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USX CORP  
Form 10-K/A  
September 14, 2001

FORM 10-K/A

2000

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

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2000

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5153

USX CORPORATION  
(Exact name of registrant as specified in its charter)  
Delaware 25-0996816  
(State of Incorporation) (I.R.S. Employer Identification No.)  
600 Grant Street, Pittsburgh, PA 15219-4776  
(Address of principal executive offices)  
Tel. No. (412) 433-1121

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

Title of Each Class	
USX-Marathon Group	8-3/4% Cumulative Monthly Inc
Common Stock, par value \$1.00	Series A (Liquidation Pre
USX-U. S. Steel Group	6.75% Convertible Quarterly I
Common Stock, par value \$1.00	Securities (Initial Liqui
6.50% Cumulative Convertible Preferred	Security) ***/ (a) /
(Liquidation Preference \$50.00 per share)	7% Guaranteed Notes Due 2002
	Company/ (a) /

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.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. ☐

Aggregate market value of Common Stock held by non-affiliates as of January 31, 2001: \$10 billion. The amount shown is based on the closing prices of the

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registrant's Common Stocks on the New York Stock Exchange composite tape on that date. Shares of 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 308,269,864 shares of USX-Marathon Group Common Stock and 88,767,023 shares of USX-U. S. Steel Group Common Stock outstanding as of January 31, 2001.

### Documents Incorporated By Reference:

Proxy Statement dated March 12, 2001 is incorporated in Part III. Proxy Statement dated March 9, 1998 is incorporated in Part IV.

- 
- \* These securities are listed on the New York Stock Exchange. In addition, the Common Stocks are listed on The Chicago Stock Exchange and the Pacific Exchange.
  - \*\* Issued by USX Capital LLC.
  - \*\*\* Issued by USX Capital Trust I.
  - /(a)/ Obligations of Marathon Oil Company, USX Capital LLC and USX Capital Trust I, all wholly owned subsidiaries of the registrant, have been guaranteed by the registrant.

### Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Indexes to Financial Statements, Supplementary Data, Management's Discussion and Analysis, and Quantitative and Qualitative Disclosures About Market Risk of USX Consolidated, the Marathon Group and the U. S. Steel Group are presented immediately preceding pages U-1, M-1 and S-1, respectively.

### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Indexes to Financial Statements, Supplementary Data, Management's Discussion and Analysis, and Quantitative and Qualitative Disclosures About Market Risk for USX Consolidated, the Marathon Group and the U. S. Steel Group are presented immediately preceding pages U-1, M-1 and S-1, respectively.

### Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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Index to Consolidated Financial Statements, Supplementary Data, Management's Discussion and Analysis, and Quantitative and Qualitative Disclosures About Market Risk

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Audited Consolidated Financial Statements:

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### Management's Report

The accompanying consolidated financial statements of USX Corporation and Subsidiary Companies (USX) are the responsibility of and have been prepared by USX in conformity with accounting principles generally accepted in the United States. They necessarily include some amounts that are based on best judgments and estimates. The consolidated financial information displayed in other sections of this report is consistent with these consolidated financial statements.

USX seeks to assure the objectivity and integrity of its financial records by careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communications programs aimed at assuring that its policies and methods are understood throughout the organization.

USX has a comprehensive formalized system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that financial records are reliable. Appropriate management monitors the system for compliance, and the internal auditors independently measure its effectiveness and recommend possible improvements thereto. In addition, as part of their audit of the consolidated financial statements, USX's independent accountants, who are elected by the stockholders, review and test the internal accounting controls selectively to establish a basis of reliance thereon in determining the nature, extent and timing of audit tests to be applied.

The Board of Directors pursues its oversight role in the area of financial reporting and internal accounting control through its Audit Committee. This Committee, composed solely of nonmanagement directors, regularly meets (jointly and separately) with the

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independent accountants, management and internal auditors to monitor the proper discharge by each of its responsibilities relative to internal accounting controls and the consolidated financial statements.

Thomas J. Usher  
Chairman, Board of Directors &  
Chief Executive Officer

Robert M. Hernandez  
Vice Chairman &  
Chief Financial Officer

### Report of Independent Accountants

To the Stockholders of USX Corporation:

In our opinion, the accompanying consolidated financial statements appearing on pages U-2 through U-29 present fairly, in all material respects, the financial position of USX Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of USX's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
600 Grant Street, Pittsburgh, Pennsylvania 15219-2794  
February 7, 2001

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### Consolidated Statement of Operations

(Dollars in millions)

20

#### Revenues and other income:

Revenues (Note 6)

\$ 4

Dividend and investee income (loss)

Net gains (losses) on disposal of assets (Note 27)

Gain on ownership change in

Marathon Ashland Petroleum LLC (Note 3)

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Other income	---
Total revenues and other income	3
Costs and expenses:	
Cost of revenues (excludes items shown below)	3
Selling, general and administrative expenses	
Depreciation, depletion and amortization	
Taxes other than income taxes	
Exploration expenses	
Inventory market valuation charges (credits) (Note 15)	
Total costs and expenses	3
Income from operations	
Net interest and other financial costs (Note 6)	
Minority interest in income of Marathon Ashland Petroleum LLC (Note 3)	
Income before income taxes and extraordinary losses	
Provision for income taxes (Note 11)	
Income before extraordinary losses	
Extraordinary losses (Note 7)	
Net income	
Dividends on preferred stock	
Net income applicable to common stocks	\$

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

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## Income Per Common Share

(Dollars in millions, except per share data)	20
Applicable to Marathon Stock:	
Net income	\$
Per Share Data:	
Basic	
Diluted	
Applicable to Steel Stock:	
Income (loss) before extraordinary losses	\$
Extraordinary losses	
Net income (loss)	\$
Per Share Data	

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Basic:	
Income (loss) before extraordinary losses	\$
Extraordinary losses	
	---
Net income (loss)	\$
Diluted:	
Income (loss) before extraordinary losses	\$
Extraordinary losses	
	---
Net income (loss)	\$
-----	

See Note 20, for a description and computation of income per common share.

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

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### Consolidated Balance Sheet

(Dollars in millions)

December 31

#### Assets

##### Current assets:

Cash and cash equivalents  
 Receivables, less allowance for doubtful accounts  
     of \$60 and \$12  
 Receivables subject to a security interest (Note 14)  
 Inventories (Note 15)  
 Deferred income tax benefits (Note 11)  
 Assets held for sale (Note 27)  
 Other current assets

Total current assets

Investments and long-term receivables, less reserves of  
     \$38 and \$3 (Note 12)

Property, plant and equipment - net (Note 21)

Prepaid pensions (Note 9)

Other noncurrent assets

Total assets

#### Liabilities

##### Current liabilities:

Notes payable (Note 13)  
 Accounts payable  
 Payroll and benefits payable  
 Accrued taxes  
 Accrued interest  
 Long-term debt due within one year (Note 14)

Total current liabilities

Long-term debt (Note 14)

Deferred income taxes (Note 11)

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Employee benefits (Note 9)  
Deferred credits and other liabilities  
Preferred stock of subsidiary (Note 22)  
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust holding solely junior subordinated convertible debentures of USX (Note 22)

Minority interest in Marathon Ashland Petroleum LLC (Note 3)

Stockholders' Equity (Details on pages U-6 and U-7)  
Preferred stock (Note 23) -  
    6.50% Cumulative Convertible issued - 2,413,487 shares and  
    2,715,287 shares (\$121 and \$136 liquidation preference, respectively)  
Common stocks:  
    Marathon Stock issued - 312,165,978 shares and 311,767,181 shares  
    (par value \$1 per share, authorized 550,000,000 shares)  
    Steel Stock issued - 88,767,395 shares and 88,397,714 shares  
    (par value \$1 per share, authorized 200,000,000 shares)  
    Securities exchangeable solely into Marathon Stock -  
    issued - 281,148 shares and 288,621 shares (Note 3)  
Treasury common stock, at cost -  
    Marathon Stock - 3,899,714 shares and -0- shares  
Additional paid-in capital  
Deferred compensation  
Retained earnings  
Accumulated other comprehensive income (loss)

Total stockholders' equity

Total liabilities and stockholders' equity

---

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

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### Consolidated Statement of Cash Flows

(Dollars in millions)

---

Increase (decrease) in cash and cash equivalents

Operating activities:

Net income

\$

Adjustments to reconcile to net cash provided  
from operating activities:

Extraordinary losses

Minority interest in income of

Marathon Ashland Petroleum LLC

Depreciation, depletion and amortization

Exploratory dry well costs

Inventory market valuation charges (credits)

Pensions and other postretirement benefits

Deferred income taxes

Gain on ownership change in

Marathon Ashland Petroleum LLC

Net (gains) losses on disposal of assets

Changes in: Current receivables - sold

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	- operating turnover
Inventories	
Current accounts payable and accrued expenses	
All other - net	
Net cash provided from operating activities	
Investing activities:	
Capital expenditures	
Acquisitions - U. S. Steel Kosice s.r.o., net of cash acquired of \$59	
- Tarragon Oil and Gas Limited	
Disposal of assets	
Restricted cash - withdrawals	
- deposits	
Investees - investments	
- loans and advances	
- returns and repayments	
All other - net	
Net cash used in investing activities	
Financing activities:	
Commercial paper and revolving credit arrangements - net	
Other debt - borrowings	
- repayments	
Common stock - issued	
- repurchased	
Treasury common stock reissued	
Preferred stock repurchased	
Dividends paid	
Distributions to minority shareholder of Marathon Ashland Petroleum LLC	
Net cash provided from (used in) financing activities	
Effect of exchange rate changes on cash	
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents at beginning of year	
Cash and cash equivalents at end of year	\$

See Note 16, for supplemental cash flow information.  
The accompanying notes are an integral part of these consolidated financial statements.

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## Consolidated Statement of Stockholders' Equity

USX has two classes of common stock: USX - Marathon Group Common Stock (Marathon Stock) and USX - U. S. Steel Group Common Stock (Steel Stock), which are intended to reflect the performance of the Marathon and U. S. Steel Groups, respectively. (See Note 8, for a



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description of the two Groups.) During 1998, USX issued 878,074 Exchangeable Shares (exchangeable solely into Marathon Stock) related to the purchase of Tarragon Oil and Gas Limited. (See Note 3.)

On all matters where the holders of Marathon Stock and Steel Stock vote together as a single class, Marathon Stock has one vote per share and Steel Stock has a fluctuating vote per share based on the relative market value of a share of Steel Stock to the market value of a share of Marathon Stock. In the event of a disposition of all or substantially all the properties and assets of the U. S. Steel Group, USX must either distribute the net proceeds to the holders of the Steel Stock as a special dividend or in redemption of the stock, or exchange the Steel Stock for the Marathon Stock. In the event of liquidation of USX, the holders of the Marathon Stock and Steel Stock will share in the funds remaining for common stockholders based on the relative market capitalization of the respective Marathon Stock and Steel Stock to the aggregate market capitalization of both classes of common stock.

