

Edgar Filing: USX CORP - Form 425

USX CORP
Form 425
October 22, 2001

Filed by USX Corporation
Pursuant to Rule 425 under the Securities Act of 1933
Subject Company: USX Corporation
Registration Statement No. 333-71454

USX CORPORATION REPORTS U. S. STEEL GROUP
THIRD QUARTER 2001 RESULTS

Earnings Highlights
(Dollars in millions except per diluted share data)

	3Q 2001	3Q 2000
Net income (loss) adjusted for special items	\$ (18)	\$25
- per diluted share	\$ (0.22)	\$0.26
Net income (loss)	\$ (23)	\$19
Net income (loss) per diluted share	\$ (0.28)	\$0.19
Revenues and other income	\$1,660	\$1,475

PITTSBURGH, October 22, 2001 -- USX-U. S. Steel Group (NYSE: X) reported an adjusted third quarter 2001 net loss of \$18 million, or 22 cents per diluted share, compared with adjusted net income of \$25 million, or 26 cents per diluted share, in the third quarter 2000.

U. S. Steel Group recorded a third quarter 2001 net loss of \$23 million, or 28 cents per diluted share. Included was the net effect of special items related to the Fairless facility shutdowns and USS-POSCO insurance recoveries which together reduced net income by \$5 million, or 6 cents per share. Third quarter 2000 net income of \$19 million, or 19 cents per diluted share, included after-tax charges of \$6 million related to USX's share of restructuring and impairment charges at Republic Technologies International, LLC.

In third quarter 2001, U. S. Steel Group recorded a loss from reportable segments of \$8 million, or \$2 per ton, on steel shipments of 3.6 million tons.

U. S. Steel Group's Domestic Steel segment recorded a loss from operations of \$47 million, or \$18 per ton, which included \$21 million income from U. S. Steel's share of insurance recoveries in excess of facility repair costs

Edgar Filing: USX CORP - Form 425

for the cold mill fire at USS-POSCO on May 31, 2001. Aside from the insurance recoveries, U. S. Steel's share of USS-POSCO's operating results was adversely impacted by the higher cost of operations following the fire. Claims for reimbursement for such higher costs and lost volumes under USS-POSCO's business interruption insurance coverage are pending and will be reflected in income as received in future periods. The cold mill is expected to resume production during first quarter 2002, although full production may not be achieved until mid-year.

Domestic Steel shipments in third quarter 2001 were 2.6 million net tons, about the same as third quarter 2000. The average realized domestic steel price was \$420 per ton in third quarter 2001 compared with \$454 per ton in the third quarter 2000 and \$429 per ton in the second quarter 2001. The reduction from the second quarter 2001 was primarily related to product mix.

Commenting on third quarter results for Domestic Steel, USX Corporation Board Chairman Thomas J. Usher said, "Domestic Steel's commercial environment remains extremely difficult due to the weakening economy and the devastating impact that global oversupply continues to have on the U.S. steel industry."

U. S. Steel Kosice, s.r.o. (USSK), the Slovak Republic steel operation acquired during the fourth quarter 2000, reported third quarter 2001 segment income of \$39 million, or \$39 per ton.

"USSK enjoyed another strong quarter in a difficult European and international commercial climate," Usher said. Total USSK shipments in third quarter 2001 were 1.0 million net tons, down from 1.1 million tons in second quarter 2001, as shipments of low value-added products declined. The average USSK realized steel price in the third quarter was \$256 per ton, up from \$249 per ton in second quarter 2001, with the increase primarily related to improved product mix and hot rolled pricing.

On August 14, 2001, U. S. Steel announced its intention to permanently close the cold rolling and tin mill operations at Fairless Works near Philadelphia on or around November 12, 2001. These facilities' combined annual finishing capacity is 1.5 million tons. U. S. Steel intends to continue

Edgar Filing: USX CORP - Form 425

operating Fairless Works' hot dip galvanizing line, subject to market conditions. A pretax charge of \$29 million was recorded in the third quarter and an additional \$6 to \$11 million is expected to be recorded in the fourth quarter.

"Fairless Works was yet another American victim of dumped and subsidized steel," said Usher, "but we remain optimistic about the Bush Administration's commitment and strategy to restore a level playing field for American steel companies and their workers. As we await the resolution of the Section 201 cases, we will continue to encourage Congress and the Administration to address the import problem. In addition, we will continue to file trade cases against nations responsible for unfairly traded imports. In late September, we joined seven other steel producers in filing trade law actions against 20 countries who are major exporters of cold-rolled steel products to the U.S.

