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UNITED STATES STEEL CORP

Form 10-K

February 24, 2015

2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2014

Commission file number 1-16811

(Exact name of registrant as specified in its charter)

Delaware

25-1897152

(State of Incorporation)

(I.R.S. Employer Identification No.)

600 Grant Street, Pittsburgh, PA 15219-2800

(Address of principal executive offices)

Tel. No. (412) 433-1121

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

Title of Each Class

Name of Exchange on which Registered

United States Steel Corporation

New York Stock Exchange, Chicago Stock Exchange

Common Stock, par value \$1.00

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes

No

Aggregate market value of Common Stock held by non-affiliates as of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter): \$3.8 billion. The amount shown is based on the closing price of the registrant's Common Stock on the New York Stock Exchange composite tape on that date. Shares of

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Common Stock held by executive officers and directors of the registrant are not included in the computation. However, the registrant has made no determination that such individuals are “affiliates” within the meaning of Rule 405 under the Securities Act of 1933.

There were 145,660,794 shares of United States Steel Corporation Common Stock outstanding as of February 19, 2015.

Documents Incorporated By Reference:

Portions of the Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated into Part III.

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FORWARD-LOOKING STATEMENTS

Certain sections of the Annual Report of United States Steel Corporation (U. S. Steel) on Form 10-K, particularly Item 1. Business, Item 1A. Risk Factors, Item 3. Legal Proceedings, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk, include forward-looking statements concerning trends or events potentially affecting U. S. Steel. These statements typically contain words such as “anticipates,” “believes,” “estimates,” “expects” or similar words indicating that future outcomes are uncertain. In accordance with “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For additional factors affecting the businesses of U. S. Steel, see “Item 1A. Risk Factors” and “Supplementary Data – Disclosures About Forward-Looking Statements.” References in this Annual Report on Form 10-K to “U. S. Steel,” “the Company,” “we,” “us” and “our” refer to U. S. Steel and its consolidated subsidiaries, unless otherwise indicated by the context.

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PART I

Item 1. BUSINESS

United States Steel Corporation (U. S. Steel) is an integrated steel producer of flat-rolled and tubular products with major production operations in North America and Europe. An integrated steel producer uses iron ore and coke as primary raw materials for steel production. U. S. Steel has annual raw steel production capability of 24.4 million net tons (19.4 million tons in the United States and 5 million tons in Europe), which reflects a reduction of 4.9 million tons as a result of the deconsolidation of U. S. Steel Canada Inc.(USSC) on September 16, 2014 as noted below and the permanent shut down of the iron and steelmaking facilities at USSC's Hamilton Works on December 31, 2013. According to worldsteel Association's latest published statistics, U. S. Steel was the thirteenth largest steel producer in the world in 2013. U. S. Steel is also engaged in other business activities consisting primarily of railroad services and real estate operations.

During 2014, we have progressed along our transformation journey at U. S. Steel to execute on our stockholder value creation strategy: earn the right to grow, and drive and sustain profitable growth. Through a disciplined approach we refer to as "The Carnegie Way," we continue working toward strengthening our balance sheet, with a strong focus on cash flow, and have launched a series of initiatives that we believe will enable us to add value, right-size the Company, and improve our performance across our core business processes, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support. We are on a mission to become an iconic industry leader, as we define and create a sustainable competitive advantage with a relentless focus on economic profit, our customers, our cost structure and innovation with talented teams of motivated employees.

On September 16, 2014, USSC, a wholly owned subsidiary of U. S. Steel, applied for relief from its creditors pursuant to Canada's Companies' Creditors Arrangement Act (CCAA). As a result of USSC filing for CCAA protection (CCAA filing), U. S. Steel determined that USSC and its subsidiaries would be deconsolidated from U. S. Steel's financial statements on a prospective basis effective as of the date of the CCAA filing. We recorded a total non-cash charge of \$416 million in 2014 related to the deconsolidation of USSC and other charges.

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Segments

U. S. Steel has three reportable operating segments: Flat-rolled Products (Flat-rolled), U. S. Steel Europe (USSE) and 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 Flat-rolled segment includes the operating results of U. S. Steel's integrated steel plants and equity investees in the United States and Canada (prior to the deconsolidation of USSC as a result of the CCAA filing) involved in the production of slabs, rounds, strip mill plates, sheets and tin mill products, as well as all iron ore and coke production facilities in the United States and Canada (prior to the deconsolidation of USSC). These operations primarily serve North American customers in the service center, conversion, transportation (including automotive), construction, container, and appliance and electrical markets. Flat-rolled also supplies steel rounds and hot-rolled bands to Tubular.