	Dollars in millions		
	2000	1999	1998
<hr/>			
Preferred stock (Note 23) -			
6.50% Cumulative Convertible:			
Balance at beginning of year	\$ 3	\$ 3	\$ 3
Repurchased	(1)	-	-
	<hr/>	<hr/>	<hr/>
Balance at end of year	\$ 2	\$ 3	\$ 3
<hr/>			
Common stocks:			
Marathon Stock:			
Balance at beginning of year	\$ 312	\$ 308	\$ 289
Issued in public offering	-	-	17
Issued for:			
Employee stock plans	-	3	2
Dividend Reinvestment and			
Direct Stock Purchase Plan	-	-	-
Exchangeable Shares	-	1	-
	<hr/>	<hr/>	<hr/>
Balance at end of year	\$ 312	\$ 312	\$ 308
<hr/>			
Steel Stock:			
Balance at beginning of year	\$ 88	\$ 88	\$ 86
Issued for:			
Employee stock plans	1	-	2
Dividend Reinvestment and			
Direct Stock Purchase Plan	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at end of year	\$ 89	\$ 88	\$ 88
<hr/>			
Securities exchangeable solely into			
Marathon Stock:			
Balance at beginning of year	\$ -	\$ 1	\$ -
Issued to acquire Tarragon stock	-	-	1
Exchanged for Marathon Stock	-	(1)	-

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	-----	-----	-----
Balance at end of year	\$ -	\$ -	\$ 1
-----			
Treasury common stock, at cost -			
Marathon Stock:			
Balance at beginning of year	\$ -	\$ -	\$ -
Repurchased	(105)	-	-
Reissued for:			
Employee stock plans	1	-	-
Non-employee Board of Directors deferred compensation plan	-	-	-
	-----	-----	-----
Balance at end of year	\$ (104)	\$ -	\$ -
-----			

(Table continued on next page)

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	Stockholders' Equity		
	-----	-----	-----
(Dollars in millions)	2000	1999	1998
-----			
Additional paid-in capital:			
Balance at beginning of year	\$ 4,673	\$ 4,587	\$ 3,920
Marathon Stock issued	9	92	59
Steel Stock issued	5	2	5
Exchangeable Shares:			
Issued	-	-	2
Exchanged for Marathon Stock	-	(6)	(1)
Repurchase of 6.50% preferred stock	(11)	(2)	(1)
	-----	-----	-----
Balance at end of year	\$ 4,676	\$ 4,673	\$ 4,588
-----			
Deferred compensation (Note 17)	\$ (8)	\$ -	\$ (1)
-----			
Retained earnings:			
Balance at beginning of year	\$ 1,807	\$ 1,467	\$ 1,130
Net income	411	698	67
Dividends on preferred stock	(8)	(9)	(1)
Dividends on Marathon Stock			
(per share: \$.88 in 2000 and \$.84 in 1999 and 1998)	(274)	(261)	(24)
Dividends on Steel Stock			
(per share \$1.00)	(89)	(88)	(8)
	-----	-----	-----
Balance at end of year	\$ 1,847	\$ 1,807	\$ 1,466
-----			
Accumulated other comprehensive income (loss):			
Minimum pension liability adjustments:			
Balance at beginning of year	\$ (10)	\$ (37)	\$ (3)
Changes during year, net of taxes/(a)/	(11)	27	(1)
	-----	-----	-----
Balance at end of year	(21)	(10)	(3)
-----			
Foreign currency translation adjustments:			

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Balance at beginning of year	\$ (17)	\$ (11)	\$ (1)
Changes during year, net of taxes/(a)/	(12)	(6)	(1)
	-----	-----	-----
Balance at end of year	(29)	(17)	(1)
	-----	-----	-----
Unrealized holding losses on investments:			
Balance at beginning of year	\$ -	\$ -	\$ -
Changes during year, net of taxes/(a)/	-	(1)	(1)
Reclassification adjustment			
included in net income	-	1	(1)
	-----	-----	-----
Balance at end of year	-	-	-
	-----	-----	-----
Total balances at end of year	\$ (50)	\$ (27)	\$ (4)
	-----	-----	-----
Total comprehensive income/(b)/			
	-----	-----	-----
Total stockholders' equity	\$ 6,764	\$ 6,856	\$ 6,400
	-----	-----	-----

/(a)/Related income tax provision (credit):	2000	1999	1998
	-----	-----	-----
Minimum pension liability adjustments	\$ 4	\$ (13)	\$ 3
Foreign currency translation adjustments	(4)	3	4
Unrealized holding gains on investments	-	-	2
	-----	-----	-----
/(b)/Total comprehensive income (loss) by Group:			
Marathon Group	\$ 419	\$ 660	\$ 306
U. S. Steel Group	(31)	59	357
	-----	-----	-----
Total	\$ 388	\$ 719	\$ 663
	=====	=====	=====

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

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## Notes to Consolidated Financial Statements

### 1. Summary of Principal Accounting Policies

Principles applied in consolidation - The consolidated financial statements include the accounts of USX Corporation and the majority-owned subsidiaries which it controls (USX).

Investments in unincorporated oil and gas joint ventures, undivided interest pipelines and jointly owned gas processing plants are consolidated on a pro rata basis.

Investments in entities over which USX has significant influence are accounted for using the equity method of accounting and are carried at USX's share of net assets plus loans and advances.

Investments in companies whose stock is publicly traded are carried generally at market value. The

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difference between the cost of these investments and market value is recorded in other comprehensive income (net of tax). Investments in companies whose stock has no readily determinable fair value are carried at cost.

Dividend and investee income includes USX's proportionate share of income from equity method investments and dividend income from other investments. Dividend income is recognized when dividend payments are received.

Gains or losses from a change in ownership of a consolidated subsidiary or an unconsolidated investee are recognized in the period of change.

Use of estimates - Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of long-lived assets; valuation allowances for receivables, inventories and deferred income tax assets; environmental liabilities; liabilities for potential tax deficiencies and potential litigation claims and settlements; and assets and obligations related to employee benefits. Additionally, certain estimated liabilities are recorded when management commits to a plan to close an operating facility or to exit a business activity. Actual results could differ from the estimates and assumptions used.

Revenue recognition - Revenues are recognized generally when products are shipped or services are provided to customers, the sales price is fixed and determinable, and collectibility is reasonably assured. Costs associated with revenues, including shipping and other transportation costs, are recorded in cost of revenues. Matching buy/sell transactions settled in cash are recorded in both revenues and cost of revenues as separate sales and purchase transactions, with no net effect on income. USX follows the sales method of accounting for gas production imbalances and would recognize a liability if the existing proved reserves were not adequate to cover the current imbalance situation.

Cash and cash equivalents - Cash and cash equivalents include cash on hand and on deposit and investments in highly liquid debt instruments with maturities generally of three months or less.

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

Derivative instruments - USX uses commodity-based and foreign currency derivative instruments to manage its exposure to price risk. Management is authorized to use futures, forwards, swaps and options related to the purchase, production or sale of crude oil, natural gas, refined products, nonferrous metals and electricity. While USX's risk management activities generally reduce

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market risk exposure due to unfavorable commodity price changes for raw material purchases and products sold, such activities can also encompass strategies which assume price risk.

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Commodity-Based Hedging Transactions - For transactions that qualify for hedge accounting, the resulting gains or losses are deferred and subsequently recognized in income from operations, as a component of revenues or cost of revenues, in the same period as the underlying physical transaction. To qualify for hedge accounting, derivative positions cannot remain open if the underlying physical market risk has been removed. If such derivative positions remain in place, they would be marked-to-market and accounted for as trading or other activities. Recorded deferred gains or losses are reflected within other current and noncurrent assets or accounts payable and deferred credits and other liabilities, as appropriate.

Commodity-Based Trading and Other Activities - Derivative instruments used for trading and other activities are marked-to-market and the resulting gains or losses are recognized in the current period within income from operations. This category also includes the use of derivative instruments that have no offsetting underlying physical market risk.

Foreign Currency Transactions - USX uses forward exchange contracts to manage currency risks. Gains or losses related to firm commitments are deferred and recognized concurrent with the underlying transaction. All other gains or losses are recognized in income in the current period as revenues, cost of revenues, interest income or expense, or other income, as appropriate. Forward exchange contracts are recorded as receivables or payables, as appropriate.

Property, plant and equipment - USX uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Capitalized costs of producing oil and gas properties are depreciated and depleted by the unit-of-production method. Support equipment and other property, plant and equipment are depreciated over their estimated useful lives.

USX evaluates its oil and gas producing properties for impairment of value on a field-by-field basis or, in certain instances, by logical grouping of assets if

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there is significant shared infrastructure, using undiscounted future cash flows based on total proved reserves. Oil and gas producing properties deemed to be impaired are written down to their fair value, as determined by discounted future cash flows based on total proved and risk-adjusted probable and possible reserves or, if available, comparable market values. Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment. Other unproved properties are amortized over their remaining holding period.

For property, plant and equipment unrelated to oil and gas producing activities, depreciation is generally computed on the straight-line method over their estimated useful lives. USX's method of computing depreciation for domestic steel producing assets modifies straight-line depreciation based on the level of production. The modification factors range from a minimum of 85% at a production level below 81% of capability to a maximum of 105% for a 100% production level. No modification is made at the 95% production level, which is considered to be the normal long-range level.

Depletion of mineral properties, other than oil and gas, is based on rates that are expected to amortize capitalized costs over the estimated tonnage of minerals to be removed.

Assets unrelated to oil and gas producing activities are evaluated for impairment of value on an individual asset basis or by logical groupings of assets. Assets deemed to be impaired are written down to their fair value, as determined by discounted future cash flows or, if available, comparable market values.

When property, plant and equipment depreciated on an individual basis are sold or otherwise disposed of, any gains or losses are reflected in income. Gains on disposal of property, plant and equipment are recognized when earned, which is generally at the time of closing. If a loss on disposal is expected, such losses are recognized when the assets are reclassified as held for sale. Proceeds from disposal of property, plant and equipment depreciated on a group basis are credited to accumulated depreciation, depletion and amortization with no immediate effect on income.

Major maintenance activities - USX incurs planned major maintenance costs primarily for refinery turnarounds in the Marathon Group and blast furnace relines in the U.S. Steel Group. Costs associated with refinery turnarounds are expensed in the same annual period as incurred; however, estimated annual turnaround costs are recognized in income throughout the year on a pro rata basis. Costs associated with blast furnace relines are separately capitalized in property, plant and equipment. Such costs are amortized over their estimated useful life, which is generally the period until the next scheduled reline.

Environmental liabilities - USX provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is

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reasonably determinable. Generally, the timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of known environmental exposure and are discounted in certain instances. If recoveries of remediation costs from third parties are probable, a receivable is recorded. Estimated abandonment and

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dismantlement costs of offshore production platforms are accrued based on production of estimated proved oil and gas reserves.

Postemployment benefits - USX recognizes an obligation to provide postemployment benefits, primarily for disability-related claims covering indemnity and medical payments. The obligation for these claims and the related periodic costs are measured using actuarial techniques and assumptions, including an appropriate discount rate, analogous to the required methodology for measuring pension and other postretirement benefit obligations. Actuarial gains and losses are deferred and amortized over future periods.

Insurance - USX is insured for catastrophic casualty and certain property and business interruption exposures, as well as those risks required to be insured by law or contract. Costs resulting from noninsured losses are charged against income upon occurrence.

Reclassifications - Certain reclassifications of prior years' data have been made to conform to 2000 classifications.

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### 2. New Accounting Standards

In the fourth quarter of 2000, USX adopted the following accounting pronouncements primarily related to the classification of items in the financial statements. The adoption of these new pronouncements had no net effect on the financial position or results of operations of USX, although they required reclassifications of certain amounts in the financial statements, including all prior periods presented.

- . In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101) "Revenue Recognition in Financial Statements," which summarizes the SEC staff's interpretations of generally accepted accounting principles related to revenue recognition and classification.
- . In 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board (EITF) issued EITF Consensus No. 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent," which addresses whether certain items should be reported as a reduction of revenue or

as a component of both revenues and cost of revenues, and EITF Consensus No. 00-10 "Accounting for Shipping and Handling Fees and Costs," which addresses the classification of costs incurred for shipping goods to customers.

- . In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. USX adopted certain recognition and reclassification provisions of SFAS 140, which were effective for fiscal years ending after December 15, 2000. The remaining provisions of SFAS 140 are effective after March 31, 2001.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which later was amended by SFAS Nos. 137 and 138. This Standard requires recognition of all derivatives as either assets or liabilities at fair value. Changes in fair value will be reflected in either current period net income or other comprehensive income, depending on the designation of the derivative instrument. USX may elect not to designate a derivative instrument as a hedge even if the strategy would be expected to qualify for hedge accounting treatment. The adoption of SFAS No. 133 will change the timing of recognition for derivative gains and losses as compared to previous accounting standards.

USX will adopt the Standard effective January 1, 2001. The transition adjustment resulting from the adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle. The unfavorable cumulative effect on net income, net of tax, is expected to approximate \$9 million. The unfavorable cumulative effect on other comprehensive income, net of tax, will approximate \$7 million. The amounts reported as other comprehensive income will be reflected in net income when the anticipated physical transactions are consummated. It is not possible to estimate the effect that this Standard will have on future results of operations.

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### 3. Business Combinations

On November 24, 2000, USX acquired U. S. Steel Kosice s.r.o. (USSK), which is located in the Slovak Republic. USSK was formed in June 2000 to hold the steel operations and related assets of VSZ a.s. (VSZ), a diversified Slovak corporation. The cash purchase price was \$69 million. Additional payments to VSZ of not less than \$25 million and up to \$75 million are contingent upon the future performance of USSK. Additionally, \$325 million of debt was included with the acquisition. The acquisition was accounted for under the purchase method of accounting. The 2000 results of operations include the operations of USSK from the date of acquisition.



