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)
[X] 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 Common Stock, par value $1.00	8-3/4% Cumulative Monthly Inc Series A (Liquidation Pre
USX-U. S. Steel Group Common Stock, par value $1.00	6.75% Convertible Quarterly I Securities (Initial Liqui Security)***/(a)/
6.50% Cumulative Convertible Preferred (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 X 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

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.

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* 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.

USX

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

Management's Report..

Audited Consolidated Financial Statements:

Report of Independent Accountants..........
Consolidated Statement of Operations..........
Consolidated Balance Sheet..........
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Selected Quarterly Financial Data..........

Principal Unconsolidated Affiliates..........

Supplementary Information..........

Five-Year Operating Summary-- Marathon Group..........

Five-Year Operating Summary-- U. S. Steel Group..........

Five-Year Financial Summary..........

Management's Discussion and Analysis..........

Quantitative and Qualitative Disclosures About Market Risk..........

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

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	Robert M. Hernandez
Chairman, Board of Directors &	Vice Chairman &
Chief Executive Officer	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

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)	

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	

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)

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.

Consolidated Statement of Cash Flows

(Dollars in millions) 2

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

- 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.

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

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
Preferred stock (Note 23) -			
6.50% Cumulative Convertible:			
Balance at beginning of year	$ 3	$ 3	$ 3
Repurchased	(1)	-	-
Balance at end of year	$ 2	$ 3	$ 3
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	-
Balance at end of year	$ 312	$ 312	$ 308
Steel Stock:			
Balance at beginning of year	$ 88	$ 88	$ 86
Issued for:			
Employee stock plans	1	-	2
Dividend Reinvestment and Direct Stock Purchase Plan	-	-	-
Balance at end of year	$ 89	$ 88	$ 88
Securities exchangeable solely into Marathon Stock:			
Balance at beginning of year	$ -	$ 1	$ -
Issued to acquire Tarragon stock	-	-	1
Exchanged for Marathon Stock	-	(1)	-

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)

(Dollars in millions)	Stockholders' Equity 2000	1999	199
Additional paid-in capital:			
Balance at beginning of year	$ 4,673	$ 4,587	$ 3,92
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)	(
Balance at end of year	$ 4,676	$ 4,673	$ 4,58
Deferred compensation (Note 17)	$ (8)	$ -	$ (
Retained earnings:			
Balance at beginning of year	$ 1,807	$ 1,467	$ 1,13
Net income	411	698	67
Dividends on preferred stock	(8)	(9)	(
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	$ 1,46
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	(
Balance at end of year	(21)	(10)	(3
Foreign currency translation adjustments:			

Balance at beginning of year	$ (17)	$ (11)	$ (
Changes during year, net of taxes/(a)/	(12)	(6)	(
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)	
Reclassification adjustment included in net income	-	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	$ 6,40

/(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.

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

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

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.

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

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

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

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)
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

/(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

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,

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.

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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.

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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

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.

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

- 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 reconcilement 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
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,					

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
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.

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

	Marathon Group		
(In millions)	2000	1999	1998
Revenues and Other Income:			

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 Inc	
(In millions)	Year	Within Geographic Areas	Between 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	-

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

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:

	2000	1999
Aggregate accumulated benefit obligations	$ (74)	$ (5
Aggregate projected benefit obligations	(92)	(7
Aggregate plan assets	-	

/(e)/ Additional minimum liability recorded was offset

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%

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	$

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	Tot
Federal	$ 257	$ 196	$ 453	$ 107	$ 257	$ 36
State and local	41	3	44	4	1	
Foreign	55	(50)	5	26	(46)	(2
Total	$ 353	$ 149	$ 502	$ 137	$ 212	$ 34

A reconciliation of federal statutory tax rate (35%) to total provis

(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

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
- 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

sources in 2000, 1999 and 1998, respectively.

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 3
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)	
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

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.

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.

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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

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.

/(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
Raw materials	
Semi-finished products	
Finished products	
Supplies and sundry items	
Total (at cost)	
Less inventory market valuation reserve	
Net inventory carrying value	

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)

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	

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

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

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	Weighte Averag Exercis 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		

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

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

(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		199
	Basic	Diluted	Basic
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 -			

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

21. Property, Plant and Equipment

(In millions)	December 31
Marathon Group:	
Production	
Refining	
Marketing	
Transportation	
Other	
Total	
U. S. Steel Group:	
Land and depletable property	
Buildings	
Machinery and equipment	
Leased assets	

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

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

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

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.

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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)/	Carrying Amount Assets (Liabilities)	Recogniz Tradin Gain o (Loss) f the Yea
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	-

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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25. Fair Value of Financial Instruments

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:

(In millions) December 31	200 Fair Value
Financial assets:	
Cash and cash equivalents	$ 559
Receivables	3,238
Investments and long-term receivables	211
Total financial assets	$ 4,008
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
Total financial liabilities	$ 8,938

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.

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.

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

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

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)

(In millions, except per share data)	2000 4th Qtr.	2000 3rd Qtr.	2000 2nd Qtr.	2000 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	

(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

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		

/(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.

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 benefication 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

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

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)

	Results before income taxes	218	230	15	463
	Income taxes (credits)/(e)/	70	62	(1)	131
	Results of operations	$ 148	$ 168	$ 16	$ 332
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
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

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 Liqu		
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	$
International - Europe	27.90	17.59	12.87	24.98	13.84	1
- Other International	25.77	16.77	11.31	23.48	13.49	
Total Consolidated	26.22	16.21	11.14	20.35	12.67	
- Equity Investees/(a)/	29.64	23.43	-	28.74	13.22	1
Worldwide	26.42	16.25	11.14	20.37	12.67	

	Crude Oil and Condensate			Natural Gas Liqu		
Average Sales Prices	2000	1999	1998	2000	1999	
(including results of hedging)	(Dollars per Barrel)					

United States	$ 25.49	$ 15.68	$ 10.60	$ 19.20	$ 12.30	$
International - Europe	27.90	17.59	12.87	24.98	13.84	1
- Other International	25.77	16.63	11.31	23.48	13.49	
Total Consolidated	25.91	16.12	11.14	20.35	12.67	
- Equity Investees/(a)/	29.64	23.43	-	28.74	13.22	1
Worldwide	26.13	16.16	11.14	20.37	12.67	

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

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

Costs Incurred for Property Acquisition, Exploration and Development - Including Capital Expenditures

(In millions)	United States	Europe	Other Intl.	Consolidated	Equity Investees
2000: Property acquisition:					
Proved	$ 128	$ -	$ 12	$ 140	$ -
Unproved	(5)/(a)/	-	10	5	-
Exploration	161	33	93	287	2
Development	288	42	103	433	77
1999: Property acquisition:					
Proved	$ 20	$ -	$ 10	$ 30	$ -
Unproved	26	12	107	145	-
Exploration	141	47	64	252	8
Development	232	34	117	383	84
1998: Property acquisition:					
Proved	$ 3	$ 3	$ 1,051	$ 1,057	$ -
Unproved	82	-	57	139	-
Exploration	217	39	75	331	11
Development	431	39	46	516	165

/(a)/ Includes proceeds of $25 million realized from the reduction of mineral interests.

Estimated Quantities of Proved Oil and Gas Reserves

The following estimates of net reserves have been determined by deducting royalties of various kinds from USX's gross reserves. The reserve estimates are believed to be reasonable and consistent with presently known physical data concerning size and character of the reservoirs and are subject to change as additional knowledge concerning the reservoirs becomes available. The estimates include only such reserves as can reasonably be classified as proved; they do not include reserves which may be found by extension of proved areas or reserves recoverable by secondary or tertiary recovery methods unless these methods are in operation and are showing successful results. Undeveloped reserves consist of reserves to be recovered from future wells on undrilled acreage or from existing wells where relatively major expenditures will be required to realize production. USX did not have any quantities of oil and gas reserves subject to long-term supply agreements with foreign governments or authorities in which USX

acts as producer.

(Millions of barrels)	United States	Europe	Other Intl.	Consolidated	Equity Investees
Liquid Hydrocarbons					
Proved developed and					
undeveloped reserves:					
Beginning of year - 1998	590	161	26	777	82
Purchase of reserves in place	1	-	156	157	-
Revisions of previous estimates	(1)	(28)	1	(28)	(2)
Improved recovery	3	-	-	3	-
Extensions, discoveries and other additions	10	4	18	32	-
Production	(49)	(15)	(7)	(71)	-
Sales of reserves in place	(5)	-	-	(5)	-
End of year - 1998	549	122	194	865	80
Purchase of reserves in place	14	-	7	21	-
Revisions of previous estimates	2	(20)	-	(18)	(3)
Improved recovery	11	-	1	12	-
Extensions, discoveries and other additions	9	-	5	14	-
Production	(53)	(12)	(11)	(76)	-
Sales of reserves in place	(12)	-	(9)	(21)	-
End of year - 1999	520	90	187	797	77
Purchase of reserves in place	27	-	-	27	-
Exchange of interest/(a)/	6	60	-	66	(73)
Revisions of previous estimates	(4)	(35)	(21)	(60)	-
Improved recovery	7	-	-	7	-
Extensions, discoveries and other additions	15	3	1	19	-
Production	(48)	(10)	(13)	(71)	(4)
Sales of reserves in place	(65)	-	(3)	(68)	-
End of year - 2000	458	108	151	717	-
Proved developed reserves:					
Beginning of year - 1998	486	161	12	659	-
End of year - 1998	489	119	67	675	-
End of year - 1999	476	90	72	638	69
End of year - 2000	414	74	57	545	-

/(a)/ Reserves represent the exchange of an equity interest in Sakhalin Energy Investment Company Ltd. for certain interests in the UK Atlantic Margin area and the Gulf of Mexico.