"Despite the current difficulties facing the steel industry, U. S. Steel has pursued strategic investments that we expect will enhance future profitability and shareholder value. During the third quarter, we continued development of Straightline, a new technology-enabled steel distributor, which will open for business in certain parts of the country in the fourth quarter with additional development and regional expansion planned for 2002. USSK continued with the tin mill expansion and vacuum degasser projects.

"During the third quarter, we also completed the repairs to the Mon Valley Works No. 3 blast furnace and, in light of expected slow market conditions in the fourth quarter, we plan to advance the schedule for a maintenance outage on the Gary Works No. 6 blast furnace. Additionally, USSK has scheduled several outages in the fourth quarter which are expected to limit shipments and increase repair and maintenance expenses."

Usher added, "The domestic order rate for the fourth quarter is currently running lower than the third quarter rate. For the full year 2001, we now expect total shipments to approximate 13.5 to 13.8 million net tons. Domestic Steel shipments should account for approximately 10 million net tons of the total and USSK about 3.5 to 3.8 million net tons."

Edgar Filing: USX CORP - Form 425

In connection with the proposed separation of USX Corporation's steel and energy businesses, U. S. Steel completed two private placements of Senior Notes during the third quarter having an aggregate principal amount of \$535 million. The proposed separation of the U. S. Steel Group and the Marathon Group into two independent companies is subject to approval at a special meeting of stockholders to be held on October 25. The reorganization is also subject to several other conditions including receipt of a favorable ruling from the Internal Revenue Service as to the tax-free status of the separation. The separation is expected to occur at year-end, subject to the absence of any materially adverse change in business conditions for the energy and/or steel business, delay in obtaining the IRS ruling or other unfavorable circumstances. Shareholders should note that failure to cast a vote will have the same effect as voting against the separation. Shareholders may vote in person, by returning their proxy card, or by telephone or Internet.

This release contains forward-looking statements with respect to the expected restart of the USS-POSCO cold rolling mill, the regional expansion of Straightline, market conditions, costs, shipments and prices. One factor, among others, that may affect the restart of the cold rolling mill at the USS-POSCO joint venture is the timing of completion of repairs. Some factors that could affect the expansion of Straightline include economic conditions and the customers' acceptance of this technology-based buying approach. Some factors, among others, that could affect full year 2001 market conditions, costs, shipments and prices include import levels, customer inventory levels, plant operating performance, domestic natural gas prices and usage, and U.S. and European economic performance and political developments. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, USX has included in Form 10-K for the year ended December 31, 2000, as amended in Forms 10-K/A, and in subsequent Forms 10-Q and Forms 8-K, cautionary statements identifying important factors, but not necessarily all factors, that could cause actual results to differ materially from those set forth in the

Edgar Filing: USX CORP - Form 425

forward-looking statements.

A Statement of Operations and Preliminary Supplemental Statistics for the U. S. Steel Group and a Consolidated Statement of Operations for USX Corporation are attached.

The company will conduct a conference call on third quarter earnings on Monday, October 22 at 10 a.m. EDST. To listen to the webcast of the conference call, visit the USX website, www.usx.com and click on the "U. S. Steel Group" button, then the "Investor Services" button. Replays of the conference call will be available until October 29.

U. S. STEEL GROUP OF USX CORPORATION STATEMENT OF OPERATIONS (Unaudited)

	Third Quarter Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share amounts)	2001	2000	2001	2000
<hr/>				
REVENUES AND OTHER INCOME:				
Revenues	\$1,645	\$1,462	\$4,888	\$4,673
Income from investees	11	6	51	13
Net gains on disposal of assets	4	6	20	34
Other income (loss)	-	1	2	(1)
	<hr/>			
Total revenues and other income	1,660	1,475	4,961	4,719
	<hr/>			
COSTS AND EXPENSES:				
Cost of revenues (excludes items shown below)	1,519	1,344	4,658	4,234
Selling, general and administrative expenses (credits)	7	(56)	19	(176)
Depreciation, depletion and amortization	94	69	246	222
Taxes other than income taxes	65	58	191	176
	<hr/>			
Total costs and expenses	1,685	1,415	5,114	4,456
	<hr/>			
INCOME (LOSS) FROM OPERATIONS	(25)	60	(153)	263
Net interest and other financial costs	38	27	74	75
	<hr/>			
INCOME (LOSS) BEFORE INCOME TAXES	(63)	33	(227)	188
Provision (credit) for income taxes	(40)	14	(183)	70
	<hr/>			
NET INCOME (LOSS)	(23)	19	(44)	118
Dividends on preferred stock	2	2	6	6
	<hr/>			
NET INCOME (LOSS) APPLICABLE TO STEEL STOCK	\$ (25)	\$ 17	\$ (50)	\$ 112
	<hr/>			