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Prior to this transaction, USX and VSZ were equal partners in VSZ U. S. Steel s.r.o. (VSZUSS), a tin mill products manufacturer. The assets of USSK included VSZ's interest in VSZUSS. The acquisition of the remaining interest in VSZUSS was accounted for under the purchase method of accounting. Previously, USX had accounted for its investment in VSZUSS under the equity method of accounting.

The following unaudited pro forma data for USX includes the results of operations of USSK for 2000 and 1999, giving effect to the acquisition as if it had been consummated at the beginning of the years presented. The pro forma data is based on historical information and does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations. In addition, VSZ did not historically provide carve-out financial information for its steel operations in accordance with generally accepted accounting principles in the United States. Therefore, USX made certain estimates and assumptions regarding revenues and costs in the preparation of the following unaudited pro forma data.

(In millions, except per share amounts)

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Revenues and other income
Net income
Applicable to Steel Stock:
Income before extraordinary losses/(a)/
- Per share - basic and diluted
Net income/(a)/
- Per share - basic and diluted

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/(a)/ Amounts are net of dividends on preferred stock of \$8 million and \$9 million in 2000 and 1999, respectively.

In August 1998, Marathon Oil Company (Marathon) acquired Tarragon Oil and Gas Limited (Tarragon), a Canadian oil and gas exploration and production company. Securityholders of Tarragon received, at their election, Cdn\$14.25 for each Tarragon share, or the economic equivalent in Exchangeable Shares of an indirect Canadian subsidiary of Marathon, which are exchangeable solely on a one-for-one basis into Marathon Stock. The purchase price included cash payments of \$686 million, issuance of 878,074 Exchangeable Shares valued at \$29 million and the assumption of \$345 million in debt.

The Exchangeable Shares are exchangeable at the option of the holder at any time and automatically redeemable on August 11, 2003 (and, in certain circumstances, as early as August 11, 2001). The holders of Exchangeable Shares are entitled to receive declared

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dividends equivalent to dividends declared from time to time by USX on Marathon Stock.

USX accounted for the acquisition using the purchase method of accounting. The 1998 results of operations include the operations of Marathon Canada Limited, formerly known as Tarragon, commencing August 12, 1998.

During 1997, Marathon and Ashland Inc. (Ashland) agreed to combine the major elements of their refining, marketing and transportation (RM&T) operations. On January 1, 1998, Marathon transferred certain RM&T net assets to Marathon Ashland Petroleum LLC (MAP), a new consolidated subsidiary. Also on January 1, 1998, Marathon acquired certain RM&T net assets from Ashland in exchange for a 38% interest in MAP. The acquisition was accounted for under the purchase method of accounting. The purchase price was determined to be \$1.9 billion, based upon an external valuation. The change in Marathon's ownership interest in MAP resulted in a gain of \$245 million in 1998. In accordance with MAP closing agreements, Marathon and Ashland have made capital contributions to MAP for environmental improvements. The closing agreements stipulate that ownership interests in MAP will not be adjusted as a result of such contributions. Accordingly, Marathon recognized a gain on ownership change of \$12 million in 2000 and \$17 million in 1999.

In connection with the formation of MAP, Marathon and Ashland entered into a Limited Liability Company Agreement dated January 1, 1998 (the LLC Agreement). The LLC Agreement provides for an initial term of MAP expiring on December 31, 2022 (25 years from its formation). The term will automatically be extended for ten-year periods, unless a termination notice is given by either party.

Also in connection with the formation of MAP, the parties entered into a Put/Call, Registration Rights and Standstill Agreement (the Put/Call Agreement). The Put/Call Agreement provides that at any time after December 31, 2004, Ashland will have the right to sell to Marathon all of Ashland's ownership interest in MAP, for an amount in cash and/or Marathon or USX debt or equity securities equal to the product of 85% (90% if equity securities are used) of the fair market value of MAP at that time, multiplied by Ashland's percentage interest in MAP. Payment could be made at closing, or at Marathon's option, in three equal annual installments, the first of which would be payable at closing. At any time after December 31, 2004, Marathon will have the right to purchase all of Ashland's ownership interests in MAP, for an amount in cash equal to the product of 115% of the fair market value of MAP at that time, multiplied by Ashland's percentage interest in MAP.

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#### 4. Transactions Between MAP and Ashland

At December 31, 2000 and 1999, MAP had current receivables from Ashland of \$35 million and \$26 million,

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respectively, and current payables to Ashland of \$2 million.

MAP has a \$190 million revolving credit agreement with Ashland. Interest on borrowings is based on defined short-term market rates. At December 31, 2000 and 1999, there were no borrowings against this facility.

During 2000, 1999 and 1998, MAP's sales to Ashland, consisting primarily of petroleum products, were \$285 million, \$198 million and \$190 million, respectively, and MAP's purchases of products and services from Ashland were \$26 million, \$22 million and \$47 million, respectively. These transactions were conducted under terms comparable to those with unrelated parties.

### 5. Discontinued Operations

Effective October 31, 1997, USX sold its stock in Delhi Gas Pipeline Corporation and other subsidiaries of USX that comprised all of the Delhi Group. USX elected to use the net proceeds of \$195 million, or \$20.60 per share, to redeem all shares of Delhi Stock. The net proceeds were distributed to the Delhi shareholders on January 26, 1998. After the redemption, 50,000,000 shares of Delhi Stock remain authorized but unissued.

### 6. Other Items

(In millions)	2000
Net interest and other financial costs	
Interest and other financial income:	
Interest income	\$ 29
Other	5
Total	34
Interest and other financial costs:	
Interest incurred	328
Less interest capitalized	19
Net interest	309
Interest on tax issues	17
Financial costs on trust preferred securities	13
Financial costs on preferred stock of subsidiary	22
Amortization of discounts	3
Expenses on sales of accounts receivable	-
Adjustment to settlement value of indexed debt	-
Other	11
Total	375
Net interest and other financial costs	\$ 341

Foreign currency transactions

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For 2000, 1999 and 1998, the aggregate foreign currency transaction gains (losses) included in determining net income were \$37 million, \$(12) million and \$13 million, respectively.

### Consumer excise taxes

Included in revenues and costs and expenses for 2000, 1999 and 1998 were \$4,344 million, \$3,973 million and \$3,824 million, respectively, representing consumer excise taxes on petroleum products and merchandise.

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## 7. Extraordinary Losses

In 1999, USX irrevocably deposited with a trustee the entire 5.5 million common shares it owned in RTI International Metals, Inc. (RTI). The deposit of the shares resulted in the satisfaction of USX's obligation under its 63/4% Exchangeable Notes (indexed debt) due February 1, 2000. Under the terms of the indenture, the trustee exchanged one RTI share for each note at maturity. All shares were required for satisfaction of the indexed debt; therefore, none reverted back to USX.

As a result of the above transaction, USX recorded in 1999 an extraordinary loss of \$5 million, net of a \$3 million income tax benefit, representing prepaid interest expense and the write-off of unamortized debt issue costs, and a pretax charge of \$22 million, representing the difference between the carrying value of the investment in RTI and the carrying value of the indexed debt, which is included in net gains (losses) on disposal of assets. Since USX's investment in RTI was attributed to the U. S. Steel Group, the indexed debt was also attributed to the U. S. Steel Group.

In 1999, Republic Technologies International, LLC, an equity investee of USX, recorded an extraordinary loss related to the early extinguishment of debt. As a result, USX recorded an extraordinary loss of \$2 million, net of a \$1 million income tax benefit, representing its share of the extraordinary loss.

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## 8. Group and Segment Information

USX has two classes of common stock: Marathon Stock and Steel Stock, which are intended to reflect the performance of the Marathon Group and the U. S. Steel Group, respectively. A description of each group and its products and services is as follows:

Marathon Group - The Marathon Group includes Marathon Oil Company and certain other subsidiaries of USX. Marathon Group revenues as a percentage of total consolidated USX revenues were 85% in 2000, 81% in 1999 and 77% in 1998.

U. S. Steel Group - The U. S. Steel Group consists of U. S. Steel, the largest domestic integrated steel producer and U. S. Steel operations in the Slovak Republic. U. S. Steel Group revenues as a percentage of total consolidated USX revenues were 15% in 2000, 19% in 1999 and 23% in 1998.

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## Group Operations:

(In millions)	Year	Revenues	Income From Operations	Net Income (Loss)
Marathon Group	2000	\$ 34,487	\$ 1,648	\$ 432
	1999	23,590	1,713	654
	1998	21,274	938	310
U. S. Steel Group	2000	6,090	104	(21)
	1999	5,536	150	44
	1998	6,378	579	364
Eliminations	2000	(77)	-	-
	1999	(58)	-	-
	1998	(23)	-	-
Total USX Corporation	2000	\$ 40,500	\$ 1,752	\$ 411
	1999	29,068	1,863	698
	1998	27,629	1,517	674

## Revenues by Product:

(In millions) 2000

Marathon Group	
Refined products	\$ 22,514
Merchandise	2,441
Liquid hydrocarbons	6,856
Natural gas	2,518
Transportation and other products	158
U. S. Steel Group	
Sheet and semi-finished steel products	\$ 3,288
Tubular, plate and tin mill products	1,731
Raw materials (coal, coke and iron ore)	626
Other/(a)/	445

/(a)/ Includes revenue from the sale of steel production by-products, engineering and consulting services, real estate development and resource management.

## Operating Segments:

USX's reportable operating segments are business units within the Marathon and U. S. Steel Groups, each providing their own unique products and services. Each operating segment is independently managed and requires different technology and marketing strategies. Segment income represents income from operations allocable to operating segments. The following items included in income from operations are not allocated to operating segments:

- . Gain on ownership change in MAP

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- . Net pension credits associated with the U. S. Steel Group's pension plan assets and liabilities
- . Certain costs related to former U. S. Steel Group business activities
- . Certain general and administrative costs related to all Marathon Group operating segments in excess of amounts billed to MAP under service contracts and amounts charged out to operating segments under Marathon's shared services procedures
- . USX corporate general and administrative costs. These costs primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities.
- . Inventory market valuation adjustments
- . Certain other items not allocated to operating segments for business performance reporting purposes (see (a) in reconciliation table on page U-15)

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The Marathon Group's operations consist of three reportable operating segments: 1) Exploration and Production (E&P) - explores for and produces crude oil and natural gas on a worldwide basis; 2) Refining, Marketing and Transportation (RM&T) - refines, markets and transports crude oil and petroleum products, primarily in the Midwest and southeastern United States through MAP; and 3) Other Energy Related Businesses (OERB). Other Energy Related Businesses is an aggregation of two segments which fall below the quantitative reporting thresholds: 1) Natural Gas and Crude Oil Marketing and Transportation - markets and transports its own and third-party natural gas and crude oil in the United States; and 2) Power Generation - develops, constructs and operates independent electric power projects worldwide. The U. S. Steel Group consists of two reportable operating segments: 1) Domestic Steel and 2) U. S. Steel Kosice (USSK). Domestic Steel includes the United States operations of U. S. Steel, while USSK includes the U. S. Steel Kosice operations in the Slovak Republic. Domestic Steel is engaged in the domestic production and sale of steel mill products, coke and taconite pellets; the management of mineral resources; coal mining; engineering and consulting services; and real estate development and management. USSK is engaged in the production and sale of steel mill products and coke and primarily serves European markets.

Information on assets by segment is not provided as it is not reviewed by the chief operating decision maker.