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

Estimated Quantities of Proved Oil and Gas Reserves (continued)

United Other Equity

(Billions of cubic feet)	States	Europe	Intl.	Consolidated	Investees
Natural Gas					
Proved developed and undeveloped reserves:					
Beginning of year - 1998	2,232	1,048	23	3,303	111
Purchase of reserves in place	10	-	782	792	-
Revisions of previous estimates	(16)	10	(1)	(7)	5
Improved recovery	-	-	-	-	-
Extensions, discoveries and other additions	238	32	55	325	5
Production	(272)	(124)	(29)	(425)	(11)
Sales of reserves in place	(29)	-	-	(29)	-
End of year - 1998	2,163	966	830	3,959	110
Purchase of reserves in place	5	-	11	16	-
Revisions of previous estimates	(83)	(81)	(3)	(167)	13
Improved recovery	8	-	2	10	-
Extensions, discoveries and other additions	281	-	94	375	13
Production	(275)	(111)	(59)	(445)	(13)
Sales of reserves in place	(42)	-	(42)	(84)	-
End of year - 1999	2,057	774	833	3,664	123
Purchase of reserves in place	114	-	15	129	-
Exchange of interest/(a)/	14	31	-	45	-
Revisions of previous estimates	(154)	(114)	(347)	(615)	(26)
Improved recovery	-	-	-	-	-
Extensions, discoveries and other additions	217	35	38	290	2
Production	(268)	(112)	(52)	(432)	(10)
Sales of reserves in place	(66)	-	(10)	(76)	-
End of year - 2000	1,914	614	477	3,005	89
Proved developed reserves:					
Beginning of year - 1998	1,702	1,024	19	2,745	78
End of year - 1998	1,678	909	534	3,121	76
End of year - 1999	1,550	741	497	2,788	65
End of year - 2000	1,421	563	381	2,365	52

/(a)/ Reserves represent the exchange of an equity interest in Sakhalin Energy Investment Company Ltd. for certain interests in the UK Atlantic Margin area and the Gulf of Mexico.

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

Estimated discounted future net cash flows and changes therein were determined in accordance with Statement of Financial Accounting Standards No. 69. Certain information concerning the assumptions used in computing the valuation of proved reserves and their inherent limitations are discussed below. USX believes such information is essential for a proper understanding and assessment of the data presented.

Future cash inflows are computed by applying year-end prices of oil and gas relating to USX's proved reserves to the year-end quantities of those reserves. Future price changes are considered only to the extent provided by contractual arrangements in existence at year-end.

The assumptions used to compute the proved reserve valuation do not

necessarily reflect USX's expectations of actual revenues to be derived from those reserves nor their present worth. Assigning monetary values to the estimated quantities of reserves, described on the preceding page, does not reduce the subjective and ever-changing nature of such reserve estimates.

Additional subjectivity occurs when determining present values because the rate of producing the reserves must be estimated. In addition to uncertainties inherent in predicting the future, variations from the expected production rate also could result directly or indirectly from factors outside of USX's control, such as unintentional delays in development, environmental concerns, changes in prices or regulatory controls.

The reserve valuation assumes that all reserves will be disposed of by production. However, if reserves are sold in place or subjected to participation by foreign governments, additional economic considerations also could affect the amount of cash eventually realized.

Future development and production costs, including abandonment and dismantlement costs, are computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions.

Future income tax expenses are computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to USX's proved oil and gas reserves. Permanent differences in oil and gas related tax credits and allowances are recognized.

Discount was derived by using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.

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

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves (continued)

(In millions)	United States	Europe	Other Intl.	Consolidated	Equity Investees	
December 31, 2000:						
Future cash inflows	$ 25,052	$ 4,571	$ 6,704	$ 36,327	$ 313	$
Future production costs	(5,689)	(1,662)	(1,156)	(8,507)	(125)	
Future development costs	(638)	(185)	(309)	(1,132)	(26)	
Future income tax expenses	(6,290)	(677)	(2,102)	(9,069)	(76)	
Future net cash flows	12,435	2,047	3,137	17,619	86	
10% annual discount for estimated timing of cash flows	(5,403)	(486)	(1,524)	(7,413)	(19)	
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	$ 7,032	$ 1,561	$ 1,613	$ 10,206	$ 67	$
December 31, 1999:						
Future cash inflows	$ 15,393	$ 4,426	$ 5,242	$ 25,061	$ 2,154	$
Future production costs	(4,646)	(1,864)	(1,107)	(7,617)	(850)	
Future development costs	(445)	(86)	(315)	(846)	(88)	

Future income tax expenses	(3,102)	(987)	(1,581)	(5,670)	(328)	
Future net cash flows	7,200	1,489	2,239	10,928	888	
10% annual discount for estimated timing of cash flows	(3,371)	(374)	(862)	(4,607)	(372)	
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	$ 3,829	$ 1,115	$ 1,377	$ 6,321	$ 516	$
December 31, 1998:						
Future cash inflows	$ 8,442	$ 3,850	$ 2,686	$ 14,978	$ 1,036	$
Future production costs	(3,731)	(2,240)	(950)	(6,921)	(586)	
Future development costs	(559)	(130)	(323)	(1,012)	(124)	
Future income tax expenses	(816)	(630)	(542)	(1,988)	(45)	
Future net cash flows	3,336	850	871	5,057	281	
10% annual discount for estimated timing of cash flows	(1,462)	(256)	(392)	(2,110)	(136)	
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	$ 1,874	$ 594	$ 479	$ 2,947	$ 145	$

Summary of Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

	Consolidated			Equity Investees		
(In millions)	2000	1999	1998	2000	1999	1998
Sales and transfers of oil and gas produced, net of production costs	$(2,508)	$(1,516)	$(1,125)	$ (111)	$ (8)	$ (20)
Net changes in prices and production costs related to future production	6,820	5,891	(3,579)	12	484	(372)
Extensions, discoveries and improved recovery, less related costs	1,472	566	284	3	9	4
Development costs incurred during the period	433	383	516	77	84	165
Changes in estimated future development costs	(273)	(69)	(285)	(22)	(52)	(100)
Revisions of previous quantity estimates	(1,899)	(346)	(110)	(43)	(8)	(2)
Net changes in purchases and sales of minerals in place	380	68	637	-	-	-
Net change in exchanges of reserves in place	755	-	-	(547)	-	-
Accretion of discount	843	382	623	62	18	39
Net change in income taxes	(1,969)	(1,995)	825	90	(117)	57
Other	(169)	10	401	30	(39)	102
Net change for the year	3,885	3,374	(1,813)	(449)	371	(127)

Beginning of year	6,321	2,947	4,760	516	145	272
End of year	$10,206	$ 6,321	$ 2,947	$ 67	$ 516	$ 145

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Five-Year Operating Summary - Marathon Group

	2000	1999	199
Net Liquid Hydrocarbon Production (thousands of barrels per day)			
United States (by region)			
Alaska	-	-	-
Gulf Coast	62	74	55
Southern	5	5	6
Central	4	4	4
Mid-Continent	34	38	44
Rocky Mountain	26	24	26
Total United States	131	145	135
International			
Canada	19	17	6
Egypt	1	5	8
Gabon	16	9	5
Norway	-	-	1
United Kingdom	29	31	41
Total International	65	62	61
Consolidated	196	207	196
Equity investee/(a)/	11	1	-
Total	207	208	196
Natural gas liquids included in above	22	19	17
Net Natural Gas Production (millions of cubic feet per day)			
United States (by region)			
Alaska	160	148	144
Gulf Coast	88	107	84
Southern	147	178	208
Central	156	134	117
Mid-Continent	133	129	125
Rocky Mountain	47	59	66
Total United States	731	755	744
International			
Canada	143	150	65
Egypt	-	13	16
Ireland	115	132	168
Norway	-	26	27
United Kingdom - equity	212	168	165
- other/(b)/	11	16	23
Total International	481	505	464

Consolidated	1,212	1,260	1,208
Equity investee/(c)/	29	36	33
Total	1,241	1,296	1,241
Average Sales Prices			
Liquid Hydrocarbons (dollars per barrel)/(d)//(e)/			
United States	$25.11	$15.44	$10.42
International	26.54	16.90	12.24
Natural Gas (dollars per thousand cubic feet)/(d)//(e)/			
United States	$ 3.30	$ 1.90	$ 1.79
International	2.76	1.90	1.94
Net Proved Reserves at year-end (developed and undeveloped)			
Liquid Hydrocarbons (millions of barrels)			
United States	458	520	549
International	259	277	316
Consolidated	717	797	865
Equity investee/(a)/	-	77	80
Total	717	874	945
Developed reserves as % of total net reserves	76%	81%	71
Natural Gas (billions of cubic feet)			
United States	1,914	2,057	2,163
International	1,091	1,607	1,796
Consolidated	3,005	3,664	3,959
Equity investee/(c)/	89	123	110
Total	3,094	3,787	4,069
Developed reserves as % of total net reserves	78%	75%	79

/(a)/ Represents Marathon's equity interest in Sakhalin Energy Investment Company Ltd. and CLAM Petroleum B.V.
/(b)/ Represents gas acquired for injection and subsequent resale.
/(c)/ Represents Marathon's equity interest in CLAM Petroleum B.V.
/(d)/ Prices exclude gains/losses from hedging activities.
/(e)/ Prices exclude equity investees and purchase/resale gas.

