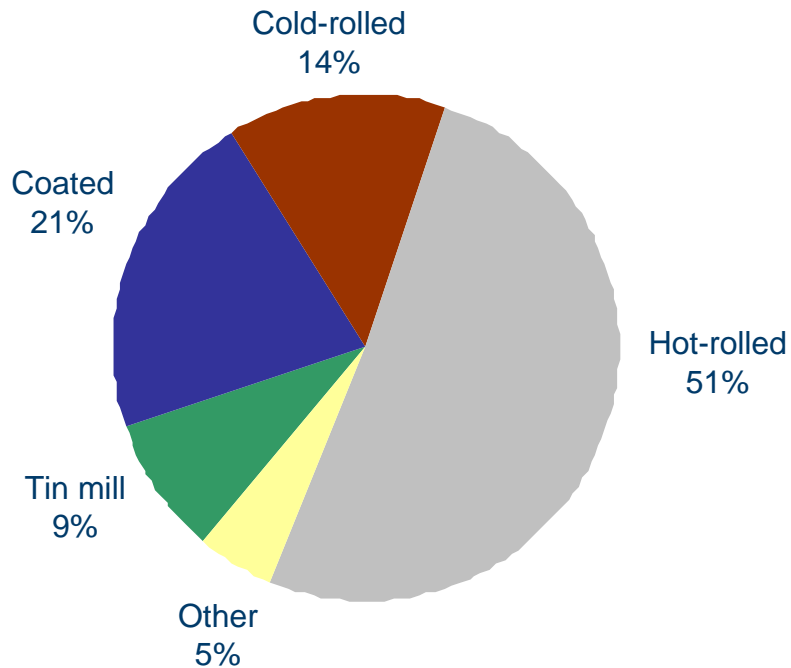
**Results decreased due to lower average realized prices, production volumes and shipments as a result of difficult economic conditions, particularly in Southern Europe**

Shipments (net tons in thousands)				
<u>4Q 2010</u>	<u>1Q 2011</u>	<u>2Q 2011</u>	<u>3Q 2011</u>	<u>4Q 2011</u>
1,233	1,445	1,138	1,196	1,153