Edgar Filing: USX CORP - Form 425

STEEL STOCK DATA:

Net income (loss)	\$(25)	\$17	\$(50)	\$112
- Per share				
o - basic	(.28)	.19	(.56)	1.27
- diluted	(.28)	.19	(.57)	1.27
 Dividends paid per share	 .10	 .25	 .45	 .75
 Weighted average shares, in thousands				
- Basic	89,193	88,738	89,003	88,554
- Diluted	89,193	88,738	89,003	88,556

The following notes are an integral part of this financial statement.

U. S. STEEL GROUP OF USX CORPORATION
SELECTED NOTES TO FINANCIAL STATEMENT

1. The statement of operations of the U. S. Steel Group includes the results of operations for the businesses of USX other than businesses included in the Marathon Group and a portion of USX's net financial costs, general and administrative costs and income taxes attributed to the groups in accordance with USX's accounting and tax allocation policies. This statement should be read in connection with the consolidated statement of operations of USX.

2. On March 1, 2001, USX completed the purchase of the tin mill products business of LTV Corporation (LTV), which is now operated as East Chicago Tin. In this noncash transaction, USX assumed approximately \$66 million of certain employee related obligations from LTV. The acquisition was accounted for using the purchase method of accounting. Results of operations for the nine months of 2001 include the operations of East Chicago Tin from the date of acquisition.

On March 23, 2001, Transtar, Inc. (Transtar) completed its previously announced reorganization with its two voting shareholders, USX and Transtar Holdings, L.P. (Holdings), an affiliate of Blackstone Capital Partners L.P. As a result of this transaction, USX became sole owner of Transtar and certain of its subsidiaries. Holdings became owner of the other subsidiaries of Transtar. USX accounted for the change in its ownership interest in Transtar using the purchase method of accounting. The U. S. Steel Group recognized in the nine months of 2001, a pretax gain of \$68 million (included in income from investees) and a favorable deferred tax adjustment of \$33 million related to this transaction. USX previously accounted for its investment in Transtar under the equity method of accounting.

3. USX has a 16% investment in Republic Technologies International LLC (Republic) which was accounted for under the equity method of accounting. During the first quarter of 2001, USX discontinued applying the equity method since investments in and advances to Republic had been reduced to zero. Also, USX has recognized certain debt obligations of \$14 million previously assumed by

Edgar Filing: USX CORP - Form 425

Republic. On April 2, 2001, Republic filed a voluntary petition with the U.S. Bankruptcy Court to reorganize its operations under Chapter 11 of the U.S. Bankruptcy Code. In the first quarter of 2001, as a result of Republic's action, the U. S. Steel Group recorded a pretax charge of \$74 million for potentially uncollectible receivables from Republic.

4. Interest and other financial costs in the nine months of 2001 includes a favorable adjustment of \$67 million and provision for income taxes includes an unfavorable adjustment of \$15 million related to prior years' taxes.
5. On August 14, 2001, USX announced its intention to permanently close the cold rolling and tin mill operations at U. S. Steel's Fairless Works. In the third quarter of 2001, the U. S. Steel Group recorded a pretax charge of \$29 million relative to the shutdown.