Five-Year Operating Summary - Marathon Group continued

	2000/(a)/	199
U.S. Refinery Operations (thousands of barrels per day)		
In-use crude oil capacity at year-end	935	93
Refinery runs - crude oil refined	900	88
- other charge and blend stocks	141	13
In-use crude oil capacity utilization rate	96%	9
Source of Crude Processed (thousands of barrels per day)		
United States	400	34

Canada	102	9
Middle East and Africa	346	36
Other International	52	8
Total	900	88
Refined Product Yields (thousands of barrels per day)		
Gasoline	552	56
Distillates	278	26
Propane	20	2
Feedstocks and special products	74	6
Heavy fuel oil	43	4
Asphalt	74	6
Total	1,041	1,02
Refined Products Yields (% breakdown)		
Gasoline	53%	5
Distillates	27	2
Other products	20	2
Total	100%	10
U.S. Refined Product Sales Volumes (thousands of barrels per day)		
Gasoline	746	71
Distillates	352	33
Propane	21	2
Feedstocks and special products	69	6
Heavy fuel oil	43	4
Asphalt	75	7
Total	1,306	1,25
Matching buy/sell volumes included in above	52	4
Refined Products Sales Volumes by Class of Trade (as a % of total sales volumes)		
Wholesale - independent private-brand marketers and consumers	65%	6
Marathon and Ashland brand jobbers and dealers	12	1
Speedway SuperAmerica retail outlets	23	2
Total	100%	10
Refined Products (dollars per barrel)		
Average sales price	$38.24	$24.5
Average cost of crude oil throughput	29.07	18.6
Petroleum Inventories at year-end (thousands of barrels)		
Crude oil, raw materials and natural gas liquids	33,720	34,25
Refined products	34,386	32,85
U.S. Refined Product Marketing Outlets at year-end		
MAP operated terminals	91	9
Retail- Marathon and Ashland brand outlets	3,728	3,48
- Speedway SuperAmerica outlets	2,242	2,43
Pipelines (miles of common carrier pipelines)/(b)/		
Crude Oil - gathering lines	419	55
- trunklines	4,623	4,72
Products - trunklines	2,834	2,85
Total	7,876	8,13

Pipeline Barrels Handled (millions)/(c)/		
Crude Oil - gathering lines	22.7	30.
- trunklines	563.6	545.
Products - trunklines	329.7	331.
Total	916.0	908.
River Operations		
Barges - owned/leased	158	16
Boats - owned/leased	6	

/(a)/ 1998-2000 statistics include 100% of MAP and should be considered when compared to prior periods.
/(b)/ Pipelines for downstream operations also include non-common carrier, leased and equity investees.
/(c)/ Pipeline barrels handled on owned common carrier pipelines, excluding equity investees.

Five-Year Operating Summary - U. S. Steel Group

(Thousands of net tons, unless otherwise noted)	2000	1999
Raw Steel Production		
Gary, IN	6,610	7,102
Mon Valley, PA	2,683	2,821
Fairfield, AL	2,069	2,109
Kosice, Slovak Republic	382	-
Total	11,744	12,032
Raw Steel Capability		
Domestic Steel	12,800	12,800
U. S. Steel Kosice/(a)/	467	-
Total	13,267	12,800
Total production as % of total capability	88.5	94.0
Hot Metal Production		
Domestic Steel	9,904	10,344
U. S. Steel Kosice	340	-
Total	10,244	10,344
Coke Production		
Domestic Steel/(b)/	5,003	4,619
U. S. Steel Kosice	188	-
Total	5,191	4,619
Iron Ore Pellets - Minntac, MN		
Shipments	15,020	15,025
Coal Shipments	6,779	6,924
Steel Shipments by Product - Domestic Steel		

Sheet and semi-finished steel products	7,409	8,114
Tubular, plate and tin mill products	3,347	2,515
Total	10,756	10,629
Total as % of domestic steel industry	9.8	10.0
Steel Shipments by Product - U. S. Steel Kosice		
Sheet and semi-finished steel products	207	-
Tubular, plate and tin mill products	110	-
Total	317	-
Steel Shipments by Market - Domestic Steel		
Steel service centers	2,315	2,456
Transportation	1,466	1,505
Further conversion:		
Joint ventures	1,771	1,818
Trade customers	1,174	1,633
Containers	702	738
Construction	936	844
Oil, gas and petrochemicals	973	363
Export	544	321
All other	875	951
Total	10,756	10,629
Average Steel Price Per Ton		
Domestic Steel	$ 450	$ $420
U. S. Steel Kosice	269	-

/(a)/ Represents the operations of U. S. Steel Kosice s.r.o., following the acquisition of the steelmaking operations and related assets of VSZ a.s. on November 24, 2000.

/(b)/ The reduction in coke production after 1996 reflected U. S. Steel's entry into a strategic partnership with two limited partners on June 1, 1997, to acquire an interest in three coke batteries at its Clairton (Pa.) Works.

Five-Year Financial Summary

(Dollars in millions, except as noted)	2000	1999
Statement of Operations		
Revenues and other income/(a)/	$ 39,914	$ 29,119
Income from operations	1,752	1,863
Includes:		
Joint venture formation charges	(931)	-
Inventory market valuation (charges) credits	-	551
Gain on ownership change in MAP	12	17
Income from continuing operations	$ 411	$ 705
Income from discontinued operations	-	-

Extraordinary losses	-	(7)
Net Income	$ 411	$ 698
Applicable to Marathon Stock		
Income before extraordinary loss	$ 432	$ 654
Income before extraordinary loss per share- basic (in dollars)	1.39	2.11
- diluted (in dollars)	1.39	2.11
Net income	432	654
Net income per share - basic (in dollars)	1.39	2.11
- diluted (in dollars)	1.39	2.11
Dividends paid per share (in dollars)	.88	.84
Applicable to Steel Stock		
Income (loss) before extraordinary losses	$ (29)	$ 42
Income (loss) before extraordinary losses per share- basic (in dollars)	(.33)	.48
- diluted (in dollars)	(.33)	.48
Net income (loss)	(29)	35
Net income (loss) per share		
- basic (in dollars)	(.33)	.40
- diluted (in dollars)	(.33)	.40
Dividends paid per share (in dollars)	1.00	1.00
Balance Sheet Position at year-end		
Cash and cash equivalents	$ 559	$ 133
Total assets	23,401	22,931
Capitalization:		
Notes payable	$ 150	$ -
Total long-term debt	4,460	4,283
Preferred stock of subsidiary and trust preferred securities	433	433
Minority interest in MAP	1,840	1,753
Redeemable Delhi Stock	-	-
Preferred stock	2	3
Common stockholders' equity	6,762	6,853
Total capitalization	$ 13,647	$ 13,325
% of total debt to capitalization/(b)/	36.9	35.4
Cash Flow Data		
Net cash from operating activities	$ 2,531	$ 1,936
Capital expenditures	1,669	1,665
Disposal of assets	560	366
Dividends paid	371	354
Employee Data		
Total employment costs/(c)(d)/	$ 2,692	$ 2,582
Average number of employees/(c)(d)/	52,459	52,596
Number of pensioners at year-end/(d)/	97,594	100,504/(e)/

/(a)/ 1996-1999 reclassified to conform to 2000 classifications.

/(b)/ Total debt represents the sum of notes payable, total long-term debt and preferred stock of subsidiary and trust preferred securities.

/(c)/ Includes U. S. Steel Kosice s.r.o. from date of acquisition in 2000 and excludes the Delhi Companies sold in 1997.

/(d)/ Data for 1998 includes Ashland employees from the date of their payroll transfer to MAP, which occurred at various times throughout 1998. These employees were contracted to MAP in 1998, prior to their payroll transfer.

/(e)/ Includes approximately 8,000 surviving spouse beneficiaries added to the U. S. Steel pension plan in 1999.

Management's Discussion and Analysis

USX Corporation ("USX") is a diversified company engaged primarily in the energy business through its Marathon Group, and in the steel business through its U.S. Steel Group.

Effective October 31, 1997, USX sold Delhi Gas Pipeline Corporation and other subsidiaries of USX that comprised all of the USX - Delhi Group ("Delhi Companies"). On January 26, 1998, USX used the $195 million net proceeds from the sale to redeem all of the 9.45 million outstanding shares of USX - Delhi Group Common Stock. For additional information, see Note 5 to the USX Consolidated Financial Statements.

On January 1, 1998, Marathon Oil Company ("Marathon") transferred certain refining, marketing and transportation ("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 Inc. ("Ashland") in exchange for a 38 percent interest in MAP. Financial measures such as revenues, income from operations and capital expenditures in 2000, 1999 and 1998 include 100 percent of MAP and are not comparable to prior period amounts. Net income and related per share amounts for 2000, 1999 and 1998 are net of minority interest. For further discussion of MAP, see Note 3 to the USX Consolidated Financial Statements.

On August 11, 1998, Marathon acquired Tarragon Oil and Gas Limited ("Tarragon"), a Canadian oil and gas exploration and production company. The purchase price included $686 million in cash payments, the assumption of $345 million in debt and the issuance of Exchangeable Shares of an indirect Canadian subsidiary of Marathon valued at $29 million. The Exchangeable Shares are exchangeable at any time on a one-for-one basis for shares of USX - Marathon Group Common Stock ("Marathon Stock"). On November 4, 1998, USX sold 17 million shares of Marathon Stock. The proceeds to USX of $528 million were used to reduce indebtedness incurred to fund the Tarragon acquisition. Financial measures such as revenues, income from operations and capital expenditures include operations of Marathon Canada Limited, formerly known as Tarragon, commencing August 12, 1998. For further discussion of Tarragon, see Note 3 to the USX Consolidated Financial Statements.

On November 24, 2000, USX acquired U. S. Steel Kosice s.r.o. ("USSK"), which held the steel operations and related assets of VSZ a.s. ("VSZ"), located in the Slovak Republic. The 2000 results include USSK operations after the acquisition date. For further discussion of USSK, see Note 3 to the USX Consolidated Financial Statements.

Management's Discussion and Analysis of USX Consolidated Financial Statements provides certain information about the Marathon and U. S. Steel Groups, particularly in Management's Discussion and Analysis of Operations by Group. More expansive Group information is provided in Management's Discussion and Analysis of the Marathon Group and U. S. Steel Group, which are included in the USX 2000 Form 10-K. Management's Discussion and Analysis should be read in conjunction with the USX Consolidated Financial Statements and Notes to the USX Consolidated Financial Statements.

Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting USX. These statements typically contain words such as "anticipates", "believes", "estimates", "expects" or similar words indicating that future outcomes are uncertain. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements. For additional risk factors affecting the businesses of USX, see Supplementary Data-Disclosures About Forward-Looking Statements in the USX 2000 Form 10-K.