Subsequent to USSC's CCAA filing on September 16, 2014, the Flat-rolled segment information does not include USSC. After the deconsolidation of USSC, transactions between U. S. Steel and USSC are considered related party transactions.

Effective January 1, 2015, the Flat-rolled segment has been realigned to better service customer needs through the creation of commercial entities to specifically address customers in the automotive, consumer, industrial, service center and mining market sectors. This realignment will not affect the Company's reportable segments as they currently exist. For further information, see Item 1. Business Strategy.

Flat-rolled has annual raw steel production capability of 19.4 million tons. Prior to the CCAA filing and deconsolidation of U.S. Steel Canada in September 2014 and the permanent shut down of the iron and steelmaking facilities at Hamilton Works in December 2013, annual raw steel production capability for Flat-rolled was 22.0 million tons and 24.3 million tons, respectively. Raw steel production was 17.0 million tons in 2014, 17.9 million tons in 2013, and 19.1 million tons in 2012. Raw steel production averaged 80 percent of capability in 2014, 74 percent of capability in 2013 and 78 percent of capability in 2012.

The USSE segment includes the operating results of U. S. Steel Košice (USSK), U. S. Steel's integrated steel plant and coke production facilities in Slovakia. Prior to January 31, 2012, the USSE segment also included the operating results of U. S. Steel Serbia d.o.o. (USSS), which was sold on January 31, 2012. USSE primarily serves customers in the European construction, service center, conversion, container, transportation (including automotive), appliance and electrical, and oil, gas and petrochemical markets. USSE produces and sells slabs, sheet, strip mill plate, tin mill products and spiral welded pipe, as well as heating radiators and refractory ceramic materials.

USSE has annual raw steel production capability of 5.0 million tons. USSE's raw steel production was 4.8 million tons in 2014, 4.6 million tons in 2013, and 4.5 million tons in 2012. USSE's raw steel production averaged 96 percent of capability in 2014, 92 percent of capability in 2013 and 87 percent of capability in 2012.

The Tubular segment includes the operating results of U. S. Steel's tubular production facilities, primarily in the United States, and equity investees in the United States and Brazil. These operations produce and sell 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 serve customers in the oil, gas and petrochemical markets. Tubular's annual production capability is 2.8 million tons and U. S. Steel is the largest supplier of OCTG to the combined U.S. and Canadian market. U. S. Steel Tubular Products, Inc. (USSTP) is designing and developing a range of premium and semi-premium connections to address the growing needs for technical solutions to our end users' well site production challenges. USSTP also offers rig site services, which provides the technical expertise for proper installation of our tubular products and proprietary connections at the well site.

For further information, see Note 3 to the Consolidated Financial Statements.

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Financial and Operational Highlights

Net Sales

Net Sales by Segment

(Dollars in millions, excluding intersegment sales)	2014	2013	2012
Flat-rolled	\$11,708	\$11,572	\$12,908
USSE	2,891	2,941	2,949
Tubular	2,772	2,772	3,283
Total sales from reportable segments	17,371	17,285	19,140
Other Businesses	136	139	188
Net sales	\$17,507	\$17,424	\$19,328

Table of ContentsIncome (Loss) from Operations by Segment^(a)

(Dollars in Millions)	Year Ended December 31,			
	2014	2013	2012	
Flat-rolled ^(b)	\$709	\$105	\$400	
USSE	133	28	34	(c)
Tubular	261	190	366	
Total income from reportable segments	1,103	323	800	
Other Businesses	82	77	55	
Reportable segments and Other Businesses income from operations	1,185	400	855	
Postretirement benefit expenses ^{(b), (d)}	(114) (221) (297)
Other items not allocated to segments:				
Loss on deconsolidation of U. S. Steel Canada and other charges	(416) —	—	
Impairment of carbon alloy facilities ^(e)	(195) —	—	
Litigation reserves	(70) —	—	
Write-off of pre-engineering costs ^(e)	(37) —	—	
Loss on assets held for sale ^(e)	(14) —	—	
Gain on sale of real estate assets	55	—	—	
Curtailement gain	19	—	—	
Impairment of goodwill	—	(1,806) —	