U. S. STEEL GROUP OF USX CORPORATION
SELECTED NOTES TO FINANCIAL STATEMENT (Continued)

6. On July 31, 2001, USX announced that its board of directors approved the definitive plan of reorganization to separate the energy and steel businesses of USX (Proposed Separation). The Proposed Separation envisions a tax-free spin-off of the steel business of USX into a freestanding, publicly traded company to be known as United States Steel Corporation. Holders of current USX-U. S. Steel Group Common Stock will become holders of United States Steel Corporation Common Stock. Holders of current USX-Marathon Group Common Stock will continue to hold their shares in USX which will be renamed Marathon Oil Corporation. The Proposed Separation does not contemplate a cash distribution to stockholders. The Proposed Separation is subject to the approval of the holders of a majority of the outstanding shares of each class of current USX common stock, receipt of a favorable private letter ruling from the Internal Revenue Service (IRS) on the tax-free nature of the transaction, completion of necessary financing arrangements and receipt of necessary regulatory and third party consents. The transaction is expected to occur on or about December 31, 2001.
7. On July 2, 2001, a corporate reorganization was implemented to create a new holding company structure. USX became a holding company that owns all of the outstanding equity of Marathon Oil Company, an Ohio Corporation which, directly and indirectly, owns and operates the businesses of the USX-Marathon Group, and United States Steel LLC, a Delaware limited liability company which, directly and indirectly, owns and operates the businesses of the USX-U. S. Steel Group. The reorganization will not have any impact on the results of operations or financial position of USX Corporation, the Marathon Group or the U. S. Steel Group.

This reorganization in corporate form was independent of the Proposed Separation of the energy and steel businesses of USX Corporation.

U. S. STEEL GROUP OF USX CORPORATION
PRELIMINARY SUPPLEMENTAL STATISTICS (Unaudited)

Third Quarter Nine Months

Edgar Filing: USX CORP - Form 425

(Dollars in millions)	Ended		Ended	
	September 30 2001	2000	September 30 2001	2000

INCOME (LOSS) FROM OPERATIONS				
Domestic Steel(a) (b)	\$ (47)	\$23	\$ (267)	\$145
U. S. Steel Kosice(c)	39	-	121	-

Income (loss) from Reportable Segments	\$ (8)	\$23	\$ (146)	\$145
Items not allocated to segment:				
Net Pension Credits(d)	38	67	110	199
Administrative Expenses	(5)	(7)	(20)	(18)
Costs related to former business activities(e)	(21)	(23)	(59)	(63)
Costs related to proposed separation(f)	-	-	(9)	-
Costs related to Fairless facility shutdown(g)	(29)	-	(29)	-

Total U. S. Steel Group	\$ (25)	\$60	\$ (153)	\$263
CAPITAL EXPENDITURES				
Domestic Steel	\$39	\$36	\$166	\$133
U. S. Steel Kosice	17	-	31	-

Total U. S. Steel Group	\$56	\$36	\$197	\$133
OPERATING STATISTICS				
Average steel price: (\$/net ton)				
Domestic Steel	\$420	\$454	\$429	\$448
U. S. Steel Kosice	256	-	263	-
Steel Shipments:(h)				
Domestic Steel	2,554	2,557	7,597	8,441
U. S. Steel Kosice	1,008	-	2,826	-

Total Steel Shipments	3,562	2,557	10,423	8,441
Raw Steel-Production:(h)				
Domestic Steel	2,689	2,752	7,933	8,938
U. S. Steel Kosice	1,131	-	3,214	-

Total Raw Steel-Production	3,820	2,752	11,147	8,938
Raw Steel-Capability Utilization:(i)				
Domestic Steel	83.3%	85.5%	82.9%	93.3%
U. S. Steel Kosice	89.7%	-	85.9%	-
Iron ore shipments - Domestic Steel(h)	4,494	4,770	11,594	11,455

(a) Results in the third quarter and first nine months of 2001 include a favorable \$21 million from insurance recoveries for fire damages to the cold rolling mill at USS-POSCO. Results in the first nine months of 2001 also include a favorable \$68 million for USX's share of gain on the Transtar reorganization

Edgar Filing: USX CORP - Form 425

and a \$74 million charge for a substantial portion of accounts receivable from Republic. Results in the third quarter and first nine months of 2000 included \$10 million for USX's share of Republic's special charges. Results in the first nine months of 2000 also include charges totaling \$15 million for certain environmental and legal accruals.

(b) Includes the sale, domestic production and transportation of steel products, coke, taconite pellets and coal; the management of mineral resources; real estate development; engineering and consulting services; and equity income from joint ventures and partially owned companies.

(c) Includes the production and sale of steel products and coke from facilities primarily located in the Slovak Republic.

(d) Excludes termination costs of \$11 million related to Fairless facility shutdown.

(e) Includes other postretirement benefit costs and certain other expenses principally attributable to former business units of the U. S. Steel Group.