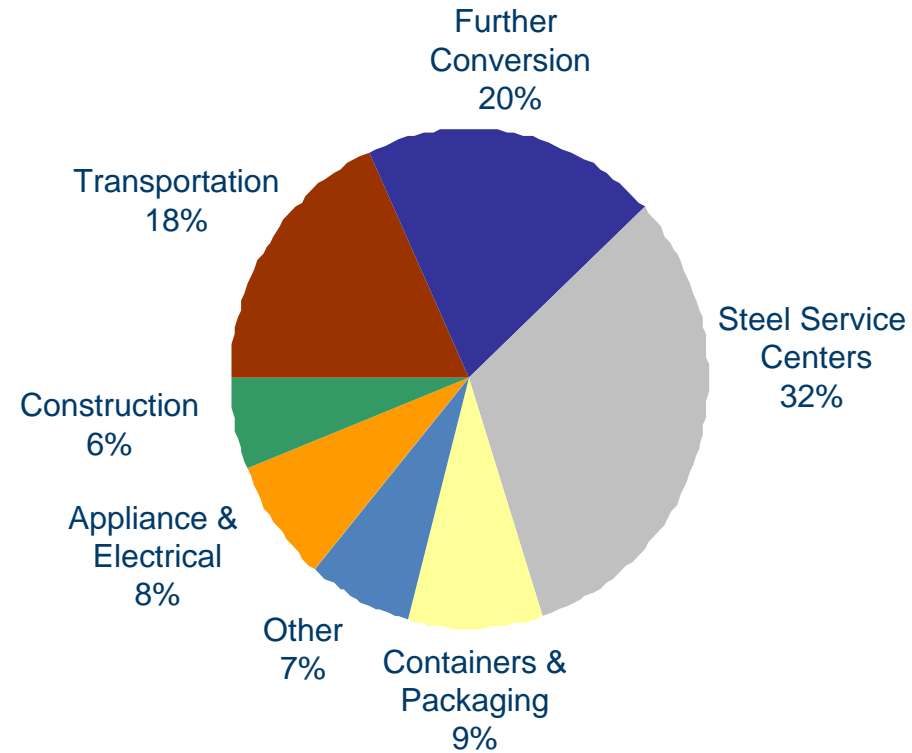


## Shipments by product and market - 2011

### Product

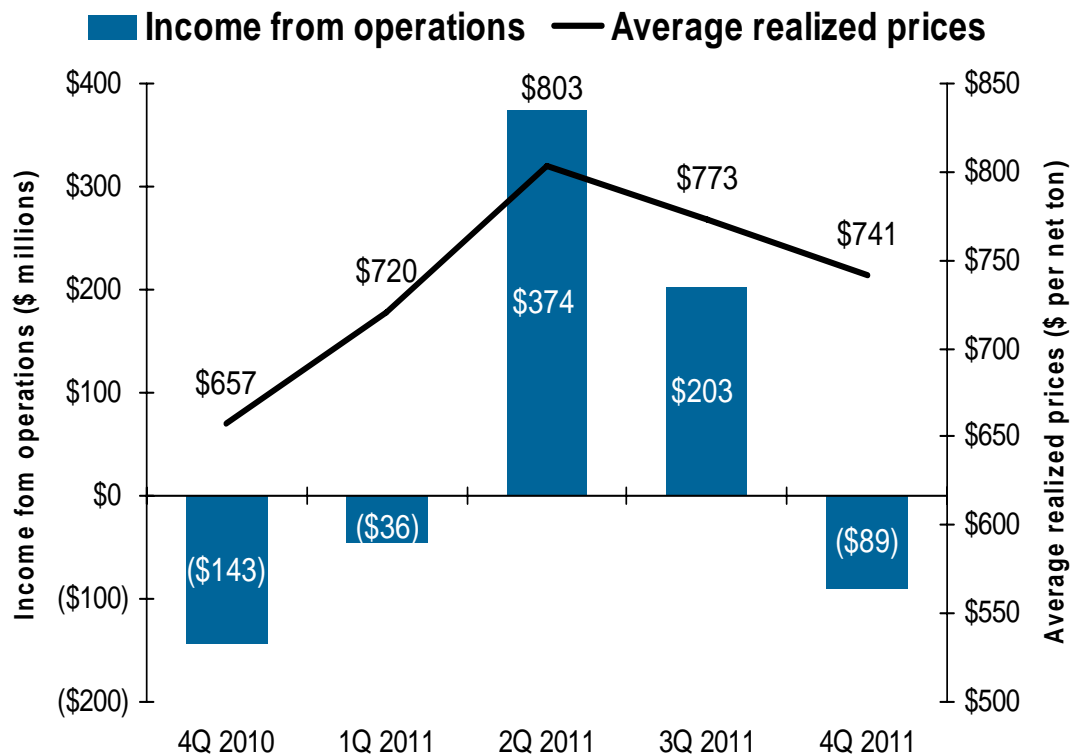


### Market





# Fourth Quarter 2011 Flat-rolled Segment



Shipments (net tons in thousands)				
4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
3,856	3,954	3,936	3,835	3,784

## 4Q 2011 Flat-rolled segment results include:

- **\$50 million higher maintenance costs for planned outages as compared to third quarter**
- **approximately \$60 million of accounting losses related to pellet sales**
- **approximately \$15 million of lower of cost or market adjustments on pellets expected to be sold in 2012**
- **\$20 million in costs related to the ratification of the Hamilton Works labor agreement and restart of finishing facilities**

Income from operations for prior periods restated to reflect the new segment allocation methodology for pension and OPEB net periodic benefits costs implemented in the second quarter of 2011.



## ***North American raw materials***

### ***Iron Ore***

***Recoverable reserves of almost 800 million tons***

***Annual pellet production capability***

Minntac/Keetac	22.4 million net tons
JV interests	2.6 million net tons

***Potential Keetac expansion in excess of 3 million net tons per year***

### ***Coke***

***Increased production capability***

Full production capability of Clairton C-Battery and Gary Carbonyx projects expected to be available in early 2013

***Decreased coke consumption***

Increased natural gas injection on North American blast furnaces

### ***Coking Coal***

***2012 requirements sourced and priced  
Cost efficient coal blends***



## **Major Industry Summary**

### **Automotive**

Large steel consuming market segment continued to grow; 13 million units produced in 2011  
Low vehicle inventory of 51 days supply  
Consensus estimates for vehicle production to exceed 14 million units