(In millions)	E&P	RM&T	OERB	Total Marathon Segments	Domestic Steel
<hr/>					
2000					
Revenues and other income:					
Customer	\$ 4,184	\$ 28,693	\$ 1,550	\$34,427	\$ 5,981
Intersegment/(a)/	412	83	78	573	-
Intergroup/(a)/	30	1	29	60	17
Equity in earnings (losses) of unconsolidated investees	47	22	15	84	(8)
Other	21	50	12	83	50
	-----	-----	-----	-----	-----
Total revenues and other income	\$ 4,694	\$ 28,849	\$ 1,684	\$ 35,227	\$ 6,040
	=====	=====	=====	=====	=====
Segment income	\$ 1,535	\$ 1,273	\$ 38	\$ 2,846	\$ 23
Significant noncash items included in segment income - depreciation,					

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depletion and amortization/(b)/	723	315	3	1,041	285
Capital expenditures/(c)/	742	656	2	1,400	239

1999

## Revenues and other income:

Customer	\$ 2,856	\$ 19,962	\$ 731	\$23,549	\$ 5,519
Intersegment/(a)/	202	47	40	289	-
Intergroup/(a)/	19	-	22	41	17
Equity in earnings (losses) of unconsolidated investees	(2)	17	26	41	(43)
Other	30	50	15	95	46

Total revenues and other income	\$ 3,105	\$ 20,076	\$ 834	\$ 24,015	\$ 5,539
---------------------------------	----------	-----------	--------	-----------	----------

Segment income	\$ 618	\$ 611	\$ 61	\$ 1,290	\$ 91
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Significant noncash items included  
in segment income - depreciation,  
depletion and amortization/(b)/

	638	280	5	923	304
Capital expenditures/(c)/	744	612	4	1,360	286

1998

## Revenues and other income:

Customer	\$ 1,905	\$ 19,018	\$ 306	\$21,229	\$ 6,374
Intersegment/(a)/	144	10	17	171	-
Intergroup/(a)/	13	-	7	20	2
Equity in earnings of unconsolidated investees	2	12	14	28	46
Other	26	40	11	77	55

Total revenues and other income	\$ 2,090	\$ 19,080	\$ 355	\$ 21,525	\$ 6,477
---------------------------------	----------	-----------	--------	-----------	----------

Segment income	\$ 278	\$ 896	\$ 33	\$ 1,207	\$ 517
----------------	--------	--------	-------	----------	--------

Significant noncash items included  
in segment income - depreciation,  
depletion and amortization/(b)/

	581	272	6	859	283
Capital expenditures/(c)/	839	410	8	1,257	305

/(a)/ Intersegment and intergroup revenues and transfers were conducted under terms comparable to those with unrelated parties.

/(b)/ Differences between segment totals and consolidated totals represent amounts included in administrative expenses, international and domestic oil and gas property impairments and impairment of coal assets.

/(c)/ Differences between segment totals and consolidated totals represent amounts related to corporate administrative activities.

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The following schedules reconcile segment amounts to amounts reported in the Groups' financial statements:

(In millions)	Marathon Group		
	2000	1999	1998

Revenues and Other Income:

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Revenues and other income of reportable segments	\$ 35,227	\$ 24,015	\$ 21,525	\$
Items not allocated to segments:				
Joint venture formation charges	(931)	-	-	
Gain on ownership change in MAP	12	17	245	
Losses on certain equity investments	-	-	-	
Other	124	(36)	24	
Elimination of intersegment revenues	(573)	(289)	(171)	
	-----	-----	-----	-----
Total Group revenues and other income	\$ 33,859	\$ 23,707	\$ 21,623	\$
	=====	=====	=====	=====
Income:				
Income for reportable segments	\$ 2,846	\$ 1,290	\$ 1,207	\$
Items not allocated to segments:				
Joint venture formation charges	(931)	-	-	
Gain on ownership change in MAP	12	17	245	
Administrative expenses	(136)	(108)	(106)	
Net pension credits	-	-	-	
Costs related to former business activities	-	-	-	
Inventory market valuation adjustments	-	551	(267)	
Other/(a)/	(143)	(37)	(141)	
	-----	-----	-----	-----
Total Group income from operations	\$ 1,648	\$ 1,713	\$ 938	\$

/(a)/ Represents in 2000, for the Marathon Group, certain oil and gas property impairments, net gains on certain asset sales and reorganization charges and for the U. S. Steel Group, impairment of coal assets. Represents in 1999, for the Marathon Group, primarily certain oil and gas property impairments, costs of a voluntary early retirement program and net losses on certain asset sales and, for the U. S. Steel Group, certain losses related to investments in equity investees. Represents in 1998, certain international oil and gas property impairments, certain suspended exploration well write-offs, a gas contract settlement and MAP transition charges.

## Geographic Area:

The information below summarizes the operations in different geographic areas. Transfers between geographic areas are at prices which approximate market.

		Revenues and Other Income	
		Within	Between
(In millions)	Year	Geographic Areas	Geographic Areas
-----			
Marathon Group:			
United States	2000	\$ 32,239	\$ -
	1999	22,716	-
	1998	20,837	-
Canada	2000	856	899
	1999	426	521
	1998	209	368
United Kingdom	2000	567	-
	1999	459	-
	1998	462	-



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Other Foreign Countries	2000	197	188
	1999	106	88
	1998	115	52
Eliminations	2000	-	(1,087)
	1999	-	(609)
	1998	-	(420)
Total Marathon Group	2000	\$ 33,859	\$ -
	1999	23,707	-
	1998	21,623	-
-----			
U. S. Steel Group:			
United States	2000	\$ 6,027	\$ -
	1999	5,452	-
	1998	6,460	-
Foreign Countries	2000	105	-
	1999	18	-
	1998	17	-
Total U. S. Steel Group	2000	\$ 6,132	\$ -
	1999	5,470	-
	1998	6,477	-
-----			
Eliminations	2000	\$ (77)	\$ -
	1999	(58)	-
	1998	(23)	-
-----			
Total USX Corporation	2000	\$ 39,914	\$ -
	1999	29,119	-
	1998	28,077	-
-----			

/(a)/ Includes property, plant and equipment and investments.

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## 9. Pensions and Other Postretirement Benefits

USX has noncontributory defined benefit pension plans covering substantially all U.S. employees. Benefits under these plans are primarily based upon years of service and final average pensionable earnings, or a minimum benefit based upon years of service, whichever is greater. In addition, pension benefits based upon a percent of total career pensionable earnings cover certain participating salaried employees.

USX also has defined benefit retiree health care and life insurance plans (other benefits) covering most U.S. employees upon their retirement. Health care benefits are provided through comprehensive hospital, surgical and major medical benefit provisions or through health maintenance organizations, both subject to various cost sharing features. Life insurance benefits are provided to certain nonunion and union represented retiree beneficiaries primarily based on employees' annual base salary at retirement. For most U.S. union

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retirees, benefits are provided for the most part based on fixed amounts negotiated in labor contracts with the appropriate unions.

(In millions)	Pension Benefits	
	2000	1999
Change in benefit obligations		
Benefit obligations at January 1	\$ 7,584	\$ 8,62
Service cost	128	15
Interest cost	572	54
Plan amendments	6	39
Actuarial (gains) losses	551	(1,01
Plan mergers and acquisitions	-	5
Settlements, curtailments and termination benefits	(99)	(32
Benefits paid	(883)	(84
Benefit obligations at December 31	\$ 7,859	\$ 7,58
Change in plan assets		
Fair value of plan assets at January 1	\$11,305	\$11,57
Actual return on plan assets	131	86
Plan merger and acquisitions	(1)	3
Employer contributions	1	
Trustee distributions/(c)/	(34)	(3
Settlements paid	(134)	(30
Benefits paid from plan assets	(877)	(83
Fair value of plan assets at December 31	\$10,391	\$11,30
Funded status of plans at December 31	\$ 2,532 / (d) /	\$ 3,72
Unrecognized net gain from transition	(20)	(9
Unrecognized prior service costs (credits)	778	88
Unrecognized net actuarial gains	(499)	(1,94
Additional minimum liability/(e)/	(38)	(2
Prepaid (accrued) benefit cost	\$ 2,753	\$ 2,53
/(a)/ Results primarily from a five-year labor contract with the United Steelworkers of America ratified in August 1999.		
/(b)/ Includes for the U. S. Steel Group, contributions of \$530 million to a Voluntary Employee Benefit Association trust, comprised of \$30 million in contractual requirements and an elective contribution of \$500 million. Also includes for the U. S. Steel Group, a \$30 million elective contribution to the non-union retiree life insurance trust.		
/(c)/ Represents transfers of excess pension assets to fund retiree health care benefits accounts under Section 420 of the Internal Revenue Code.		
/(d)/ Includes several plans that have accumulated benefit obligations in excess of plan assets:		
Aggregate accumulated benefit obligations	\$ (74)	\$ (5
Aggregate projected benefit obligations	(92)	(7
Aggregate plan assets	-	
/(e)/ Additional minimum liability recorded was offset		

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by the following:

Intangible asset	\$ 6	\$
	-----	-----
Accumulated other comprehensive income (losses):		
Beginning of year	\$ (10)	\$ (3
Change during year (net of tax)	(11)	2
	-----	-----
Balance at end of year	\$ (21)	\$ (1

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(In millions)	Pension Benefits		
	2000	1999	1998
Components of net periodic benefit cost (credit)			
Service cost	\$ 128	\$ 152	\$ 119
Interest cost	572	540	544
Expected return on plan assets	(958)	(895)	(876)
Amortization -net transition gain	(71)	(72)	(74)
-prior service costs (credits)	102	87	75
-actuarial (gains) losses	(53)	7	6
Multiemployer and other USX plans	5	5	6
Settlement and termination (gains) losses	32 /b) /	(42) / (b) /	10 / (b)
	-----	-----	-----
Net periodic benefit cost (credit)	\$ (243)	\$ (218)	\$ (190)

- / (a) / Represents payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992 based on assigned beneficiaries receiving benefits. The present value of this unrecognized obligation is broadly estimated to be \$84 million, including the effects of future medical inflation, and this amount could increase if additional beneficiaries are assigned.
- / (b) / Relates primarily to voluntary early retirement programs.

	Pension Benefits	
	2000	1999
Weighted average actuarial assumptions at December 31:		
Discount rate	7.5%	8.0%
Expected annual return on plan assets	9.0%	8.6%
Increase in compensation rate	4.1%	4.1%

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For measurement purposes, a 7.6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 5% in 2006 for the U. S. Steel Group and in 2007 for the Marathon Group and remain at that level thereafter.

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In millions)	1-Per Point
Effect on total of service and interest cost components	\$
Effect on other postretirement benefit obligations	

### 10. Leases

Future minimum commitments for capital leases (including sale-leasebacks accounted for as financings) and for operating leases having remaining noncancelable lease terms in excess of one year are as follows:

(In millions)

2001  
2002  
2003  
2004  
2005  
Later years  
Sublease rentals

Total minimum lease payments

Less imputed interest costs

Present value of net minimum lease payments  
included in long-term debt

Operating lease rental expense:  
(In millions)

Minimum rental  
Contingent rental  
Sublease rentals

Net rental expense

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USX leases a wide variety of facilities and equipment under operating leases, including land and building space, office equipment, production facilities and transportation equipment. Most long-term leases include renewal options and, in certain leases, purchase options. In the event of a change in control of USX, as defined in the agreements, or certain other circumstances, operating lease obligations totaling \$104 million may be declared immediately due and payable.

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## 11. Income Taxes

Provisions (credits) for income taxes were:

	2000			1999		
(In millions)	Current	Deferred	Total	Current	Deferred	Total
Federal	\$ 257	\$ 196	\$ 453	\$ 107	\$ 257	\$ 364
State and local	41	3	44	4	1	5
Foreign	55	(50)	5	26	(46)	(20)
Total	\$ 353	\$ 149	\$ 502	\$ 137	\$ 212	\$ 349

A reconciliation of federal statutory tax rate (35%) to total provisions (In millions)

Statutory rate applied to income before income taxes	\$
Effects of foreign operations:	
Impairment of deferred tax benefits	
Adjustments to foreign valuation allowances	
All other, including foreign tax credits	
State and local income taxes after federal income tax effects	
Credits other than foreign tax credits	
Excess percentage depletion	
Effects of partially owned companies	
Dispositions of subsidiary investments	
Adjustment of prior years' federal income taxes	
Other	
Total provisions	\$

Deferred tax assets and liabilities resulted from the following:

(In millions) December 31

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### Deferred tax assets:

- Minimum tax credit carryforwards
- State tax loss carryforwards (expiring in 2001 through 2020)
- Foreign tax loss carryforwards (portion of which expire in 2001 through 2002)
- Employee benefits
- Expected federal benefit for:
  - Crediting certain foreign deferred income taxes
  - Deducting state deferred income taxes
- Receivables, payables and debt
- Contingency and other accruals
- Investments in foreign subsidiaries
- Other
- Valuation allowances:
  - Federal
  - State
  - Foreign

Total deferred tax assets/(a)/

### Deferred tax liabilities:

- Property, plant and equipment
- Prepaid pensions
- Inventory
- Investments in subsidiaries and equity investees
- Other

Total deferred tax liabilities

Net deferred tax liabilities

-----

/(a)/ USX expects to generate sufficient future taxable income to realize the benefit of its deferred tax assets. In addition, the ability to realize the benefit of foreign tax credits is based upon certain assumptions concerning future operating conditions (particularly as related to prevailing oil prices), income generated from foreign sources and USX's tax profile in the years that such credits may be claimed. During 2000, the amount of net deferred tax assets expected to be realized was reduced as a result of the change in the amount and timing of future foreign source income due to the exchange of Marathon's interest in Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) for other oil and gas producing interests. Additionally, gross deferred tax assets and the associated valuation allowance were reduced by a change in management's intent regarding the permanent reinvestment of the earnings from certain foreign subsidiaries.