(f) Includes professional fees and expenses and certain other costs related to the proposed separation.

(g) Includes costs related to the shutdown of the cold rolling and tin mill facilities at Fairless Works.

(h) Thousands of net tons.

(i) Based on annual raw steel production capability of 12.8 million tons for Domestic Steel and 5.0 million tons for U. S. Steel Kosice.

USX CORPORATION AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Third Quarter Ended September 30 2001		Nine Months Ended September 30 2001	
(Dollars in millions)				

REVENUES AND OTHER INCOME:				
Revenues	\$10,139	\$10,607	\$31,099	\$30,207
Dividend and investee income	45	46	157	81
Net gains (losses) on disposal of assets	(203)	8	(165)	138
Other income	7	18	85	32
	-----	-----	-----	-----
Total revenues and other income	9,988	10,679	31,176	30,458
	-----	-----	-----	-----
COSTS AND EXPENSES:				
Cost of revenues (excludes items shown below)	7,557	8,184	23,108	23,107
Selling, general and administrative expenses	178	95	516	233
Depreciation, depletion and amortization	396	310	1,157	949
Taxes other than income taxes	1,282	1,250	3,732	3,650
Exploration expenses	20	51	69	142
	-----	-----	-----	-----
Total costs and expenses	9,433	9,890	28,582	28,081
	-----	-----	-----	-----
INCOME FROM OPERATIONS	555	789	2,594	2,377
Net interest and other financial costs	74	80	183	267
Minority interest in income of Marathon Ashland Petroleum LLC	223	115	650	373
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	258	594	1,761	1,737

Edgar Filing: USX CORP - Form 425

Provision for income taxes	88	454	522	877
	-----	-----	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	170	140	1,239	860
Cumulative effect of change in accounting principle	-	-	(8)	-
	-----	-----	-----	-----
NET INCOME	170	140	1,231	860
Dividends on preferred stock	2	2	6	6
	-----	-----	-----	-----
NET INCOME APPLICABLE TO COMMON STOCKS	\$168	\$138	\$1,225	\$854
	=====	=====	=====	=====

USX CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF OPERATIONS (Continued) (Unaudited)
INCOME PER COMMON SHARE

	Third Quarter Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share amounts)	2001	2000	2001	2000

APPLICABLE TO MARATHON STOCK:				
Income before cumulative effect of change in accounting principle	\$193	\$121	\$1,283	\$742
- Per share - basic	.63	.38	4.16	2.38
- diluted	.62	.38	4.15	2.37
Cumulative effect of change in accounting principle	-	-	(8)	-
- Per share - basic	-	-	(.03)	-
- diluted	-	-	(.03)	-
Net income	\$193	\$121	\$1,275	\$742
- Per share - basic	.63	.38	4.13	2.38
- diluted	.62	.38	4.12	2.37
Dividends paid per share	.23	.23	.69	.65
Weighted average shares, in thousands				
- Basic	309,309	311,847	309,056	312,068
- Diluted	309,923	312,094	309,452	312,272
APPLICABLE TO STEEL STOCK:				
Net income (loss)	\$(25)	\$17	\$(50)	\$112
- Per share - basic	(.28)	.19	(.56)	1.27
- diluted	(.28)	.19	(.57)	1.27
Dividends paid per share	.10	.25	.45	.75
Weighted average shares, in thousands				
- Basic	89,193	88,738	89,003	88,554
- Diluted	89,193	88,738	89,003	88,556

Edgar Filing: USX CORP - Form 425

The following notes are an integral part of this financial statement.
USX CORPORATION AND SUBSIDIARY COMPANIES
SELECTED NOTES TO FINANCIAL STATEMENT

1. Effective January 1, 2001, USX adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which was amended by SFAS Nos. 137 and 138. This Standard requires recognition of all derivatives as either assets or liabilities at fair value.

The transition adjustment related to adopting SFAS No. 133 on January 1, 2001, was recognized as a cumulative effect of change in accounting principle. The unfavorable cumulative effect on net income, net of a tax benefit of \$5 million, was \$8 million. The unfavorable cumulative effect on other comprehensive income (OCI), net of a tax benefit of \$4 million, was \$8 million. The amounts reported as OCI will be reflected in net income when the anticipated physical transactions are consummated.