Management's Discussion and Analysis of Income

Revenues and Other Income for each of the last three years are summarized in the following table:

(Dollars in millions)	2
Revenues and other income/(a)/	
Marathon Group	$
U. S. Steel Group	
Eliminations	

Total USX Corporation revenues and other income	
Less:	
Consumer excise taxes on petroleum products and merchandise/(b)/	

Revenues and other income adjusted to exclude above item	$

/(a)/ Consists of revenues, dividend and investee income (loss), gain on ownership change in MAP, net gains (losses) on disposal of assets and other income.

/(b)/ Included in both revenues and costs and expenses for the Marathon Group and USX Consolidated, resulting in no effect on income.

Adjusted revenues and other income increased by $10,424 million in 2000 compared with 1999, reflecting a 43 percent increase for the Marathon Group and a 12 percent increase for the U. S. Steel Group. Adjusted revenues and other income increased by $893 million in 1999 compared with 1998, reflecting a 10 percent increase for the Marathon Group, partially offset by a 16 percent decrease for the U. S. Steel Group. For further discussion, see Management's Discussion and Analysis of Operations by Group, herein.

Income from operations for each of the last three years are summarized in the following table:

(Dollars in millions)	2
Reportable segments	
Marathon Group	
Exploration & production	$
Refining, marketing & transportation	
Other energy related businesses	
Income for reportable segments - Marathon Group	
U. S. Steel Group	
Domestic Steel	
U. S. Steel Kosice	
Income for reportable segments - U. S. Steel Group	
Income for reportable segments - USX Corporation	
Items not allocated to reportable segments:	
Marathon Group	(
U. S. Steel Group	
Total income from operations - USX Corporation	$

Income from operations decreased $111 million in 2000 compared with 1999 and increased $346 million in 1999 compared with 1998. The decrease in 2000, despite higher income from reportable segments for the Marathon Group, was primarily due to special charges at Marathon, in particular a noncash adjustment related to the formation of a joint venture with Kinder Morgan Energy Partners, L.P. In addition, income from operations for

the U. S. Steel Group declined in 2000 due primarily to higher costs related to energy and inefficient operating levels, lower income from raw materials operations, particularly coal operations, and lower sheet shipments resulting from high levels of imports that continued in 2000. For further discussion, see Management's Discussion and Analysis of Operations by Group, herein.

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Management's Discussion and Analysis continued

Net interest and other financial costs for each of the last three years are summarized in the following table:

(Dollars in millions)	200
Interest and other financial income	$
Interest and other financial costs	
Net interest and other financial costs	
Less:	
Favorable adjustment to carrying value of indexed debt/(a)/	
Net interest and other financial costs adjusted to exclude above item	$

/(a)/ In December 1996, USX issued $117 million in aggregate principal amount of 6-3/4% Notes Due February 1, 2000 ("indexed debt"), mandatorily exchangeable at maturity for common stock of RTI International Metals, Inc. ("RTI") or for the equivalent amount of cash, at USX's option. The carrying value of indexed debt was adjusted quarterly to settlement value based on changes in the value of RTI common stock. Any resulting adjustment was charged or credited to income and included in interest and other financial costs. In 1999, USX irrevocably deposited with a trustee the RTI common stock resulting in satisfaction of USX's obligation. For further information see Note 7 to the USX Consolidated Financial Statements.

Excluding the effect of the adjustment to the carrying value of indexed debt, net interest and other financial costs decreased by $34 million in 2000 as compared with 1999, and increased by $52 million in 1999 as compared with 1998. The decrease in 2000 was primarily due to higher interest income. The increase in 1999 was primarily due to lower interest income and increased financial costs as a result of higher average debt levels. For additional information, see Note 6 to the USX

Consolidated Financial Statements.

The minority interest in income of MAP, which represents Ashland's 38% ownership interest, was $498 million in 2000, $447 million in 1999, and $249 million in 1998. The increase of $51 million from 1999 to 2000 was primarily due to much higher RM&T segment income, largely offset by the absence of the favorable 1999 inventory market valuation ("IMV") reserve adjustment. The increase of $198 million from 1998 to 1999 was primarily due to the favorable effect of the IMV reserve adjustment, partially offset by lower RM&T segment income.

The provision for income taxes was $502 million in 2000, compared with $349 million in 1999 and $315 million in 1998. The 2000 provision included a $235 million one-time, noncash deferred tax charge for the Marathon Group as a result of the change in the amount and timing of future foreign source income due to the exchange of its interest in Sakhalin Energy Investment Company Ltd. for oil and gas producing interests. The 1999 provision included a $23 million favorable adjustment to deferred taxes for the Marathon Group related to the outcome of a United States Tax Court case. The 1998 income tax provision included $33 million of favorable income tax accrual adjustments relating to foreign operations. For reconciliation of the federal statutory rate to total provisions on income from continuing operations, see Note 11 to the USX Consolidated Financial Statements.

Extraordinary loss of $7 million, net of income tax benefit, in 1999 included a $5 million loss resulting from the satisfaction of the indexed debt and a $2 million loss for USX's share of Republic Technologies International, LLC's extraordinary loss related to the early extinguishment of debt. For additional information, see Note 7 to the USX Consolidated Financial Statements.

Net income was $411 million in 2000, $698 million in 1999 and $674 million in 1998. Excluding the gain on change of ownership in MAP in 2000, 1999 and 1998 and adjustments to the inventory market valuation reserve in 1999 and 1998, net income decreased by $69 million in 2000 compared with 1999, and decreased by $152 million in 1999 compared with 1998.

Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity

Current assets increased by $1,376 million from year-end 1999, primarily reflecting increased cash and cash equivalents, receivables, inventories and assets held for sale. Receivables primarily increased as a result of higher commodity prices. Cash and cash equivalents increased primarily due to an increase in cash held by certain foreign subsidiaries. Inventories

increased by $186 million largely due to increases at the U. S. Steel Group, in particular the acquisition of USSK. Assets held for sale increased mainly due to the reclassification of the Yates field from property, plant and equipment.

Current liabilities increased by $704 million from year-end 1999, primarily due to an increase in accounts payable reflecting higher year-end commodity prices for the Marathon Group and the acquisition of USSK for the U. S. Steel Group. In addition, notes payable increased and, because of the reclassification of long-term debt to short-term, short-term debt also increased.

Investments and long-term receivables decreased by $436 million from year-end 1999, primarily due to the exchange of Marathon's interest in Sakhalin Energy Investment Company Ltd.

Net property, plant and equipment decreased by $695 million from year-end 1999, primarily due to depreciation, asset impairments and sales, and reclassifications to assets held for sale, partially offset by property additions, including USSK.

Total long-term debt and notes payable increased by $327 million from year-end 1999, primarily due to $325 million of debt related to the acquisition of USSK, which is nonrecourse to USX. Debt attributed to the U. S. Steel Group increased, while debt attributed to the Marathon Group decreased.

Stockholders' equity decreased by $92 million from year-end 1999 mainly reflecting net income of $411 million offset by dividends declared and Marathon Stock repurchases of $105 million. In July 2000, the USX Board of Directors authorized spending up to $450 million to repurchase shares of Marathon Stock. This repurchase program will continue from time to time as the Corporation's financial condition and market conditions warrant.

Net cash provided from operating activities was $2,531 million in 2000, $1,936 million in 1999 and $2,022 million in 1998. Cash provided from operating activities in 2000 included a $500 million elective contribution to a Voluntary Employee Benefit Association Trust ("VEBA"), a trust established by contract in 1994 covering United Steelworkers of America retirees' health care and life insurance benefits and a $30 million elective contribution to a non-union retiree life insurance trust. Cash provided from operating activities in 1999 included a payment of $320 million resulting from the expiration of a program to sell U. S. Steel Group's accounts receivable. Excluding the effects of these items, cash provided from operating activities increased $805 million in 2000 compared with 1999 primarily due to increased cash provided from operations at the Marathon Group partially offset by increased income tax payments. Cash provided from operating activities in 1998 included proceeds of $38 million for the insurance litigation settlement pertaining to the

1995 Gary Works #8 blast furnace explosion and the payment of $30 million for the repurchase of sold accounts receivable. Excluding the effects of these adjustments, cash provided from operating activities increased by $242 million in 1999 compared with 1998 primarily due to favorable working capital changes.

Capital expenditures for each of the last three years are summarized in the following table:

(Dollars in millions)	
Marathon Group	
Exploration & production	
Domestic	$
International	
Refining, marketing & transportation	
Other	
Subtotal Marathon Group	
U. S. Steel Group	
Total USX Corporation capital expenditures	$

Management's Discussion and Analysis continued

Domestic exploration and production capital expenditures for the Marathon Group in 2000 mainly included the completion of the Viosca Knoll Block 786 (Petronius) development in the Gulf of Mexico, various producing property acquisitions, and natural gas developments in East Texas and other gas basins throughout the western United States. International exploration and production projects included the completion of the Tchatamba West development, located offshore Gabon, and continued oil and natural gas developments in Canada. Refining, marketing and transportation capital expenditures by MAP primarily consisted of refinery modifications, including the initiation of the delayed coker unit project at the Garyville refinery, and upgrades and expansions of retail marketing outlets.

Capital expenditures for the U. S. Steel Group in 2000 included exercising an early buyout option of a lease for approximately half of the Gary Works No. 2 Slab Caster, the continued replacement of coke battery thruwalls at Gary Works, installation of the remaining two coilers at Gary's hot strip mill, a blast furnace stove replacement at Gary Works and the continuation of an upgrade to the Mon Valley cold reduction mill.

Capital expenditures in 2001 are expected to be

approximately $1.9 billion. Expenditures for the Marathon Group are expected to be approximately $1.5 billion. Domestic exploration and production projects planned for 2001 will focus on gas projects and include various producing property acquisitions. Planned capital expenditures in 2001 do not include the capital requirements related to the acquisition of Pennaco Energy, Inc. ("Pennaco"). International exploration and production projects include the continued development of the Foinaven area in the U.K. Atlantic Margin and continued oil and natural gas developments in Canada. Refining, marketing and transportation spending by MAP will primarily consist of refinery improvements, including the completion of the delayed coker unit project at the Garyville refinery, upgrades and expansions of retail marketing outlets, and expansion and enhancement of logistics systems. Other Marathon spending will include funds for development and installation of SAP software, which is an enterprise resource planning system that will allow the integration of processes among business units and with outside enterprises.