The consolidated tax returns of USX for the years 1990 through 1997 are under various stages of audit and administrative review by the IRS. USX believes it has made adequate provision for income taxes and interest which may become payable for years not yet settled.

Pretax income (loss) included \$245 million, \$63 million and \$(75) million attributable to foreign

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sources in 2000, 1999 and 1998, respectively.

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Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 2000, amounted to \$223 million. No provision for deferred U.S. income taxes has been made for these subsidiaries because USX intends to permanently reinvest such earnings in those foreign operations. If such earnings were not permanently reinvested, a deferred tax liability of \$78 million would have been required.

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### 12. Investments and Long-Term Receivables

(In millions)

December 31

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Equity method investments  
Other investments  
Receivables due after one year  
Deposits of restricted cash  
Other

Total

---

Summarized financial information of investees accounted for by the equity method of accounting follows:

(In millions)

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Income data - year:  
Revenues and other income  
Operating income  
Net income (loss)

\$

---

Balance sheet data - December 31:  
Current assets  
Noncurrent assets  
Current liabilities  
Noncurrent liabilities

---

\$

In 2000, Marathon exchanged its investment in Sakhalin Energy for a working interest in the Foinaven field located in the Atlantic Margin offshore the United Kingdom and an overriding royalty interest in an eight block area in the Gulf of Mexico, which includes the Ursa field. Additionally, Marathon received reimbursement for amounts advanced to Sakhalin Energy in 2000 and a cash settlement for certain other activities in 2000. The transaction was recorded at fair value and

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resulted in a pretax gain on disposal of assets of \$58 million.

USX acquired a 25% interest in VSZ during 2000. VSZ does not provide its shareholders with financial statements prepared in accordance with generally accepted accounting principles in the United States (USGAAP). Although shares of VSZ are traded on the Bratislava Stock Exchange, those securities do not have a readily determinable fair value as defined under USGAAP. Accordingly, USX accounts for its investment in VSZ under the cost method of accounting.

In 1999, USX and Kobe Steel, Ltd. (Kobe Steel) completed a transaction that combined the steelmaking and bar producing assets of USS/Kobe Steel Company (USS/Kobe) with companies controlled by Blackstone Capital Partners II. The combined entity was named Republic Technologies International, LLC and is a wholly owned subsidiary of Republic Technologies International Holdings, LLC (Republic). As a result of this transaction, USX recorded \$47 million in charges related to the impairment of the carrying value of its investment in USS/Kobe and costs related to the formation of Republic. These charges were included in dividend and investee income (loss) in 1999. In addition, USX made a \$15 million equity investment in Republic. USX owned 50% of USS/Kobe and now owns 16% of Republic. USX accounts for its investment in Republic under the equity method of accounting. The seamless pipe business of USS/Kobe was excluded from this transaction. That business, now known as Lorain Tubular Company, LLC, became a wholly owned subsidiary of USX at the close of business on December 31, 1999.

Dividends and partnership distributions received from equity investees were \$56 million in 2000, \$46 million in 1999 and \$42 million in 1998.

USX purchases from equity investees totaled \$627 million, \$411 million and \$395 million in 2000, 1999 and 1998, respectively. USX sales to equity investees totaled \$986 million, \$853 million and \$747 million in 2000, 1999 and 1998, respectively.

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### 13. Short-Term Debt

In November 2000, USX entered into a \$451 million 364-day revolving credit agreement, which terminates in November 2001. Interest is based on defined short-term market rates. During the term of the agreement, USX is obligated to pay a variable facility fee on total commitments, which at December 31, 2000 was .10%. At December 31, 2000, there were no borrowings against this facility. USX has a short-term line of credit totaling \$150 million, bearing interest at a defined short-term market rate, which at December 31, 2000 was 7.10%. At December 31, 2000, USX had borrowed \$150 million against this facility. Certain other banks provide short-term lines of credit totaling \$150 million which require a .125% fee or maintenance of compensating balances of 3%. At December 31, 2000, there were no borrowings against these facilities.



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MAP has a \$100 million short-term revolving credit facility that terminates in July 2001. Interest is based on defined short-term market rates. During the term of the agreement, MAP is required to pay a variable facility fee on total commitments, which at December 31, 2000 was .11%. At December 31, 2000, there were no borrowings against this facility.

USSK has a short-term \$50 million credit facility that expires in November 2001. The facility, which is non-recourse to USX, bears interest on prevailing short-term market rates plus 1%. USSK is obligated to pay a .25% commitment fee on undrawn amounts. At December 31, 2000, there were no borrowings against this facility.

### 14. Long-Term Debt

(In millions)	Interest Rates - %	M
USX Corporation:		
Revolving credit facility/(a)/		
Commercial paper/(a)/	7.68	
Notes payable	6 13/20 - 9 4/5	2
Obligations relating to Industrial Development and Environmental Improvement Bonds and Notes/(b)/	4 1/4 - 6 7/8	2
Receivables facility/(c)/		
All other obligations, including sale-leaseback financing and capital leases		2
Consolidated subsidiaries:		
Revolving credit facilities/(d)/		2
USSK loan facility/(e)/	8 1/2	
Guaranteed Notes	7	
Guaranteed Loan/(f)/	9 1/20	2
Notes payable	8 1/2	
All other obligations, including capital leases		2
Total/(g) (h)/		
Less unamortized discount		
Less amount due within one year		
Long-term debt due after one year		

/(a)/ In November 2000, USX entered into a \$1,354 million 5-year revolving credit agreement, terminating in November 2005, which in conjunction with a \$451 million 364-day revolving credit agreement, terminating in December 2001, replaced the prior \$2,350 million facility. Interest on the facility is based on defined short-term market rates. During the term of the agreement, USX is obligated to pay a variable facility fee on total commitments, which at December 31, 2000 was .125%. At December 31, 2000, \$300 million had been borrowed against this facility. The commercial paper is supported by the unused and available credit on the 5-year facility

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- and, accordingly, is classified as long-term debt.
- /(b)/ At December 31, 2000, USX had outstanding obligations relating to Environmental Improvement Bonds in the amount of \$141 million, which were supported by letter of credit arrangements that could become short-term obligations under certain circumstances.
- /(c)/ In December 1999, USX entered into an agreement under which the U. S. Steel Group participates in a program to sell an undivided interest in certain accounts receivable. A previous program expired in October 1999 and was accounted for as a transfer of receivables. The new program is accounted for as a secured borrowing. Payments are collected from sold accounts receivable and invested in new accounts receivable for the purchaser and a yield, based on short-term market rates, is transferred to the purchaser. If the U. S. Steel Group does not have sufficient eligible receivables to reinvest for the purchaser, the size of the program is reduced accordingly. The purchaser has a security interest in a pool of receivables to secure USX's obligations under the program. If the receivables facility is not renewed annually, the balance outstanding of such facility could be refinanced by the 5-year facility discussed in (a), or another long-term debt source; and therefore, is classified as long-term debt. The amounts sold under the previous receivables programs averaged \$291 million and \$347 million for the years 1999 and 1998, respectively.
- /(d)/ MAP has a \$400 million revolving credit facility that terminates in July 2003. Interest is based on defined short-term market rates. During the term of the agreement, MAP is required to pay a variable facility fee on total commitments, which at December 31, 2000 was .125%. At December 31, 2000, the unused and available credit was \$352 million, which reflects reductions for outstanding letters of credit. In the event that MAP defaults on indebtedness (as defined in the agreement) in excess of \$100 million, USX has guaranteed the payment of any outstanding obligations.
- /(e)/ USSK has a loan facility with a group of financial institutions aggregating \$325 million. The loan, which is non-recourse to USX, bears interest at a fixed rate of 8.5% per annum. The loan is subject to annual repayments of \$20 million beginning in 2003, with the balance due in 2010. Mandatory prepayments of the loan may be required based upon a cash flow formula or a change in control of USX.
- /(f)/ The Guaranteed Loan was used to fund a portion of the costs in connection with the development of the East Brae Field and the SAGE pipeline in the North Sea. A portion of proceeds from a long-term gas sales contract is dedicated to loan service under certain circumstances. Prepayment of the loan may be required under certain situations, including events impairing the security interest.
- /(g)/ Required payments of long-term debt for the years 2002-2005 are \$209 million, \$207 million, \$710 million and \$440 million, respectively.

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/(h)/ In the event of a change in control of USX, as defined in the related agreements, debt obligations totaling \$3,614 million may be declared immediately due and payable. The principal obligations subject to such a provision are Notes payable - \$2,505 million; USSK loan facility - \$325 million; and Guaranteed Loan - \$199 million. In such event, USX may also be required to either repurchase the leased Fairfield slab caster for \$100 million or provide a letter of credit to secure the remaining obligation.

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### 15. Inventories

(In millions)

December 31

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Raw materials  
Semi-finished products  
Finished products  
Supplies and sundry items

Total (at cost)  
Less inventory market valuation reserve

Net inventory carrying value

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At December 31, 2000 and 1999, the LIFO method accounted for 92% and 91%, respectively, of total inventory value. Current acquisition costs were estimated to exceed the above inventory values at December 31 by approximately \$880 million and \$570 million in 2000 and 1999, respectively. Cost of revenues was reduced and income from operations was increased by \$17 million in 2000 as a result of liquidations of LIFO inventories.

The inventory market valuation reserve reflects the extent that the recorded LIFO cost basis of crude oil and refined products inventories exceeds net realizable value. The reserve is decreased to reflect increases in market prices and inventory turnover and increased to reflect decreases in market prices. Changes in the inventory market valuation reserve result in noncash charges or credits to costs and expenses. During 2000, there were no charges or credits to costs and expenses.

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### 16. Supplemental Cash Flow Information

(In millions)

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Cash used in operating activities included:

Interest and other financial costs paid	
(net of amount capitalized)	\$
Income taxes paid	

Commercial paper and revolving credit arrangements - net:

Commercial paper - issued	\$
- repayments	
Credit agreements - borrowings	
- repayments	
Other credit arrangements - net	

Total	\$
-------	----

Noncash investing and financing activities:

Common stock issued for dividend reinvestment and employee stock plans	\$
--	----

Marathon Stock issued for Exchangeable Shares

Investee preferred stock received in conversion of investee loan

Disposal of assets:

Exchange of Sakhalin Energy investment

Deposit of RTI common shares in satisfaction of indexed debt

Interest in USS/Kobe contributed to Republic

Other - notes or common stock received

Business combinations:

Acquisition of USSK:

Liabilities assumed

Contingent consideration payable at present value

Investee liabilities consolidated in step acquisition

Acquisition of Tarragon:

Exchangeable Shares issued

Liabilities assumed

Acquisition of Ashland RM&T net assets:

38% interest in MAP

Liabilities assumed

Other acquisitions:

Liabilities assumed

Investee liabilities consolidated in step acquisition

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### 17. Stock-Based Compensation Plans

The 1990 Stock Plan, as amended and restated, authorizes the Compensation Committee of the Board of Directors to grant restricted stock, stock options and stock appreciation rights to key management employees. Such employees are generally granted awards of the class of common stock intended to reflect the performance of the group(s) to which their work relates. Up to .5 percent of the outstanding Marathon Stock and .8 percent of the outstanding Steel Stock, as determined on December 31 of the preceding year, are available for grants during each calendar year the 1990 Plan is in effect. In addition, awarded shares that do not result in shares being issued are available for subsequent grant, and any ungranted shares from prior years' annual allocations are available for subsequent grant during the years the 1990

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Plan is in effect. As of December 31, 2000, 8,519,302 Marathon Stock shares and 2,108,128 Steel Stock shares were available for grants in 2001.

Restricted stock represents stock granted for such consideration, if any, as determined by the Compensation Committee, subject to provisions for forfeiture and restricting transfer. Those restrictions may be removed as conditions such as performance, continuous service and other criteria are met. Restricted stock is issued at the market price per share at the date of grant and vests over service periods that range from one to five years.

Deferred compensation is charged to stockholders' equity when the restricted stock is granted and subsequently adjusted for changes in the market value of the underlying stock. The deferred compensation is expensed over the balance of the vesting period and adjusted if conditions of the restricted stock grant are not met.