2. In the first quarter 2001, Marathon Oil Company (Marathon) acquired Pennaco Energy, Inc. (Pennaco), a natural gas producer. Marathon acquired 87% of the outstanding stock of Pennaco through a tender offer completed on February 7, 2001 at \$19 a share. On March 26, 2001, Pennaco was merged with a wholly owned subsidiary of Marathon. Under the terms of the merger, each share not held by Marathon was converted into the right to receive \$19 in cash. The total purchase price of Pennaco was \$506 million. The acquisition was accounted for under the purchase method of accounting. Results of operations for the nine months of 2001 include the results of Pennaco from February 7, 2001.

On March 1, 2001, USX completed the purchase of the tin mill products business of LTV Corporation (LTV), which is now operated as East Chicago Tin. In this noncash transaction, USX assumed approximately \$66 million of certain employee related obligations from LTV. The acquisition was accounted for using the purchase method of accounting. Results of operations for the nine months of 2001 include the operations of East Chicago Tin from the date of acquisition.

On March 23, 2001, Transtar, Inc. (Transtar) completed its previously announced reorganization with its two voting shareholders, USX and Transtar Holdings, L.P. (Holdings), an affiliate of Blackstone Capital Partners L.P. As a result of this transaction, USX became sole owner of Transtar and certain of its subsidiaries. Holdings became owner of the other subsidiaries of Transtar. USX accounted for the change in its ownership interest in Transtar using the purchase method of accounting. USX recognized in the nine months of 2001, a pretax gain of \$68 million (included in dividend and investee income) and a favorable deferred tax adjustment of \$33 million related to this transaction. USX previously accounted for its investment in Transtar under the equity method of accounting.

3. USX has a 16% investment in Republic Technologies International LLC (Republic) which was accounted for under the equity method of

Edgar Filing: USX CORP - Form 425

accounting. During the first quarter of 2001, USX discontinued applying the equity method since investments in and advances to Republic had been reduced to zero. Also, USX has recognized certain debt obligations of \$14 million previously assumed by Republic. On April 2, 2001, Republic filed a voluntary petition with the U.S. Bankruptcy Court to reorganize its operations under Chapter 11 of the U.S. Bankruptcy Code. In the first quarter of 2001, as a result of Republic's action, USX recorded a pretax charge of \$74 million for potentially uncollectible receivables from Republic.

USX CORPORATION AND SUBSIDIARY COMPANIES SELECTED NOTES TO FINANCIAL STATEMENT (Continued)

4. In the third quarter of 2001, the Marathon Group recorded a \$221 million pretax loss related to the sale of Marathon's heavy oil assets in Canada, which is included in net gains (losses) on disposal of assets.
5. On August 14, 2001, USX announced its intention to permanently close the cold rolling and tin mill operations at U. S. Steel's Fairless Works. In the third quarter of 2001, USX recorded a pretax charge of \$29 million relative to the shutdown.
6. On July 31, 2001, USX announced that its board of directors approved the definitive plan of reorganization to separate the energy and steel businesses of USX (Proposed Separation). The Proposed Separation envisions a tax-free spin-off of the steel business of USX into a freestanding, publicly traded company to be known as United States Steel Corporation. Holders of current USX-U. S. Steel Group Common Stock will become holders of United States Steel Corporation Common Stock. Holders of current USX-Marathon Group Common Stock will continue to hold their shares in USX which will be renamed Marathon Oil Corporation. The Proposed Separation does not contemplate a cash distribution to stockholders. The Proposed Separation is subject to the approval of the holders of a majority of the outstanding shares of each class of current USX common stock, receipt of a favorable private letter ruling from the Internal Revenue Service (IRS) on the tax-free nature of the transaction, completion of necessary financing arrangements and receipt of necessary regulatory and third party consents. The transaction is expected to occur on or about December 31, 2001.
7. On July 2, 2001, a corporate reorganization was implemented to create a new holding company structure. USX became a holding company that owns all of the outstanding equity of Marathon Oil Company, an Ohio Corporation which, directly and indirectly, owns and operates the businesses of the USX-Marathon Group, and United States Steel LLC, a Delaware limited liability company which, directly and indirectly, owns and operates the businesses of the USX-U. S. Steel Group. The reorganization will not have any impact on the results of operations or financial position of USX Corporation, the Marathon Group or the U. S. Steel Group.

This reorganization in corporate form was independent of the Proposed Separation of the energy and steel businesses of USX Corporation.