Capital expenditures for the U. S. Steel Group in 2001 are expected to be approximately $425 million. Planned projects include exercising an early buyout option of a lease for the balance of the Gary Works No. 2 Slab Caster, work on the No. 3 blast furnace at Mon Valley Works, work on the No. 2 stove at the No. 6 blast furnace at Gary Works, the completion of the replacement of coke battery thruwalls at Gary Works, the completion of an upgrade to the Mon Valley cold reduction mill, mobile equipment purchases, systems development projects, and projects at USSK, including the completion of the tin mill upgrade.

Contract commitments to acquire property, plant and equipment and long-term investments at December 31, 2000, totaled $663 million compared with $568 million at December 31, 1999.

Costs incurred for the periods ended December 31, 2000, 1999 and 1998 relating to the development of proved undeveloped oil and gas reserves, including equity investees, were $316 million, $333 million, and $496 million, respectively. As of December 31, 2000, estimated future development costs relating to the development of proved undeveloped oil and gas reserves for the years 2001 through 2003 are projected to be $337 million, $115 million, and $97 million.

Investments in investees of $100 million in 2000 mainly reflected Marathon Group development spending for the Sakhalin II project in Russia and U. S. Steel Group investment in stock of VSZ in which USX now holds a 25 percent interest.

The above statements with respect to capital expenditures are forward-looking statements reflecting management's best estimates based on information currently available. To the extent this information proves to be inaccurate, the timing and levels of future

expenditures could differ materially from those included in the forward-looking statements. Factors that could cause future capital expenditures to differ materially include changes in industry supply and demand, general economic conditions, the availability of business opportunities and levels of cash flow from operations for each of the Groups. The timing of completion or cost of particular capital projects could be affected by unforeseen hazards such as weather conditions, explosions or fires.

Proceeds from disposal of assets were $560 million in 2000, compared with $366 million in 1999 and $86 million in 1998. Proceeds in 2000 primarily reflected Marathon's Sakhalin exchange, sales of interest in the Angus/Stellaria development in the Gulf of Mexico, the sale of non-core Speedway SuperAmerica stores and other domestic production properties. Proceeds in 1999 primarily reflected the sales of Scurlock Permian LLC, over 150 non-strategic domestic and international production properties and Carnegie Natural Gas Company and affiliated subsidiaries, all of which were attributed to the Marathon Group.

The net change in restricted cash was a net withdrawal of $3 million in 2000, compared with a net deposit of $1 million in 1999 and a net withdrawal of $174 million in 1998. The $174 million net withdrawal in 1998 was primarily the result of redeeming all of the outstanding shares of USX - Delhi Group Common Stock with the $195 million of net proceeds from the sale of the Delhi Companies.

Repayments of loans and advances to investees were $10 million in 2000 compared with $1 million in 1999 and $71 million in 1998. In 1998, Sakhalin Energy Investment Company Ltd. repaid advances made by Marathon in connection with the Sakhalin II project.

Net cash changes related to financial obligations (the net of commercial paper and revolving credit arrangements, debt borrowings and repayments on the Consolidated Statement of Cash Flows) decreased $4 million in 2000, compared with an increase of $187 million in 1999 and an increase of $315 million in 1998. The decrease in 2000 reflects the net effects of net cash provided from operating activities, net cash used in investing activities, distributions to minority shareholder of MAP, dividends paid and a stock repurchase program for Marathon Group. The increase in 1999 reflects the net effects of net cash provided from operating activities, net cash used in investing activities, distributions to minority shareholder of MAP and dividends paid. The increase in 1998 was primarily the result of borrowings against revolving credit agreements to fund the acquisition of Tarragon.

Significant additions to long-term debt for each of the last three years are summarized in the following table:

(Dollars in millions)	
Aggregate principal amounts of:	
6.65% Notes due 2006	$
6.85% Notes due 2008	
U. S. Steel receivables facility	
USSK loan facility/(a)/	
Environmental bonds and capital leases/(b)/	
Total	$

/(a)/ The USSK loan facility is nonrecourse to USX.
/(b)/ Issued to refinance an equivalent amount of environmental improvement refunding bonds.

In the event of a change in control of USX, debt and lease obligations totaling $3,818 million at year-end 2000 may be declared immediately due and payable or required to be collateralized. See Notes 10 and 14 to the USX Consolidated Financial Statements.

Marathon Stock repurchased was $105 million in 2000. In July 2000, the USX Board of Directors authorized spending up to $450 million to repurchase shares of Marathon Stock. This repurchase program will continue from time to time as the Corporation's financial condition and market conditions warrant.

Dividends paid increased $17 million in 2000 compared with 1999 and increased $12 million in 1999 compared with 1998. The increase in 2000 was due primarily to a two-cents-per-share increase in the quarterly Marathon Stock dividend effective with dividends paid in the third quarter 2000.

Benefit Plan Activity

In 2000, USX contributed $530 million to a VEBA, including a $500 million elective contribution, and $30 million to a non-union retiree life insurance trust. In 1999, USX contributed $20 million to a VEBA.

Debt and Preferred Stock Ratings

In May 2000, Standard & Poor's Corp. upgraded USX's and Marathon's senior debt to BBB, which continues the investment grade rating. At the same time, USX's subordinated debt was upgraded to BBB- and preferred

stock was upgraded to BB+. Also in May 2000, Moody's Investors Services, Inc., upgraded USX's and Marathon's senior debt to the investment grade rating of Baa1, USX's subordinated debt to Baa2 and USX's preferred stock to baa3. Fitch IBCA Duff & Phelps currently rates USX's senior notes as investment grade at BBB and USX's subordinated debt as BBB-. In December 2000, Standard & Poor's Corp. advised that they had put USX on "Credit Watch Developing" status and Fitch IBCA, Duff & Phelps advised that they had put USX on "Rating Watch-Evolving" status. Both moves were in response to USX's announced structure study.

Derivative Instruments

See Quantitative and Qualitative Disclosures About Market Risk for discussion of derivative instruments and associated market risk.

Liquidity

In December 2000, USX entered into a $1,354 million five-year revolving credit agreement, terminating in November 2005, and a $451 million 364-day facility, which together replaced the prior $2,350 million facility. At December 31, 2000, USX had $300 million of borrowings against its $1,354 million long-term revolving credit agreements and commercial paper borrowings of $77 million. Also, USX had a short-term line of credit totaling $150 million which was fully drawn at December 31, 2000. There were no borrowings against MAP or USSK revolving credit agreements at December 31, 2000.

USX had a total of $1,678 million available at December 31, 2000 under existing shelf registration statements filed with the Securities and Exchange Commission. These allow USX to offer and issue unsecured debt securities, common and preferred stock and warrants in one or more separate offerings on terms to be determined at the time of sale.

USX management believes that its short-term and long-term liquidity is adequate to satisfy its obligations as of December 31, 2000, and to complete currently authorized capital spending programs. Future requirements for USX's business needs, including the funding of capital expenditures, debt maturities for the years 2001, 2002 and 2003, and any amounts that may ultimately be paid in connection with contingencies (which are discussed in Note 26 to the USX Consolidated Financial Statements), are expected to be financed by a combination of internally generated funds, proceeds from the sale of stock, borrowings or other external financing sources. However, on November 30, 2000, USX announced that the USX Board of Directors had authorized management to retain financial, tax and legal advisors to perform an in-depth study of the corporation's targeted stock structure. Until the study is complete, USX management believes it will be more difficult to access traditional debt and equity markets. Although USX management believes that it will not be necessary to

access financial markets during this time frame, nontraditional sources should be available to provide adequate liquidity, if necessary.

USX management's opinion concerning liquidity and USX's ability to avail itself in the future of the financing options mentioned in the above forward-looking statements are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that affect the availability of financing include the performance of each Group (as indicated by levels of cash provided from operating activities and other measures), the results of the announced structure study, the state of the debt and equity markets, investor perceptions of past performance and expectations regarding future actions and performance, the overall U.S. financial climate, and, in particular, with respect to borrowings, levels of USX's outstanding debt and credit ratings by rating agencies. For a summary of short-term and long-term debt, see Notes 13 and 14 to the USX Consolidated Financial Statements.

Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies

USX has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of USX's products and services, operating results will be adversely affected. USX believes that domestic competitors of the U. S. Steel Group and substantially all the competitors of the Marathon Group are subject to similar environmental laws and regulations. However, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities, marketing areas, production processes and the specific products and services it provides.

In addition, USX expects to incur capital expenditures to meet environmental standards under the Slovak Republic's environmental laws for the U. S. Steel Group's USSK operation.

The following table summarizes USX's environmental expenditures for each of the last three years/(a)/:

(Dollars in millions)

Capital

Marathon Group	$
U. S. Steel Group	
Total capital	$
Compliance	
Operating & maintenance	
Marathon Group	$
U. S. Steel Group	
Total operating & maintenance	
Remediation/(b)/	
Marathon Group	
U. S. Steel Group	
Total remediation	
Total compliance	$

/(a)/ Amounts for the Marathon Group are calculated based on American Petroleum Institute survey guidelines and include 100% of MAP. Amounts for the U. S. Steel Group are based on previously established U.S. Department of Commerce survey guidelines.

/(b)/ Amounts do not include noncash provisions recorded for environmental remediation, but include spending charged against remediation reserves, net of recoveries where permissible.

USX's environmental capital expenditures accounted for 5%, 5% and 8% of total consolidated capital expenditures in 2000, 1999 and 1998, respectively.

USX's environmental compliance expenditures averaged 1% of total consolidated costs in each of 2000, 1999 and 1998. Remediation spending primarily reflected ongoing clean-up costs for soil and groundwater contamination associated with underground storage tanks and piping at retail gasoline stations, and remediation activities at former and present operating locations.