The following table presents information on restricted stock grants:

	Marathon Stock		
	2000	1999	1998
Number of shares granted	410,025	28,798	25,378
Weighted-average grant-date fair value per share	\$ 25.50	\$ 29.38	\$ 34.00

Stock options represent the right to purchase shares of Marathon Stock or Steel Stock at the market value of the stock at date of grant. Certain options contain the right to receive cash and/or common stock equal to the excess of the fair market value of shares of common stock, as determined in accordance with the plan, over the option price of shares. Most stock options vest after a one-year service period and all expire 10 years from the date they are granted.

The following is a summary of stock option activity:

	Marathon Stock	
	Shares	Price/ (a) /
Balance December 31, 1997	3,694,865	\$ 24.81
Granted	987,535	34.00
Exercised	(594,260)	27.61
Canceled	(13,200)	27.22
Balance December 31, 1998	4,074,940	26.62
Granted	1,005,000	29.38
Exercised	(176,160)	27.27

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Canceled	(121,055)	30.19
	-----	
Balance December 31, 1999	4,782,725	27.08
Granted	1,799,880	25.18
Exercised	(58,870)	23.11
Canceled	(410,115)	28.06
	-----	
Balance December 31, 2000	6,113,620	26.50
	-----	

/(a)/ Weighted-average exercise price

The weighted-average grant-date fair value per option for the Marathon Stock was \$7.51 in 2000, \$8.89 in 1999 and \$10.43 in 1998. For the Steel Stock such amounts were \$6.63 in 2000, \$6.95 in 1999 and \$8.29 in 1998.

The following table represents stock options at December 31, 2000:

		Outstanding		
	Range of Exercise Prices	Number of Shares Under Option	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
-----				
Marathon Stock	\$ 17.00-23.44	1,947,290	4.5 years	\$ 21.0
	25.38-26.47	1,512,905	8.6	25.5
	29.38-34.00	2,653,425	7.5	31.0
	Total	6,113,620		
-----				
Steel Stock	\$ 23.00-28.22	1,592,305	8.8 years	\$ 25.1
	31.69-34.44	1,050,920	5.2	32.5
	37.28-44.19	835,275	6.0	39.2
	Total	3,478,500		
-----				

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Actual stock-based compensation expense (credit) was \$6 million in 2000 and \$(3) million in 1999 and 1998. Incremental compensation expense, as determined under a fair value model, was not material (\$.02 or less per share for all years presented). Therefore, pro forma net income and earnings per share data have been omitted.

USX has a deferred compensation plan for non-employee directors of its Board of Directors. The plan permits participants to defer some or all of their annual retainers in the form of common stock units or cash and it requires new directors to defer at least half of their annual retainer in the form of common stock units. Common stock units are book entry units equal in value to a share of

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Marathon Stock or Steel Stock. Deferred stock benefits are distributed in shares of common stock within five business days after a participant leaves the Board of Directors. During 2000, 14,242 shares of Marathon Stock and 4,872 shares of Steel Stock were issued and during 1999, 10,541 shares of Marathon Stock and 3,798 shares of Steel Stock were issued. During 1998, no shares of common stock were issued.

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### 18. Dividends

In accordance with the USX Certificate, dividends on the Marathon Stock and Steel Stock are limited to the legally available funds of USX. Net losses of any Group, as well as dividends and distributions on any class of USX Common Stock or series of preferred stock and repurchases of any class of USX Common Stock or series of preferred stock at prices in excess of par or stated value, will reduce the funds of USX legally available for payment of dividends on all classes of Common Stock. Subject to this limitation, the Board of Directors intends to declare and pay dividends on the Marathon Stock and Steel Stock based on the financial condition and results of operations of the related group, although it has no obligation under Delaware law to do so. In making its dividend decisions with respect to each of the Marathon Stock and Steel Stock, the Board of Directors considers, among other things, the long-term earnings and cash flow capabilities of the related group as well as the dividend policies of similar publicly traded companies.

Dividends on the Steel Stock are further limited to the Available Steel Dividend Amount. At December 31, 2000, the Available Steel Dividend Amount was at least \$3,161 million. The Available Steel Dividend Amount will be increased or decreased, as appropriate, to reflect U. S. Steel Group net income, dividends, repurchases or issuances with respect to the Steel Stock and preferred stock attributed to the U. S. Steel Group and certain other items.

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### 19. Stockholder Rights Plan

On September 28, 1999, USX's Board of Directors adopted a new Stockholder Rights Plan and declared a dividend distribution of one right for each outstanding share of Marathon Stock and Steel Stock (referred to together as "Voting Stock") to stockholders of record on October 9, 1999. Each right becomes exercisable, at a price of \$110, after any person or group has acquired, obtained the right to acquire or made a tender or exchange offer for 15% or more of the outstanding voting power represented by the outstanding Voting Stock, except pursuant to a qualifying all-cash tender offer for all outstanding shares of Voting Stock which results in the offeror owning shares of Voting Stock representing a majority of the voting power (other than Voting Stock beneficially owned by the offeror immediately prior to the offer). Each right entitles the holder, other than the acquiring person or group, to purchase one one-hundredth of a share of Series A Junior Preferred Stock or, upon the acquisition by any person of 15% or more of the outstanding voting power represented by the outstanding Voting Stock, Marathon Stock or Steel Stock

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(or, in certain circumstances, other property) having a market value of twice the exercise price. After a person or group acquires 15% or more of the outstanding voting power, if USX engages in a merger or other business combination where it is not the surviving corporation or where it is the surviving corporation and the Voting Stock is changed or exchanged, or if 50% or more of USX's assets, earnings power or cash flow are sold or transferred, each right entitles the holder to purchase common stock of the acquiring entity having a market value of twice the exercise price. The rights and the exercise price are subject to adjustment. The rights will expire on October 9, 2009, unless such date is extended or the rights are earlier redeemed by USX for one cent per right at any time prior to the point they become exercisable. Under certain circumstances, the Board of Directors has the option to exchange one share of the respective class of Voting Stock for each exercisable right.

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### 20. Income Per Common Share

The method of calculating net income (loss) per share for the Marathon Stock and the Steel Stock reflects the USX Board of Directors' intent that the separately reported earnings and surplus of the Marathon Group and the U. S. Steel Group, as determined consistent with the USX Certificate, are available for payment of dividends on the respective classes of stock, although legally available funds and liquidation preferences of these classes of stock do not necessarily correspond with these amounts. The financial statements of the Marathon Group and the U. S. Steel Group, taken together, include all accounts which comprise the corresponding consolidated financial statements of USX.

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

Diluted net income (loss) per share assumes conversion of convertible securities for the applicable periods outstanding and assumes exercise of stock options, provided in each case, the effect is not antidilutive.

#### COMPUTATION OF INCOME PER SHARE

	2000		1999
	----- Basic	----- Diluted	----- Basic
<hr/>			
Marathon Group			
-----			
Net income (millions)	\$ 432	\$ 432	\$ 654
	=====	=====	=====
Shares of common stock outstanding (thousands):			
Average number of common shares outstanding	311,531	311,531	309,696
Effect of dilutive securities -			



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Stock options	-	230	-
	-----	-----	-----
Average common shares and dilutive effect	311,531	311,761	309,696
	=====	=====	=====
Net income per share	\$ 1.39	\$ 1.39	\$ 2.11
-----			
U. S. Steel Group			
-----			
Net income (loss) (millions):			
Income (loss) before extraordinary losses	\$ (21)	\$ (21)	\$ 51
Dividends on preferred stock	8	8	9
Extraordinary losses	-	-	7
	-----	-----	-----
Net income (loss) applicable to Steel Stock	(29)	(29)	35
Effect of dilutive securities -			
Trust preferred securities	-	-	-
	-----	-----	-----
Net income (loss) assuming conversions	\$ (29)	\$ (29)	\$ 35
	=====	=====	=====
Shares of common stock outstanding (thousands):			
Average number of common shares outstanding	88,613	88,613	88,392
Effect of dilutive securities:			
Trust preferred securities	-	-	-
Preferred stock	-	-	-
Stock options	-	-	-
	-----	-----	-----
Average common shares and dilutive effect	88,613	88,613	88,392
	=====	=====	=====
Per share:			
Income (loss) before extraordinary losses	\$ (.33)	\$ (.33)	\$ .48
Extraordinary losses	-	-	.08
	-----	-----	-----
Net income (loss)	\$ (.33)	\$ (.33)	\$ .40
-----			

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## ----- 21. Property, Plant and Equipment

(In millions)

December 31

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Marathon Group:

Production

Refining

Marketing

Transportation

Other

Total

U. S. Steel Group:

Land and depletable property

Buildings

Machinery and equipment

Leased assets

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Total

USX Corporation:

Total property, plant and equipment

Less accumulated depreciation, depletion and amortization:

Marathon Group

U. S. Steel Group

Net property, plant and equipment

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Property, plant and equipment includes gross assets acquired under capital leases (including sale-leasebacks accounted for as financings) of \$106 million at December 31, 2000, and \$125 million at December 31, 1999; related amounts in accumulated depreciation, depletion and amortization were \$79 million and \$81 million, respectively.

During 2000, the U. S. Steel Group recorded \$71 million of impairments relating to coal assets located in West Virginia and Alabama. The impairment was recorded as a result of a reassessment of long-term prospects after adverse geological conditions were encountered.

During 2000, the Marathon Group recorded \$193 million of impairments of certain E&P segment oil and gas properties, primarily located in Canada. The impairments were recorded due to reserve revisions as a result of production performance and disappointing drilling results. The fair value of the properties was determined using a discounted cash flow model, unless an indicative offer to purchase was available. The Marathon Group used pricing assumptions based on forecasted prices applicable for the remaining life of the assets derived from current market conditions and long-term forecasts. The discounted cash flow calculation included risk-adjusted probable and possible reserve quantities.

In 1998, the Marathon Group recorded a \$60 million impairment charge on its oil and gas properties in Libya. The deterioration of U.S. relations with Libya at the time created an unstable environment that caused the Marathon Group to reevaluate its stance with its investment in Libya. The Marathon Group impaired the value of these assets because it could not reasonably predict with a high degree of certainty if government sanctions which prevented the Marathon Group from operating these assets would ever be lifted.

All impairment charges were included in depreciation, depletion and amortization.

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### 22. Preferred Stock of Subsidiary and Trust Preferred Securities

USX Capital LLC, a wholly owned subsidiary of USX, sold 10,000,000 shares (carrying value of \$250 million) of 8 3/4% Cumulative Monthly Income Preferred Shares (MIPS) (liquidation preference of \$25 per share) in 1994. Proceeds of the issue were loaned to USX. USX has the right under the loan agreement to extend interest payment periods for up to 18 months, and as a consequence, monthly dividend payments on the MIPS can be deferred by USX Capital LLC during any

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such interest payment period. In the event that USX exercises this right, USX may not declare dividends on any share of its preferred or common stocks. The MIPS are redeemable at the option of USX Capital LLC and subject to the prior consent of USX, in whole or in part from time to time, for \$25 per share, and will be redeemed from the proceeds of any repayment of the loan by USX. In addition, upon final maturity of the loan, USX Capital LLC is required to redeem the MIPS. The financial costs are included in net interest and other financial costs.

In 1997, USX exchanged approximately 3.9 million 6.75% Convertible Quarterly Income Preferred Securities (Trust Preferred Securities) of USX Capital Trust I, a Delaware statutory business trust (Trust), for an equivalent number of shares of its 6.50% Cumulative Convertible Preferred Stock (6.50% Preferred Stock) (Exchange). The Exchange resulted in the recording of Trust Preferred Securities at a fair value of \$182 million.

USX owns all of the common securities of the Trust, which was formed for the purpose of the Exchange. (The Trust Common Securities and the Trust Preferred Securities are together referred to as the Trust Securities.) The Trust Securities represent undivided beneficial ownership interests in the assets of the Trust, which consist solely of USX 6.75% Convertible Junior Subordinated Debentures maturing March 31, 2037 (Debentures), having an aggregate principal amount equal to the aggregate initial liquidation amount (\$50.00 per security and \$203 million in total) of the Trust Securities issued by the Trust. Interest and principal payments on the Debentures will be used to make quarterly distributions and to pay redemption and liquidation amounts on the Trust Preferred Securities. The quarterly distributions, which accumulate at the rate of 6.75% per annum on the Trust Preferred Securities and the accretion from fair value to the initial liquidation amount, are charged to income and included in net interest and other financial costs.