### **Industrial Equip.**

Strong heavy equipment market  
Agricultural and railcar markets improving

### **Tin Plate**

Preliminary industry forecasts call for flat conditions in 2012

### **Appliance**

Manufacturers suggesting flat to slight growth in 2012

### **Pipe and Tube**

Strong energy markets continue to drive segment growth

### **Construction**

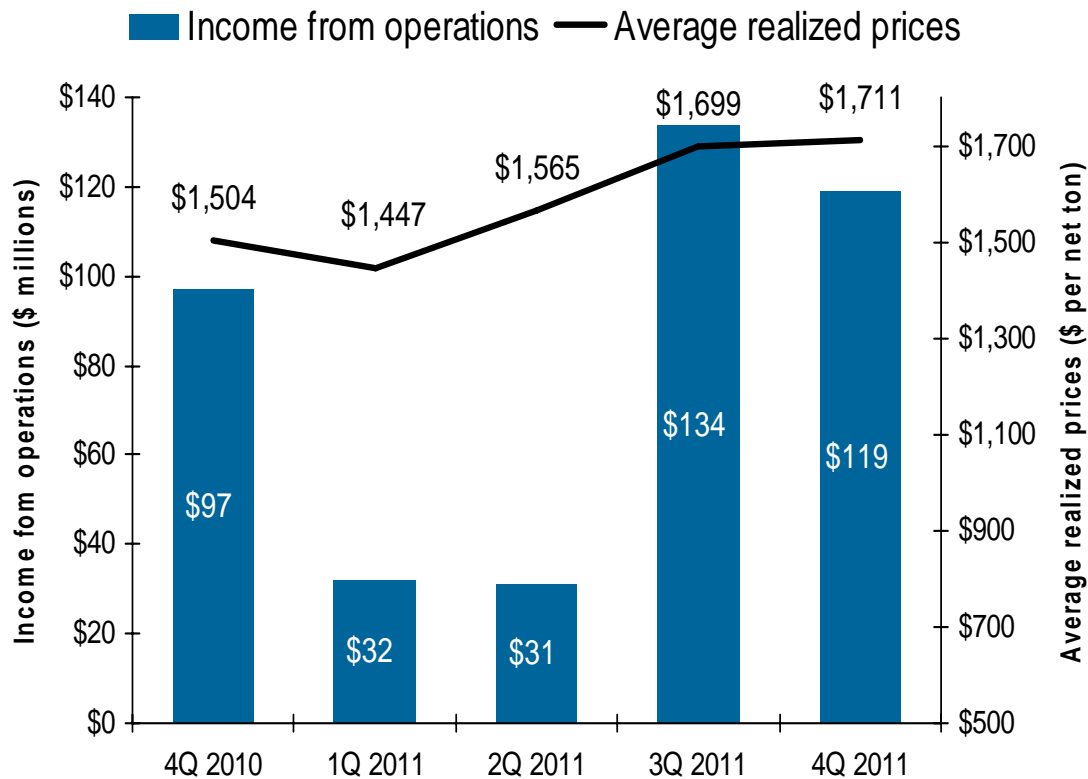
Put in place dollars and square footage up from in 2011  
Architecture Billings Index in November was 52; highest since Oct '10

### **Service Center**

MSCI carbon flat-rolled inventory currently at 2.3 months  
2011 shipments up 15%, inventory up 11%  
Consensus forecasts suggest increased shipments in line with end user markets



# Fourth Quarter 2011 Tubular Segment



**4Q 2011 Tubular segment results reflect increased maintenance outage and repair costs, partially offset by increased average realized prices and lower costs for hot rolled bands supplied by the Flat-rolled segment**

Shipments (net tons in thousands)				
<u>4Q 2010</u>	<u>1Q 2011</u>	<u>2Q 2011</u>	<u>3Q 2011</u>	<u>4Q 2011</u>
386	425	424	481	482

Income from operations for prior periods restated to reflect the new segment allocation methodology for pension and OPEB net periodic benefits costs implemented in the second quarter of 2011.