The Resource Conservation and Recovery Act ("RCRA") establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks.

A significant portion of USX's currently identified environmental remediation projects relate to the remediation of former and present operating locations. These projects include remediation of contaminated sediments in a river that receives discharges from the Gary Works and the closure of permitted hazardous and non-hazardous waste landfills.

USX has been notified that it is a potentially responsible party ("PRP") at 38 waste sites under the Comprehensive Environmental Response, Compensation and

Liability Act ("CERCLA") as of December 31, 2000. In addition, there are 23 sites where USX has received information requests or

other indications that USX may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability. There are also 144 additional sites, excluding retail gasoline stations, where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. Of these sites, 15 were associated with properties conveyed to MAP by Ashland for which Ashland has retained liability for all costs associated with remediation. At many of these sites, USX is one of a number of parties involved and the total cost of remediation, as well as USX's share thereof, is frequently dependent upon the outcome of investigations and remedial studies. USX accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. See Note 26 to the USX Consolidated Financial Statements.

New Tier II Fuels regulations were proposed in late 1999. The gasoline rules, which were finalized by the U.S. Environmental Protection Agency ("EPA") in February 2000, and the diesel fuel rule, which was finalized in January 2001, require substantially reduced sulfur levels. The combined capital cost to achieve compliance with the gasoline and diesel regulations could amount to approximately $700 million between 2003 and 2005. This is a forward-looking statement and can only be a broad-based estimate due to the ongoing evolution of regulatory requirements. Some factors (among others) that could potentially affect gasoline and diesel fuel compliance costs include obtaining the necessary construction and environmental permits, operating considerations, and unforeseen hazards such as weather conditions.

In October 1998, the National Enforcement Investigations Center and Region V of the EPA conducted a multi-media inspection of MAP's Detroit refinery. Subsequently, in November 1998, Region V conducted a multi-media inspection of MAP's Robinson refinery. These inspections covered compliance with the Clean Air Act (New Source Performance Standards, Prevention of Significant Deterioration, and the National Emission Standards for Hazardous Air Pollutants for Benzene), the Clean Water Act (permit exceedances for the Waste Water Treatment Plant), reporting obligations under the Emergency Planning and Community Right to Know Act and the handling of process waste. MAP has been advised, in

ongoing discussions with the EPA, as to certain compliance issues regarding MAP's Detroit and Robinson refineries. Thus far, MAP has been served with two Notices of Violation ("NOV") and three Findings of Violation in connection with the multi-media inspection at its Detroit refinery. The Detroit notices allege violations of the Michigan State Air Pollution Regulations, the EPA New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants for Benzene. On March 6, 2000, MAP received its first NOV arising out of the multi-media inspection of the Robinson refinery conducted in November 1998. The NOV is for alleged Resource Conservation and Recovery Act (hazardous waste) violations.

MAP has responded to information requests from the EPA regarding New Source Review ("NSR") compliance at its Garyville and Texas City refineries. In addition, the scope of the EPA's 1998 multi-media inspections of the Detroit and Robinson refineries included NSR compliance. NSR requires new major stationary sources and major modifications at existing major stationary sources to obtain permits, perform air quality analysis and install stringent air pollution control equipment at affected facilities. The current EPA initiative appears to target many items that the industry has historically considered routine repair, replacement and maintenance or other activity exempted from the NSR requirements. MAP is engaged in ongoing discussions with the EPA on these issues concerning all of MAP's refineries.

While MAP has not been notified of any formal findings or violations resulting from either the information requests or inspections regarding NSR compliance, MAP has been informed during discussions with the EPA of potential non-compliance concerns of the EPA based on these inspections and other information identified by the EPA. Recently, discussions with the EPA have included commitment to some specific control technologies and implementation schedules, but not penalties. In addition, MAP anticipates that some or all of the non-NSR related issues arising from the multi-media inspections may also be resolved as part of the current discussions with the EPA. A negotiated resolution with the EPA could result in increased environmental capital expenditures in future years, in addition to as yet, undetermined penalties.

During 1999 an EPA advisory panel on oxygenate use in gasoline issued recommendations to the EPA, calling for the improved protection of drinking water from methyl tertiary butyl ether ("MTBE") impacts, a substantial reduction in the use of MTBE, and action by Congress to remove the oxygenate requirements for reformulated gasoline under the Clean Air Act. The panel reviewed public health and environmental issues that have been raised by the use of MTBE in gasoline, and

specifically by the discovery of MTBE in water supplies. State and federal environmental regulatory agencies could implement the majority of the recommendations, while some would require Congressional legislative action. California has acted to ban MTBE use by December 31, 2002 and has requested a waiver from the EPA of California state oxygenate requirements. In addition, a number of states have passed laws which limit or require the phase out of MTBE in gasoline, including states in MAP's marketing area such as Michigan and Minnesota. Many other states are considering bills which require similar limitations or the phase out of MTBE.

MAP has a non-material investment in MTBE units at its Robinson, Catlettsburg and Detroit refineries. Approximately seven percent of MAP's refinery gasoline production includes MTBE. Potential phase-outs or restrictions on the use of MTBE would not be expected to have a material impact on MAP and its operations, although it is not possible to reach any conclusions until further federal or state actions, if any, are taken.

In October 1996, USX was notified by the Indiana Department of Environmental Management ("IDEM") acting as lead trustee, that IDEM and the U. S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a pre-assessment screen pursuant to federal regulations and have determined to perform an NRD Assessment. USX was identified as a PRP along with 15 other companies owning property along the river and harbor canal. USX and eight other PRPs have formed a joint defense group. The trustees notified the public of their plan for assessment and later adopted the plan. In 2000, the trustees concluded their assessment of sediment injuries, which includes a technical review of environmental conditions. The PRP joint defense group is discussing settlement opportunities with the trustees and the EPA.

In 1997, USS/Kobe Steel Company ("USS/Kobe"), a joint venture between USX and Kobe Steel, Ltd. ("Kobe"), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic Technologies International, LLC ("Republic"). The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC ("Lorain Tubular"), which operated as a joint venture between USX and Kobe until December 31, 1999 when USX purchased all of Kobe's interest in Lorain Tubular. Republic and Lorain Tubular are continuing negotiations with the EPA. Most of the matters raised by the EPA

relate to Republic's facilities; however, air discharges from Lorain Tubular's #3 seamless pipe mill have also been cited. Lorain Tubular will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued.

In 1998, USX entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System ("NPDES") permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, USX entered into a consent decree with the public trustees which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, USX paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, USX will pay the public trustees $1 million at the end of the remediation project for future monitoring costs and USX is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. The sediment remediation

project is an approved final interim measure under the corrective action program for Gary Works and is expected to cost approximately $36.4 million over the next five years. Estimated remediation and monitoring costs for this project have been accrued.

In February 1999, the U.S. Department of Justice and EPA issued a letter demanding a cash payment of approximately $4 million to resolve a Finding of Violation issued in 1997 alleging improper sampling of benzene waste streams at Gary Coke. On September 18, 2000, a Consent Decree was entered which required USX to pay a civil penalty of $587,000 and to replace PCB transformers as a Supplemental Environmental Program at a cost of approximately $2.2 million. Payment of the civil penalty was made on October 13, 2000.

The Berks Associates/Douglassville Site ("Berks Site") is situated on a 50-acre parcel located on the Schuylkill River in Berks County, PA. Used oil and solvent reprocessing operations were conducted on the Berks Site between 1941 and 1986. In September 1997, USX signed a consent decree to conduct a feasibility study at the site relating to the alternative remedy. In 1999, a new Record of Decision was approved by the EPA and the U.S. Department of Justice. On January 19, 2001, USX signed a consent decree with the EPA to remediate this site.

In 1987, the California Department of Health Services ("DHS") issued a remedial action order for the GBF/Pittsburg landfill near Pittsburg, California. DHS alleged that from 1972 through 1974, Pittsburg Works arranged for the disposal of approximately 2.6 million gallons of waste oil, sludge, caustic mud and acid, which were eventually taken to this landfill for disposal. In 2000, the parties reached a buyout arrangement with a third party remediation firm, whereby the firm agreed to take title to and remediate the site and also indemnify the PRPs. This commitment was backed by pollution insurance. USX's share to participate in the buyout was approximately $1.1 million. Payment of the USX buyout amount was made December 2000. Title to the site was transferred to the remediation firm on January 31, 2001.

New or expanded environmental requirements, which could increase USX's environmental costs, may arise in the future. USX intends to comply with all legal requirements regarding the environment, but since many of them are not fixed or presently determinable (even under existing legislation) and may be affected by future legislation, it is not possible to predict accurately the ultimate cost of compliance, including remediation costs which may be incurred and penalties which may be imposed. However, based on presently available information, and existing laws and regulations as currently implemented, USX does not anticipate that environmental compliance expenditures (including operating and maintenance and remediation) will materially increase in 2001. USX expects environmental capital expenditures in 2001 to be approximately $120 million, or approximately 5% of total estimated consolidated capital expenditures. Predictions beyond 2001 can only be broad-based estimates which have varied, and will continue to vary, due to the ongoing evolution of specific regulatory requirements, the possible imposition of more stringent requirements and the availability of new technologies, among other matters. Based upon currently identified projects, USX anticipates that environmental capital expenditures in 2002 will total approximately $143 million; however, actual expenditures may vary as the number and scope of environmental projects are revised as a result of improved technology or changes in regulatory requirements, and could increase if additional projects are identified or additional requirements are imposed.

USX is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters. 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.

Outlook

For Outlook, see Management's Discussion and

Analysis for the Marathon Group and the U. S. Steel Group, herein.

Management's Discussion and Analysis continued

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 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.

Management's Discussion and Analysis by Group

The Marathon Group

The Marathon Group includes Marathon Oil Company ("Marathon") and certain other subsidiaries of USX Corporation ("USX"), which are engaged in worldwide exploration and production of crude oil and natural gas; domestic refining, marketing and transportation of petroleum products primarily through Marathon Ashland Petroleum LLC ("MAP"), owned 62 percent by Marathon; and other energy related businesses. The Management's Discussion and Analysis should be read in conjunction with the Marathon Group's Financial Statements and Notes to Financial Statements.