Under the terms of the Debentures, USX has the right to defer payment of interest for up to 20 consecutive quarters and, as a consequence, monthly distributions on the Trust Preferred Securities will be deferred during such period. If USX exercises this right, then, subject to limited exceptions, it may not pay any dividend or make any distribution with respect to any shares of its capital stock.

The Trust Preferred Securities are convertible at any time prior to the close of business on March 31, 2037 (unless such right is terminated earlier under certain circumstances) at the option of the holder, into shares of Steel Stock at a conversion price of \$46.25 per share of Steel Stock (equivalent to a conversion ratio of 1.081 shares of Steel Stock for each Trust Preferred Security), subject to adjustment in certain circumstances.

The Trust Preferred Securities may be redeemed at any time at the option of USX, at a premium of 101.95% of the initial liquidation amount through March 31, 2001, and thereafter, declining annually to the initial liquidation amount on April 1, 2003, and thereafter. They are mandatorily redeemable at March 31, 2037, or earlier under certain circumstances.

Payments related to quarterly distributions and to the payment of redemption and liquidation amounts on the Trust

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Preferred Securities by the Trust are guaranteed by USX on a subordinated basis. In addition, USX unconditionally guarantees the Trust's Debentures. The obligations of USX under the Debentures, and the related indenture, trust agreement and guarantee constitute a full and unconditional guarantee by USX of the Trust's obligations under the Trust Preferred Securities.

### 23. Preferred Stock

USX is authorized to issue 40,000,000 shares of preferred stock, without par value -

6.50% Cumulative Convertible Preferred Stock (6.50% Preferred Stock) - As of December 31, 2000, 2,413,487 shares (stated value of \$1.00 per share; liquidation preference of \$50.00 per share) were outstanding. The 6.50% Preferred Stock is convertible at any time, at the option of the holder, into shares of Steel Stock at a conversion price of \$46.125 per share of Steel Stock, subject to adjustment in certain circumstances. This stock is redeemable at USX's sole option, at a price of \$50.975 per share beginning April 1, 2000, and thereafter at prices declining annually on each April 1 to an amount equal to \$50.00 per share on and after April 1, 2003.

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### 24. Derivative Instruments

USX remains at risk for possible changes in the market value of derivative instruments; however, such risk should be mitigated by price changes in the underlying hedged item. USX is also exposed to credit risk in the event of nonperformance by counterparties. The credit-worthiness of counterparties is subject to continuing review, including the use of master netting agreements to the extent practical, and full performance is anticipated.

The following table sets forth quantitative information by class of derivative instrument for derivative instruments categorized as trading or other than trading:

(In millions)	Fair Value Assets (Liabilities)/(a)/(b)/(Liabilities)	Carrying Amount Assets (Liabilities)	Recognized Trading Gain or (Loss) for the Year
December 31, 2000:			
Exchange-traded commodity futures:			
Trading	\$ -	\$ -	\$ (19)
Other than trading	-	-	-
Exchange-traded commodity options:			
Trading	-	-	-
Other than trading	(6)/(d)/	(6)	-
OTC commodity swaps/(e)/:			
Trading	-	-	-
Other than trading	35/(f)/	35	-

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OTC commodity options:			
Trading	-	-	-
Other than trading	(52) / (g) /	(52)	-
	-----	-----	-----
Total commodities	\$ (23)	\$ (23)	\$ (19)
	=====	=====	=====
Forward exchange contracts/(h)/:			
- receivable	\$ 14	\$ 14	\$ -
-----			
December 31, 1999:			
Exchange-traded commodity futures:			
Trading	\$ -	\$ -	\$ 4
Other than trading	-	-	-
Exchange-traded commodity options:			
Trading	-	-	4
Other than trading	(6) / (d) /	(6)	-
OTC commodity swaps:			
Trading	-	-	-
Other than trading	6 / (f) /	6	-
OTC commodity options:			
Trading	-	-	-
Other than trading	4 / (g) /	4	-
	-----	-----	-----
Total commodities	\$ 4	\$ 4	\$ 8
	=====	=====	=====
Forward exchange contracts:			
- receivable	\$ 52	\$ 52	\$ -
-----			

- /(a)/ The fair value amounts for OTC positions are based on various indices or dealer quotes. The fair value amounts for currency contracts are based on dealer quotes of forward prices covering the remaining duration of the forward exchange contract. The exchange-traded futures contracts and certain option contracts do not have a corresponding fair value since changes in the market prices are settled on a daily basis.
- /(b)/ The aggregate average fair value of all trading activities for 2000 and 1999 was \$(5) million and \$3 million, respectively. Detail by class of instrument was not available.
- /(c)/ Contract or notional amounts do not quantify risk exposure, but are used in the calculation of cash settlements under the contracts. The contract or notional amounts do not reflect the extent to which positions may offset one another.
- /(d)/ Includes fair values as of December 31, 2000 and 1999, for assets of \$10 million and \$11 million and for liabilities of \$(16) million and \$(17) million, respectively.
- /(e)/ The OTC swap arrangements vary in duration with certain contracts extending into 2008.
- /(f)/ Includes fair values as of December 31, 2000 and 1999, for assets of \$84 million and \$11 million and for liabilities of \$(49) million and \$(5) million, respectively.
- /(g)/ Includes fair values as of December 31, 2000 and 1999, for assets of \$1 million and \$5 million and for liabilities of \$(53) million and \$(1) million, respectively.
- /(h)/ The forward exchange contracts relating to USX's foreign operations have various maturities ending in March 2001.

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Fair value of the financial instruments 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. The following table summarizes financial instruments, excluding derivative financial instruments disclosed in Note 24, by individual balance sheet account:

		200
(In millions)	December 31	Fair Value
<hr/>		
Financial assets:		
Cash and cash equivalents		\$ 559
Receivables		3,238
Investments and long-term receivables		211
		<hr/>
Total financial assets		\$ 4,008
<hr/>		
Financial liabilities:		
Notes payable		\$ 150
Accounts payable		3,774
Accrued interest		108
Long-term debt (including amounts due within one year)		4,549
Preferred stock of subsidiary and trust preferred securities		357
		<hr/>
Total financial liabilities		\$ 8,938
<hr/>		

Fair value of financial instruments classified as current assets or liabilities approximates carrying value due to the short-term maturity of the instruments. Fair value of investments and long-term receivables was based on discounted cash flows or other specific instrument analysis. Certain foreign cost method investments are excluded from investments and long-term receivables because the fair value is not readily determinable. USX is subject to market risk and liquidity risk related to its investments; however, these risks are not readily quantifiable. Fair value of preferred stock of subsidiary and trust preferred securities was based on market prices. Fair value of long-term debt instruments was based on market prices where available or current borrowing rates available for financings with similar terms and maturities.

USX's only unrecognized financial instruments are financial guarantees and commitments to extend credit. It is not practicable to estimate the fair value of these forms of financial instrument obligations because there are no quoted market prices for transactions which are similar in nature. For details relating to financial guarantees, see Note 26.

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### 26. Contingencies and Commitments

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

#### Environmental matters -

USX 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. At December 31, 2000 and 1999, accrued liabilities for remediation totaled \$212 million and \$170 million, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed. Receivables for recoverable costs from certain states, under programs to assist companies in cleanup efforts related to underground storage tanks at retail marketing outlets, were \$57 million at December 31, 2000, and \$52 million at December 31, 1999.

For a number of years, USX has made substantial capital expenditures to bring existing facilities into compliance with various laws relating to the environment. In 2000 and 1999, such capital expenditures totaled \$91 million and \$78 million, respectively. USX anticipates making additional such expenditures in the future; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

At December 31, 2000 and 1999, accrued liabilities for platform abandonment and dismantlement totaled \$162 million and \$152 million, respectively.

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#### Guarantees -

Guarantees of the liabilities of unconsolidated entities by USX and its consolidated subsidiaries totaled \$82 million at December 31, 2000, and \$219 million at December 31, 1999. In the event that any defaults of guaranteed liabilities occur, USX has access to its interest in the assets of most of the investees to reduce potential losses resulting from these guarantees. As of December 31, 2000, the largest guarantee for a single such entity was \$59 million.

At December 31, 2000 and 1999, USX's pro rata share of obligations of LOOP LLC and various pipeline investees secured by throughput and deficiency agreements totaled \$119 million and \$146 million, respectively. Under the agreements, USX is required to

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advance funds if the investees are unable to service debt. Any such advances are prepayments of future transportation charges.

### Commitments -

At December 31, 2000 and 1999, contract commitments to acquire property, plant and equipment and long-term investments totaled \$663 million and \$568 million, respectively.

USSK has a commitment to the Slovak government for a capital improvements program of \$700 million, subject to certain conditions, over a period commencing with the acquisition date and ending on December 31, 2010. USSK is required to report periodically to the Slovak government on its status toward meeting this commitment. The first reporting period ends on December 31, 2003.

USX entered into a 15-year take-or-pay arrangement in 1993, which requires USX to accept pulverized coal each month or pay a minimum monthly charge of approximately \$1 million. Charges for deliveries of pulverized coal totaled \$23 million in 2000, 1999 and 1998. If USX elects to terminate the contract early, a maximum termination payment of \$96 million, which declines over the duration of the agreement, may be required.

USX is a party to a 15-year transportation services agreement with a natural gas transmission company. The contract requires USX to pay minimum annual demand charges of approximately \$5 million starting in December 2000 and concluding in 2015. The payments are required even if the transportation facility is not utilized. Demand charges paid in 2000 were less than \$1 million.

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## 27. Joint Venture Formation

In December 2000, Marathon and Kinder Morgan Energy Partners, L.P. signed a definitive agreement to form a joint venture combining certain of their oil and gas producing activities in the U.S. Permian Basin, including Marathon's interest in the Yates Field. This transaction will allow Marathon to expand its interests in the Permian Basin and will improve access to materials for use in enhanced recovery techniques in the Yates Field. The joint venture named MKM Partners L.P., commenced operations in January 2001 and will be accounted for under the equity method of accounting.

As a result of the agreement to form this joint venture, Marathon recognized a pretax charge of \$931 million in the fourth quarter 2000, which is included in net gains (losses) on disposal of assets, and reclassified the remaining book value associated with the Yates Field from property, plant and equipment to assets held for sale. Upon completion of this transaction in January 2001, the book value will be transferred from assets held for sale to investments and long-term receivables.

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## 28. Subsequent Event - Business Combination

On February 7, 2001, Marathon acquired 87% of the



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outstanding common stock of Pennaco Energy Inc., a natural gas producer. Marathon plans to acquire the remaining Pennaco shares through a merger in which each share of Pennaco common stock, not purchased in the offer and not held by stockholders who have properly exercised dissenters rights under Delaware law, will be converted into the right to receive the tender offer price in cash, without interest. The purchase price is expected to approximate \$500 million. The acquisition will be accounted for using the purchase method of accounting.

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## Selected Quarterly Financial Data (Unaudited)

	2000					
(In millions, except per share data)	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd
Revenues and other income:						
Revenues(a)	\$10,293	\$10,607	\$10,293	\$ 9,307	\$8,725	\$
Other income (loss)	(837)	72	57	122	53	
Total	9,456	10,679	10,350	9,429	8,778	
Income (loss) from operations	(625)	789	972	616	425	
Includes:						
Joint venture formation charges	(931)	-	-	-	-	
Inventory market valuation credits	-	-	-	-	-	
Income (loss) before extraordinary losses	(449)	140	423	297	205	
Net income (loss)	(449)	140	423	297	205	
Marathon Stock data:						
Net income (loss)	\$ (310)	\$ 121	\$ 367	\$ 254	\$ 171	\$
Per share - basic and diluted	(1.00)	.38	1.18	.81	.55	
Dividends paid per share	.23	.23	.21	.21	.21	
Price range of Marathon Stock(b):						
- Low	25-1/4	23-1/2	22-13/16	20-11/16	23-5/8	
- High	30-3/8	29-5/8	29-3/16	27-1/2	30-5/8	
Steel Stock data:						
Income (loss) before extraordinary losses applicable to Steel Stock	\$ (141)	\$ 17	\$ 54	\$ 41	\$ 32	\$
- Per share:basic	(1.59)	.19	.62	.45	.35	
diluted	(1.59)	.19	.62	.45	.35	
Dividends paid per share	.25	.25	.25	.25	.25	
Price range of Steel Stock(b):						
- Low	12-11/16	14-7/8	18-1/4	20-5/8	21-3/4	
- High	18-5/16	19-11/16	26-7/8	32-15/16	33	

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- (a) Certain items have been reclassified between revenues and cost of revenues, primarily to give effect to new accounting standards as disclosed in Note 2 of the Notes to Consolidated Financial Statements. Amounts reclassified in the first, second and third quarters of 2000 were \$(65) million, \$(138) million and \$(14) million, respectively, and for the first, second, third and fourth quarters of 1999 were \$(97) million, \$(82) million, \$(113) million and \$(172) million, respectively.
- (b) Composite tape.