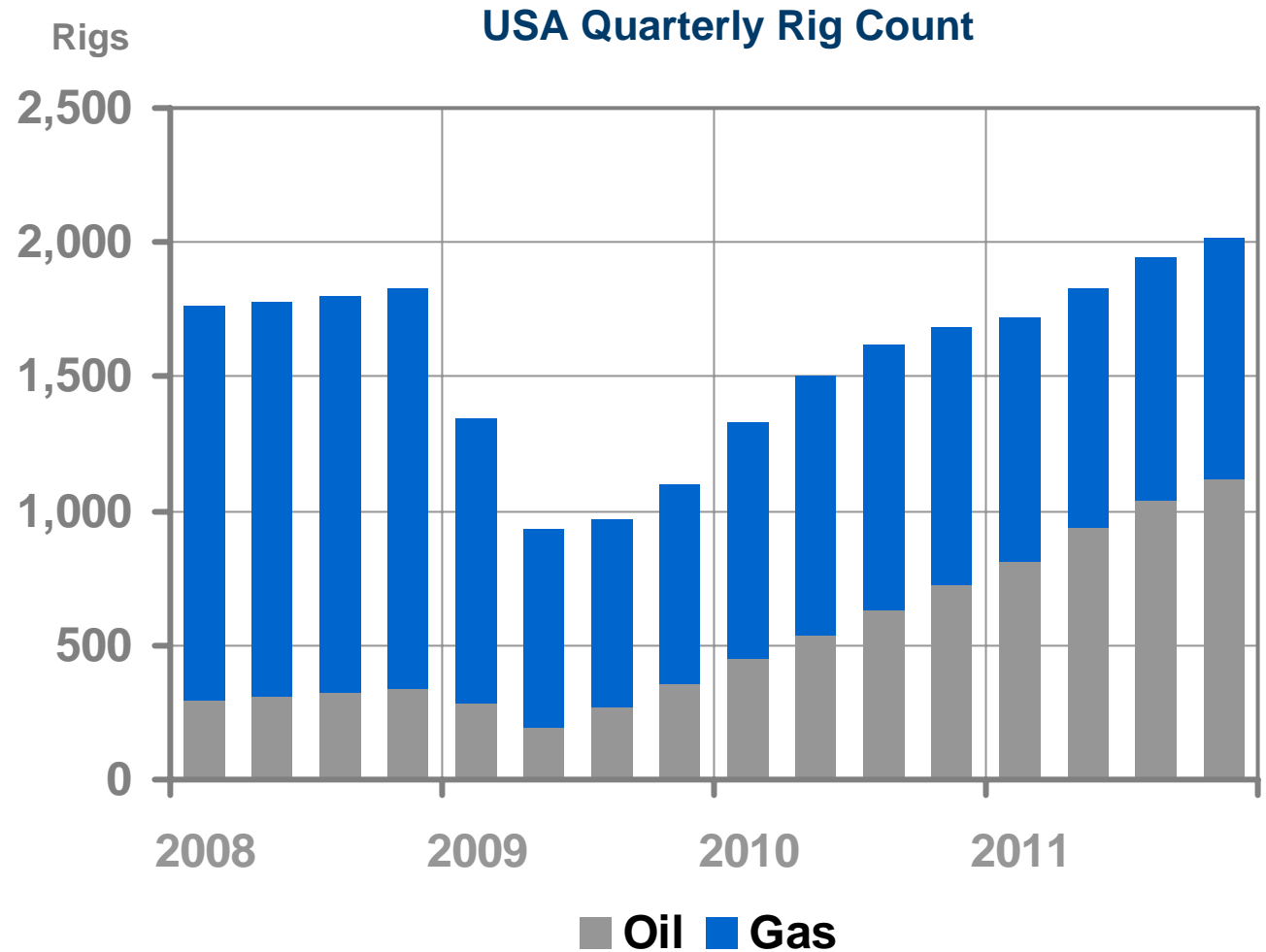
## USA Rig Count driving OCTG demand

**Record levels of:**

- Oil directed drilling
- Horizontal drilling

**Steady recovery in Gulf of Mexico**

**January 20, 2012 Baker Hughes USA rig count was 2,008**



Source: Baker Hughes Inc.