The Marathon Group's 2000 financial performance was primarily affected by the strong recovery in worldwide liquid hydrocarbon and natural gas prices and stronger refining margins. During 2000, Marathon focused on the acquisition of assets with a strong strategic fit, the disposal of non-core properties, and workforce reductions through a voluntary early retirement program.

Revenues and Other Income for each of the last three years are summarized in the following table:

(Dollars in millions)	200
Exploration & production ("E&P")	$ 4,6
Refining, marketing & transportation ("RM&T")/(a)/	28,8

Other energy related businesses/(b/	1,6
Revenues and other income of reportable segments	35,2
Revenues and other income not allocated to segments:	
Joint venture formation charges/(c)/	(9
Gain on ownership change in MAP	
Other/d)/	1
Elimination of intersegment revenues	(5
Total Group revenues and other income	$ 33,8

Items included in both revenues and costs and expenses, resulting in no effect on income:

Consumer excise taxes on petroleum products and merchandise	$ 4,3

/(a)/ Amounts include 100 percent of MAP.
/(b)/ Includes domestic natural gas and crude oil marketing and transportation, and power generation.
/(c)/ Represents a pretax charge related to the joint venture formation between Marathon and Kinder Morgan Energy Partners, L.P.
/(d)/ Represents net gains/(losses) on certain asset sales.

E&P segment revenues increased by $1,589 million in 2000 from 1999 following an increase of $1,015 million in 1999 from 1998. The increase in 2000 was primarily due to higher worldwide liquid hydrocarbon and natural gas prices, partially offset by lower domestic liquid hydrocarbon and worldwide natural gas production. The increase in 1999 was primarily due to higher worldwide liquid hydrocarbon prices, increased domestic liquid hydrocarbon production and higher E&P crude oil buy/sell volumes.

RM&T segment revenues increased by $8,773 million in 2000 from 1999 following an increase of $996 million in 1999 from 1998. The increase in 2000 primarily reflected higher refined product prices and increased refined product sales volumes. The increase in 1999 was mainly due to higher refined product prices, increased volumes of refined product sales and higher merchandise sales, partially offset by reduced crude oil sales revenues following the sale of Scurlock Permian LLC.

Other energy related businesses segment revenues increased by $850 million in 2000 from 1999 following an increase of $479 million in 1999 from 1998. The increase in 2000 reflected higher natural gas and crude oil resale activity accompanied by higher crude oil and natural gas prices. The increase in 1999 was primarily due to increased crude oil and natural gas purchase and resale activity.

For additional discussion of revenues, see Note 10 to the Marathon Group Financial Statements.

Management's Discussion and Analysis continued

Income from operations for each of the last three years is summarized in the following table:

(Dollars in millions)	2000
E&P	
Domestic	$ 1,1
International	4
Income of E&P reportable segment	1,5
RM&T/(a)/	1,2
Other energy related businesses	
Income for reportable segments	2,8
Items not allocated to reportable segments:	
Joint venture formation charges/(b)/	(9
Administrative expenses/(c)/	(1
IMV reserve adjustment/(d)/	
Gain on ownership change & transition charges - MAP/(e)/	
Impairment of oil and gas properties, assets held for sale, and gas contract settlement/(f)/	(1
Gain/(loss) on disposal of assets/(g)/	1
Reorganization charges including pension settlement (loss)/gain & benefit accruals/(h)/	(
Total income from operations	$ 1,6

/(a)/ Amounts include 100 percent of MAP.

/(b)/ Represents a pretax charge related to the joint venture formation between Marathon and Kinder Morgan Energy Partners, L.P.

/(c)/ Includes the portion of the Marathon Group's administrative costs not charged to the operating segments and the portion of USX corporate general and administrative costs allocated to the Marathon Group.

/(d)/ The inventory market valuation ("IMV") reserve reflects the extent to which the recorded LIFO cost basis of crude oil and refined products inventories exceeds net realizable value. For additional discussion of the IMV, see Note 20 to the Marathon Group Financial Statements.

/(e)/ The gain on ownership change and one-time transition charges in 1998 relate to the formation of MAP. For additional discussion of the gain on ownership change in MAP, see Note 5 to the Marathon Group Financial Statements.

/(f)/ Represents in 2000, an impairment of certain oil and gas properties, primarily in Canada, and

assets held for sale. Represents in 1999, an impairment of certain domestic properties. Represents in 1998, a write-off of certain non-revenue producing international investments and several exploratory wells which had encountered hydrocarbons but had been suspended pending further evaluation. It also includes in 1998 a gain from the resolution of a contract dispute with a purchaser of Marathon's natural gas production from certain domestic properties.

/(g)/ The net gain in 2000 represents a gain on the disposition of Angus/Stellaria, a gain on the Sakhalin exchange, a gain on the sale of Speedway SuperAmerica LLC ("SSA") non-core stores, and a loss on the sale of the Howard Glasscock field. The net loss in 1999 represents a loss on the sale of Scurlock Permian LLC, certain domestic production properties, Carnegie Natural Gas Company and affiliated subsidiaries and a gain on certain Egyptian properties.

/(h)/ Amounts in 2000 and 1999 represent pension settlement gains/(losses) and various benefit accruals resulting from retirement plan settlements, the voluntary early retirement program, and reorganization charges.

Management's Discussion and Analysis continued

Income for reportable segments increased by $1,556 million in 2000 from 1999, mainly due to higher worldwide liquid hydrocarbon and natural gas prices, and higher refined product margins, partially offset by decreased natural gas volumes. Income for reportable segments increased by $83 million in 1999 from 1998, mainly due to higher worldwide liquid hydrocarbon prices, partially offset by lower refined product margins. Income from operations includes 100 percent of MAP beginning in 1998, and results from Marathon Canada Limited (formerly known as Tarragon) commencing August 12, 1998.

Average Volumes and Selling Prices

		2000
(thousands of barrels per day)		
Net liquids production/(a)/	- U.S.	
	- International/(b)/	
	- Total consolidated	
	- Equity investees/(c)/	
	- Worldwide	
(millions of cubic feet per day)		
Net natural gas production	- U.S.	
	- International - equity	
	- International - other/(d)/	

	- Total consolidated	1,
	- Equity investee/(e)/	
	- Worldwide	1,
(dollars per barrel)		
Liquid hydrocarbons/(a)(f)/	- U.S.	$ 25
	- International	26
(dollars per mcf)		
Natural gas/(f)/	- U.S.	$ 3
	- International - equity	2
(thousands of barrels per day)		
Refined products sold/(g)/		1,
Matching buy/sell volumes included in above		

/(a)/ Includes crude oil, condensate and natural gas liquids.
/(b)/ Represents equity tanker liftings, truck deliveries and direct deliveries.
/(c)/ Represents Marathon's equity interest in Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy") and CLAM Petroleum B.V. ("CLAM") for 2000 and 1999.
/(d)/ Represents gas acquired for injection and subsequent resale.
/(e)/ Represents Marathon's equity interest in CLAM.
/(f)/ Prices exclude gains/losses from hedging activities, equity investees and purchase/resale gas.
/(g)/ Refined products sold and matching buy/sell volumes include 100 percent of MAP.

Domestic E&P income increased by $621 million in 2000 from 1999 following an increase of $304 million in 1999 from 1998. The increase in 2000 was primarily due to higher liquid hydrocarbon and natural gas prices, partially offset by lower liquid hydrocarbon and natural gas volumes due to natural field declines and asset sales, and derivative losses from other than trading activities.

The increase in 1999 was primarily due to higher liquid hydrocarbon and natural gas prices, increased liquid hydrocarbon volumes resulting from new production in the Gulf of Mexico and lower exploration expense.

International E&P income increased by $296 million in 2000 from 1999 following an increase of $36 million in 1999 from 1998. The increase in 2000 was mainly due to higher liquid hydrocarbon and natural gas prices, higher liquid hydrocarbon liftings, primarily in Russia and Gabon, and lower dry well expense, partially offset by lower natural gas volumes.

The increase in 1999 was primarily due to higher liquid hydrocarbon prices, partially offset by lower liquid hydrocarbon and natural gas production in Europe and higher exploration expense.

Management's Discussion and Analysis continued

RM&T segment income increased by $662 million in 2000 from 1999 following a decrease of $285 million in 1999 from 1998. The increase in 2000 was primarily due to higher refined product margins, partially offset by higher operating expenses for SSA, higher administrative expenses including increased variable pay plan costs, and higher transportation costs.

The decrease in 1999 was primarily due to lower refined product margins, partially offset by recognized mark-to-market derivative gains, increased refined product sales volumes, higher merchandise sales at SSA and the realization of additional operating efficiencies as a result of forming MAP.

Other energy related businesses segment income decreased by $23 million in 2000 from 1999 following an increase of $28 million in 1999 from 1998. The decrease in 2000 was primarily a result of derivative losses from other than trading activities and lower equity earnings as a result of decreased pipeline throughput. The increase in 1999 was primarily due to higher equity earnings as a result of increased pipeline throughput and a reversal of abandonment accruals of $10 million in 1999.

Items not allocated to reportable segments: IMV reserve adjustment - When U. S. Steel Corporation acquired Marathon Oil Company in March 1982, crude oil and refined product prices were at historically high levels. In applying the purchase method of accounting, the Marathon Group's crude oil and refined product inventories were revalued by reference to current prices at the time of acquisition, and this became the new LIFO cost basis of the inventories. Generally accepted accounting principles require that inventories be carried at lower of cost or market. Accordingly, the Marathon Group has established an IMV reserve to reduce the cost basis of its inventories to net realizable value. Quarterly adjustments to the IMV reserve result in noncash charges or credits to income from operations.

When Marathon acquired the crude oil and refined product inventories associated with Ashland's RM&T operations on January 1, 1998, the Marathon Group established a new LIFO cost basis for those inventories. The acquisition cost of these inventories lowered the overall average cost of the Marathon Group's combined RM&T inventories. As a result, the price threshold at which an IMV reserve will be recorded was also lowered.