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### Principal Unconsolidated Investees (Unaudited)

Company	Country	December 31, 2000 Ownership
Clairton 1314B Partnership, L.P.	United States	10%
CLAM Petroleum B.V.	Netherlands	50%
Double Eagle Steel Coating Company	United States	50%
Kenai LNG Corporation	United States	30%
LOCAP, Inc.	United States	50% / (a) /
LOOP LLC	United States	47% / (a) /
Manta Ray Offshore Gathering Company, LLC	United States	24%
Minnesota Pipe Line Company	United States	33% / (a) /
Nautilus Pipeline Company, LLC	United States	24%
Odyssey Pipeline LLC	United States	29%
Poseidon Oil Pipeline Company, LLC	United States	28%
PRO-TEC Coating Company	United States	50%
Republic Technologies International, LLC	United States	16%
Transtar, Inc.	United States	46%
USS-POSCO Industries	United States	50%
Worthington Specialty Processing	United States	50%

/(a)/ Represents the ownership of MAP.

### Supplementary Information on Mineral Reserves Other Than Oil and Gas (Unaudited)

USX operates two underground coal mining complexes, the #50 Mine and Pinnacle Preparation Plant in West Virginia, and the Oak Grove Mine and Concord Preparation Plant in Alabama. USX also operates one iron ore surface mining complex consisting of the open pit Minntac Mine and Pellet Plant in Minnesota.

### Production History

The following table provides a summary, by mining complex, of minerals production in millions of tons for each of the last three years:

-----

Coal:

#50 Mine/Pinnacle Preparation Plant

Oak Grove Mine/Concord Preparation Plant

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Total coal production

Iron Ore Pellets:

Minntac Mine and Pellet Plant

Adverse mining conditions in the form of unforeseen geologic conditions occurred at both coal mining operations in the year 2000. Coal production was diminished and mining costs were elevated. Force majeure conditions were declared with respect to contracted coal deliveries with certain contracts fulfilled by purchased substitutes and other contracts fulfilled by extension of delivery time into 2001. These adverse mining conditions did not affect reserves reported as of December 31, 2000.

No recent adverse events affected iron ore pellet production other than fluctuations in market demand.

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Supplementary Information on Mineral Reserves Other Than Oil and Gas (Unaudited) continued

## Coal Reserves

USX had 786.6 million short tons of recoverable coal reserves classified as proven and probable at December 31, 2000. Proven and probable reserves are defined by sites for inspection, sampling, and measurement generally less than 1 mile apart, such that continuity between points and subsequent economic evaluation can be assured.

Independent outside entities have reviewed USX's coal reserve estimates on properties comprising approximately 70% of the stated coal reserves.

The following table summarizes our proven and probable coal reserves as of December 31, 2000, the status of the reserves as assigned or unassigned, our property interest in the reserves, and certain characteristics of the reserves:

	Proven and Probable	Reserve Control		Coal Characteristics	
Location	Reserves/ (a) (b) /	Owned	Leased	Grade	Volatility
-----					
Assigned Reserves/ (d) /:					
Oak Grove Mine, AL	52.1	52.1	-	Metallurgical	Low
#50 Mine, WV	88.2	76.0	12.2	Metallurgical	Low
	-----	-----	-----		
Total assigned	140.3	128.1	12.2		
	-----	-----	-----		
Unassigned Reserves/ (e) /:					
Alabama	123.4	123.4	-	Metallurgical	Low to High
Alabama/ (b) (f) /	47.6	47.6	-	Steam	Low to High
Alabama	31.9	-	31.9	Metallurgical	Medium
Illinois/ (f) /	374.8	374.8	-	Steam	High
Indiana, Pennsylvania, Tennessee, West Virginia/ (f) /	68.6	68.6	-	Metallurgical/Steam	Low to High
	-----	-----	-----		
Total unassigned	646.3	614.4	31.9		
	-----	-----	-----		
Total Proven and Probable	786.6	742.5	44.1		

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- /(a)/ The amounts in this column reflect recoverable tons. Recoverable tons represent the amount of product that could be used internally or delivered to a customer after considering mining and preparation losses. Neither inferred reserves nor resources which exist in addition to proven and probable reserves were included in these figures.
- /(b)/ All of USX's recoverable reserves would be recovered utilizing underground mining methods, with the exception of 17.2 million short tons of owned, unassigned, recoverable, steam grade reserves in Alabama which would be recovered utilizing surface mining methods.
- /(c)/ "As received" means the quality parameters stated are with the expected product moisture content and quality values that a customer can reasonably expect to receive upon delivery.
- /(d)/ Assigned Reserves means recoverable coal reserves which have been committed by USX to our operating mines and plant facilities.
- /(e)/ Unassigned Reserves represent coal which has not been committed, and which would require new mines and or plant facilities before operations could begin on the property.
- /(f)/ Represents non-compliance steam coal as defined by Phase II of the Clean Air Act, having sulfur content in excess of 1.2 pounds per million BTU's.

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## Supplementary Information on Mineral Reserves Other Than Oil and Gas (Unaudited) Continued

### Iron Ore Reserves

USX had 709.8 million short tons of recoverable iron ore reserves classified as proven and probable at December 31, 2000. Proven and probable reserves are defined by sites for inspection, sampling, and measurement generally less than 1,000 feet apart, such that continuity between points and subsequent economic evaluation can be assured. Recoverable tons mean the tons of product that can be used internally or delivered to a customer after considering mining and beneficiation or preparation losses. Neither inferred reserves nor resources which exist in addition to proven and probable reserves were included in these figures.

All 709.8 million tons of proven and probable reserves are assigned, which means that they have been committed by USX to its one operating mine, and are of blast furnace pellet grade. USX owns 219.2 million of these tons and leases the remaining 490.6 million tons. USX does not own, or control by lease, any unassigned iron ore reserves.

Independent outside entities, including lessors, have reviewed USX's estimates on approximately 75% of the stated iron ore reserves.

## Supplementary Information on Oil and Gas Producing Activities (Unaudited)

### Capitalized Costs and Accumulated Depreciation, Depletion and Amortization

(In millions)	December 31	United States	Europe	Other Intl.	Consolidated
-----					
2000					
Capitalized costs:					
Proved properties		\$ 5,752	\$ 4,739	\$ 1,373	\$11,864
Unproved properties		343	124	180	647
		-----	-----	-----	-----
Total		6,095	4,863	1,553	12,511

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Accumulated depreciation, depletion and amortization:				
Proved properties	3,435	3,074	420	6,929
Unproved properties	107	-	13	120
Total	3,542	3,074	433	7,049
Net capitalized costs	\$ 2,553	\$ 1,789	\$ 1,120	\$ 5,462
-----				
1999				
Capitalized costs:				
Proved properties	\$ 8,270	\$ 4,465	\$ 1,270	\$14,005
Unproved properties	349	55	187	591
Total	8,619	4,520	1,457	14,596
Accumulated depreciation, depletion and amortization:				
Proved properties	5,019	2,859	136	8,014
Unproved properties	78	-	6	84
Total	5,097	2,859	142	8,098
Net capitalized costs	\$ 3,522	\$ 1,661	\$ 1,315	\$ 6,498
-----				

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Supplementary Information on Oil and Gas Producing Activities  
(Unaudited) Continued

Results of Operations for Oil and Gas Producing Activities, Excluding Corporate  
Overhead and Interest Costs/(a)/

(In millions)	United States	Europe	Other Intl.	Consolidated
-----				
2000: Revenues:				
Sales	\$ 783	\$ 579	\$ 310	\$ 1,672
Transfers	1,337	-	188	1,525
Other revenues/(b)/	(875)	10	55	(810)
Total revenues	1,245	589	553	2,387
Expenses:				
Production costs	(371)	(111)	(133)	(615)
Shipping and handling costs/(c)/	(72)	-	-	(72)
Exploration expenses	(125)	(37)	(74)	(236)
Reorganization costs	(45)	(12)	(10)	(67)
Depreciation, depletion and amortization	(380)	(175)	(122)	(677)
Impairments	(5)	-	(188)	(193)
Other expenses	(33)	(3)	(15)	(51)
Total expenses	(1,031)	(338)	(542)	(1,911)
Other production-related earnings (losses)/(d)/	4	(21)	4	(13)

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Results before income taxes	218	230	15	463	
Income taxes (credits)/(e)/	70	62	(1)	131	
Results of operations	\$ 148	\$ 168	\$ 16	\$ 332	\$
<hr/>					
1999: Revenues:					
Sales	\$ 547	\$ 431	\$ 200	\$ 1,178	\$
Transfers	882	-	88	970	
Other revenues/(b)/	4	-	(2)	2	
Total revenues	1,433	431	286	2,150	
Expenses:					
Production costs	(322)	(137)	(99)	(558)	
Shipping and handling costs/(c)/	(77)	-	-	(77)	
Exploration expenses	(134)	(42)	(51)	(227)	
Depreciation, depletion and amortization	(362)	(143)	(99)	(604)	
Impairments	(16)	-	-	(16)	
Other expenses	(28)	(7)	(15)	(50)	
Total expenses	(939)	(329)	(264)	(1,532)	
Other production-related earnings (losses)/(d)/	1	4	4	9	
Results before income taxes	495	106	26	627	
Income taxes (credits)	168	33	(7)	194	
Results of operations	\$ 327	\$ 73	\$ 33	\$ 433	\$
<hr/>					
1998: Revenues:					
Sales	\$ 542	\$ 454	\$ 71	\$ 1,067	\$
Transfers	536	-	51	587	
Other revenues/(b)/	43	-	-	43	
Total revenues	1,121	454	122	1,697	
Expenses:					
Production costs	(295)	(153)	(57)	(505)	
Shipping and handling costs/(c)/	(67)	-	-	(67)	
Exploration expenses	(165)	(23)	(49)	(237)	
Depreciation, depletion and amortization	(339)	(150)	(58)	(547)	
Impairments/(f)/	(14)	(22)	(47)	(83)	
Other expenses	(37)	(3)	(11)	(51)	
Total expenses	(917)	(351)	(222)	(1,490)	
Other production-related earnings (losses)/(d)/	1	15	3	19	
Results before income taxes	205	118	(97)	226	
Income taxes (credits)	61	22	(28)	55	
Results of operations	\$ 144	\$ 96	\$ (69)	\$ 171	\$

/(a)/ Includes the results of using derivative instruments to manage commodity and foreign currency risks.

/(b)/ Includes net gains (losses) on asset dispositions and contract settlements.

/(c)/ Represents a reclassification of shipping and handling costs previously reported as a reduction from oil and gas revenues.

/(d)/ Includes revenues, net of associated costs, from third-party activities

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that are an integral part of USX's production operations which may include the processing and/or transportation of third-party production, and the purchase and subsequent resale of gas utilized in reservoir management.

/(e)/ Excludes net valuation allowance tax charges of \$205 million.

/(f)/ Includes suspended exploration well write-offs.

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### Supplementary Information on Oil and Gas Producing Activities (Unaudited) Continued

#### Average Production Costs/(a)/

(Dollars per BOE)

United States	\$
International - Europe	
- Other International	
Total Consolidated	
- Equity Investees/(b)/	
Worldwide	

/(a)/ Production costs are as defined by the Securities and Exchange Commission and include property taxes, severance taxes and other costs, but exclude depreciation, depletion and amortization of capitalized acquisition, exploration and development costs and certain administrative costs. Natural gas volumes were converted to BOE using a conversion factor of six mcf of natural gas to one barrel of oil.

/(b)/ Represents CLAM and Sakhalin Energy for 2000 and 1999, and CLAM for 1998.

#### Average Sales Prices

	Crude Oil and Condensate			Natural Gas Liqui		
Average Sales Prices	2000	1999	1998	2000	1999	
(excluding results of hedging)	(Dollars per Barrel)					
United States	\$ 25.96	\$ 15.78	\$ 10.60	\$ 19.20	\$ 12.30	\$
Inter						