### **Capital Spending**

*Fourth quarter actual \$222 million, full year 2011 actual \$848 million, 2012 estimate \$900 million*

### **Depreciation, Depletion and Amortization**

*Fourth quarter actual \$169 million, full year 2011 actual \$681 million, 2012 estimate \$660 million*

### **Pension and Other Benefits Costs**

*Fourth quarter actual \$155 million, full year 2011 actual \$602 million,*

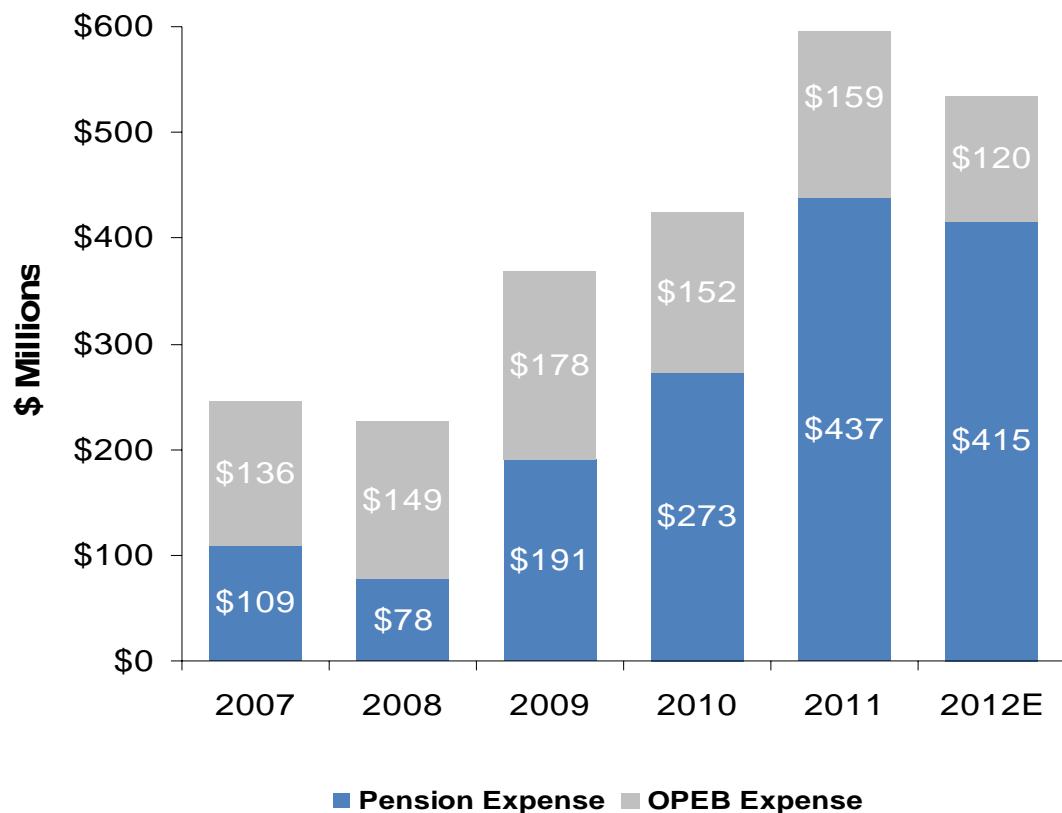
### **Pension and Other Benefits Cash Payments** *(excluding any voluntary contributions)*

*Fourth quarter actual \$116 million, full year 2011 actual \$486 million,*



# Pension and OPEB

## Total Pension and OPEB Expense by Year



### Major Assumptions:

Pension and OPEB expense excludes settlement, termination and curtailment losses

Discount rate: 5.75% for 2007 & 2008, 6.00% for 2009, 5.50% for 2010, 5.00% for 2011, and 4.50% for 2012E

Expected rate of return on assets: 8.00% in U.S. & 7.50% in Canada for 2007 through 2011

Expected rate of return on assets: 7.75% in U.S. & 7.25% in Canada for 2012E

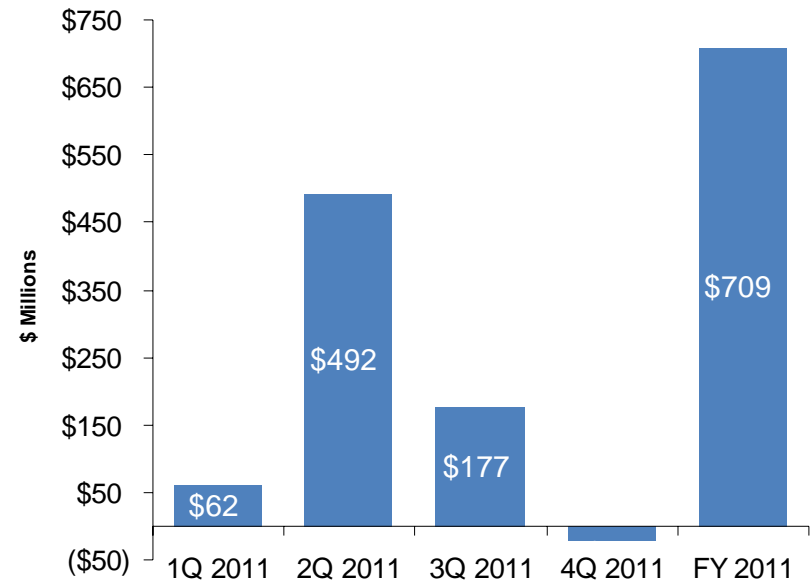


# Fourth Quarter and Full Year 2011 Cash Flow

## Cash Flow from Operations excluding Working Capital Changes

(\$ in millions)

	<u>1Q</u> <u>2011</u>	<u>2Q</u> <u>2011</u>	<u>3Q</u> <u>2011</u>	<u>4Q</u> <u>2011</u>	<u>Full Year</u> <u>2011</u>
Cash from operations	17	21	70	60	168
<u>Working capital changes</u>	<u>(45)</u>	<u>(471)</u>	<u>(107)</u>	<u>82</u>	<u>(541)</u>
Cash from operations excluding working capital changes	62	492	177	(22)	709



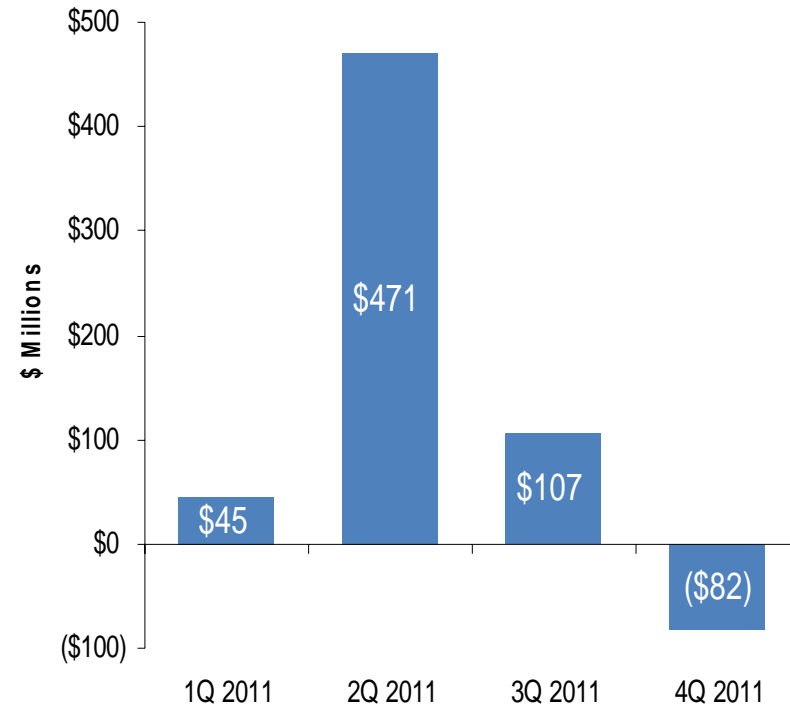


# Fourth Quarter and Full Year 2011 Working Capital

## Working Capital Increase/(Decrease)

(\$ in millions)

	<u>1Q</u> <u>2011</u>	<u>2Q</u> <u>2011</u>	<u>3Q</u> <u>2011</u>	<u>4Q.</u> <u>2011</u>	<u>Full Year.</u> <u>2011</u>
<b>Working capital changes:</b>					
Accounts Receivable	522	69	(15)	(169)	407
Inventory	(151)	426	236	(51)	460
Accounts payable & accruals	(338)	(8)	(97)	111	(332)
<u>Bank checks outstanding</u>	<u>12</u>	<u>(16)</u>	<u>(17)</u>	<u>27</u>	<u>6</u>
<b>Total</b>	<b>45</b>	<b>471</b>	<b>107</b>	<b>(82)</b>	<b>541</b>





## ***Segment Outlook***

### **Flat-rolled**

Higher average realized prices for both spot and contract shipments

Increased shipments due to higher end user demand and lower customer inventories late in fourth quarter

Operating costs improve, lower outage costs

### **U. S. Steel Europe**

Excluding charges for sale of U. S. Steel Serbia, improved operating results due to elimination of Serbia operating losses

Contract prices expected to decrease

Spot prices expected to increase throughout remainder of quarter

### **Tubular**

Income from operations in line with solid third quarter and fourth quarter results

Average realized prices comparable to fourth quarter

Shipments to increase modestly from fourth quarter



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**Q & A**

*January 31, 2012*



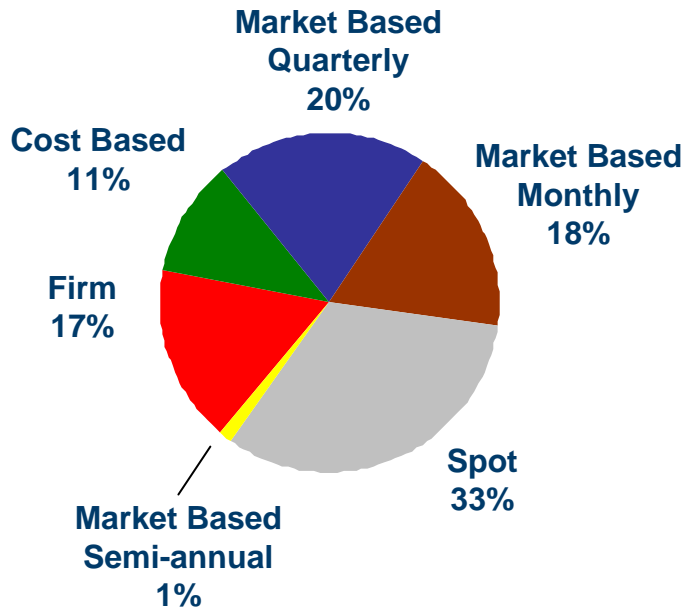
# Appendix



# U. S. Steel Commercial – Contract vs. Spot

*Contract versus spot mix by segment – twelve months ended December 31, 2011*

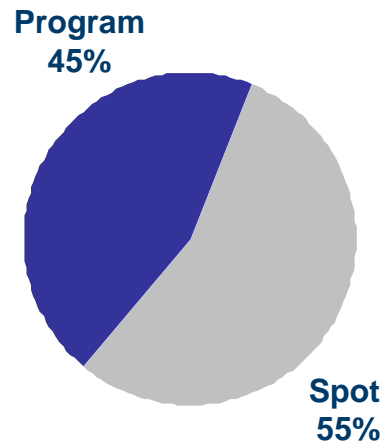
## Flat-rolled



**Contract: 67%**

**Spot: 33%**

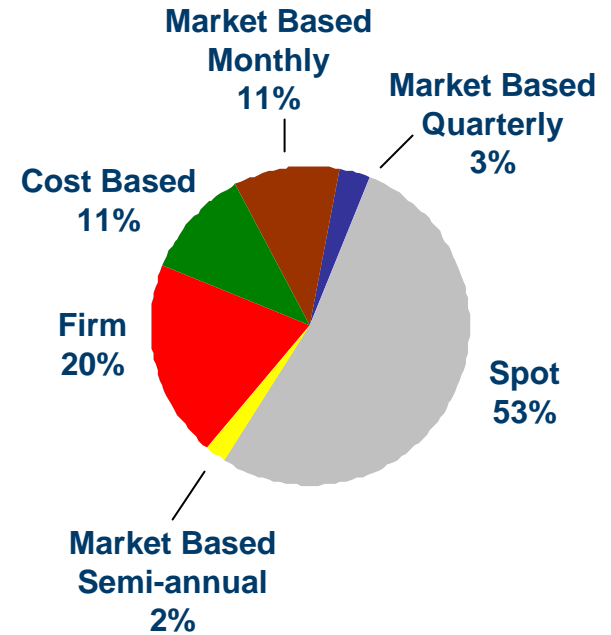
## Tubular



**Program: 45%**

**Spot: 55%**

## U. S. Steel Europe



**Contract: 47%**

**Spot: 53%**