These adjustments affect the comparability of financial results from period to period as well as comparisons with other energy companies, many of which do not have such adjustments. Therefore, the Marathon Group reports separately the effects of the IMV reserve adjustments on financial results. In management's opinion, the effects of such adjustments should be

considered separately when evaluating operating performance.

In 1999, the IMV reserve adjustment resulted in a credit to income from operations of $551 million compared to a charge of $267 million in 1998, or a change of $818 million. The favorable 1999 IMV reserve adjustment, which is almost entirely recorded by MAP, was primarily due to the significant increase in refined product prices experienced during 1999. For additional discussion of the IMV reserve, see Note 20 to the Marathon Group Financial Statements.

Joint venture formation charges represent a pretax charge of $931 million in 2000 related to the joint venture formation between Marathon and Kinder Morgan Energy Partners, L.P. The formation of the joint venture included contribution of interests in the Yates and SACROC assets. Marathon holds an 85 percent economic interest in the combined entity which commenced operations in January 2001.

Impairment of oil and gas properties, assets held for sale, and gas contract settlement includes in 2000, the impairments of certain oil and gas properties primarily in Canada and assets held for sale totaling $197 million. In 1999, the $16 million charge relates to the impairment of certain domestic properties. In 1998, the $119 million charge relates to a write-off of certain non-revenue producing international investments and several exploratory wells, partially offset by a gain from the resolution of a contract dispute with a purchaser of Marathon's natural gas production from certain domestic properties.

Gain/(loss) on disposal of assets represents in 2000 a net gain on the sale of Marathon's interest in the Angus/Stellaria development in the Gulf of Mexico, a gain on the Sakhalin exchange, a loss on the sale of the Howard Glasscock Field, and a gain on the sale of non-core SSA stores. In 1999, the net loss represents losses on the sale of Scurlock Permian LLC, certain domestic production properties, Carnegie Natural Gas Company and affiliated subsidiaries and a gain on certain Egyptian properties.

Reorganization charges including pension settlement (loss)/gain and benefit accruals represent charges related to a reorganization program initiated by Marathon for its upstream business during 2000.

Outlook for 2001 - Marathon Group

This outlook is as of the original filing date of March 12, 2001. For an updated outlook, see subsequent filings with the U.S. Securities and Exchange

Commission.

The outlook regarding the results of operations for the Marathon Group's upstream segment is largely dependent upon future prices and volumes of liquid hydrocarbons and natural gas. Prices have historically been volatile and have frequently been affected by unpredictable changes in supply and demand resulting from fluctuations in worldwide economic activity and political developments in the world's major oil and gas producing and consuming areas. Any significant decline in prices could have a material adverse effect on the Marathon Group's results of operations. A prolonged decline in such prices could also adversely affect the quantity of crude oil and natural gas reserves that can be economically produced and the amount of capital available for exploration and development.

At year-end 2000, Marathon revised its estimate of proved developed and undeveloped oil and gas reserves downward by 167 million barrels of oil equivalent ("BOE"). These revisions were principally in Canada, the North Sea and United States and are the result of production performance and disappointing drilling results.

BOE is a combined measure of worldwide liquid hydrocarbon and natural gas production, measured in barrels per day and cubic feet per day, respectively. For purposes of determining BOE, natural gas volumes are converted to approximate liquid hydrocarbon barrels by dividing the natural gas volumes expressed in thousands of cubic feet ("mcf") by 6. The liquid hydrocarbon volume is added to the barrel equivalent of gas volume to obtain BOE. Marathon intends to disclose total production estimates on a BOE basis from this point forward.

In 2001, worldwide production is expected to average 430,000 BOE per day, split evenly between liquid hydrocarbons and natural gas, including production from Marathon's share of equity investees and future acquisitions.

On December 28, 2000, Marathon signed a definitive agreement to form a joint venture with Kinder Morgan Energy Partners, L.P., which commenced operations in January 2001. The formation of the joint venture included contribution of interests in the Yates and SACROC assets. 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. Marathon holds an 85 percent economic interest in the combined entity, which will be accounted for under the equity method of accounting.

On December 22, 2000, Marathon announced its plans to acquire Pennaco. This acquisition will enhance Marathon's presence in a core area, the North American gas market, and will provide a significant new reserve base that can be developed. The tender offer expired on

February 5, 2001 at 12:00 midnight, Eastern time. Marathon quied approximately 17.6 million shares of Pennaco common stock which were validly tendered and not withdrawn in the offer, representing approximately 87 percent of the outstanding Pennaco shares.

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.

Marathon plans to drill six deepwater Gulf of Mexico exploratory wells in 2001. To support this increased drilling activity, Marathon has contracted two new deepwater rigs, capable of drilling in water depths beyond 6,500 feet.

Other major upstream projects, which are currently underway or under evaluation and are expected to improve future income streams, include the Mississippi Canyon Block 348 in the Gulf of Mexico and various North American natural gas fields. Also, Marathon expects continued development in the Foinaven area in the U.K. Atlantic Margin. Marathon acquired an interest in this location through the exchange of its Sakhalin interests with Shell Oil in the fourth quarter of 2000.

Marathon E&P is currently on target for achieving $150 million in annual repeatable pre-tax operating efficiencies by year-end 2001. Marathon initiated a reorganization program for its upstream business units which will contribute to an overall workforce reduction of 24% compared to 1999 levels. In addition, regional production offices in Lafayette, Louisiana and Tyler, Texas have been closed along with the Petroleum Technology Center in Littleton, Colorado.

The above discussion includes forward-looking statements with respect to 2001 worldwide liquid hydrocarbon production and natural gas volumes, the acquisition of Pennaco, commencement of upstream projects, and the Gulf of Mexico drilling program. Some factors that could potentially affect worldwide liquid hydrocarbon production/gas volumes, upstream projects, and the drilling program include: pricing, worldwide supply and demand for petroleum products, amount of capital available for exploration and development, regulatory constraints, reserve estimates, reserve replacement rates, production decline rates of mature fields, timing of commencing production from new wells, timing and results of future development drilling, drilling rig availability, the completion of the merger with Pennaco, future acquisitions of producing properties, and other geological, operating and economic

considerations. In addition, development of new production properties in countries outside the United States may require protracted negotiations with host governments and is frequently subject to political considerations, such as tax regulations, which could adversely affect the timing and economics of projects. A factor that could affect the Pennaco acquisition is successful completion of the merger. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Downstream income of the Marathon Group is largely dependent upon refined product margins, which reflect the difference between the selling prices of refined products and the cost of raw materials refined and manufacturing costs. Refined product margins have been historically volatile and vary with the level of economic activity in the various marketing areas, the regulatory climate, crude oil costs, manufacturing costs, logistical limitations and the available supply of crude oil and refined products.

In 2000, MAP, CMS Energy Corporation, and TEPPCO Partners, L.P. formed a limited liability company with equal ownership to operate an interstate refined petroleum products pipeline extending from the U.S. Gulf of Mexico to the Midwest. The new company plans to build a 74-mile, 24-inch diameter pipeline connecting TEPPCO's facility in Beaumont, Texas, with an existing 720-mile, 26-inch diameter pipeline extending from Longville, Louisiana to Bourbon, Illinois. In addition, a two million barrel terminal storage facility will be constructed. The system will be called Centennial Pipeline and will connect with existing MAP transportation assets and other common carrier lines. Construction is expected to be completed in the fourth quarter of 2001.

A MAP subsidiary, Ohio River Pipe Line LLC ("ORPL"), plans to build a pipeline from Kenova, West Virginia to Columbus, Ohio. ORPL is a common carrier pipeline company and the pipeline will be an interstate common carrier pipeline. The pipeline is expected to initially move about 50,000 bpd of refined petroleum into the central Ohio region. The pipeline is currently expected to be operational in mid-2002. The startup of this pipeline is largely dependent on obtaining the final regulatory approvals, obtaining the necessary rights-of-way, of which approximately 95 percent have been obtained to date, and completion of construction. ORPL is still negotiating with a few landowners to obtain the remaining rights-of-way. Where necessary, ORPL has filed condemnation actions to acquire some rights-of-way. These actions are at various stages of litigation and appeal with several recent decisions supporting ORPL's use of eminent domain.

MAP is constructing a delayed coker unit at its Garyville, Louisiana refinery. This unit will allow for the use of heavier, lower cost crude and reduce the production of heavy fuel oil. To supply this new unit, MAP reached an agreement with P.M.I. Comercio Internacional, S.A. de C.V., (PMI), an affiliate of Petroleos Mexicanos, (PEMEX), to purchase approximately 90,000 bpd of heavy Mayan crude oil. This is a multi-year contract, which will begin upon completion of the delayed coker unit which is scheduled in the fall of 2001. In addition, a project to increase light product output is underway at MAP's Robinson, Illinois refinery and is expected to be completed in the second quarter of 2001.

MAP initiated a program for 2000 to dispose of approximately 270 non-core SSA retail outlets in the Midwest and Southeast. At the end of this program through December 31, 2000, 159 stores, which comprise about 7 percent of MAP's owned and operated SSA retail network, had been sold. MAP will continue to sell additional SSA stores as part of its ongoing store development process.

The above discussion includes forward-looking statements with respect to pipeline and refinery improvement projects. Some factors that could potentially cause actual results to differ materially from present expectations include the price of petroleum products, levels of cash flow from operations, obtaining the necessary construction and environmental permits, unforeseen hazards such as weather conditions, obtaining the necessary rights-of-way, outcome of pending litigation, and regulatory approval constraints. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

The U. S. Steel Group

The U. S. Steel Group, through its Domestic Steel segment, is engaged in the production and sale of steel mill products, coke, and taconite pellets; the management of mineral resources; coal mining; real estate development; and engineering and consulting services and, through its U. S. Steel Kosice ("USSK") segment, primarily located in the Slovak Republic, in the production and sale of steel mill products and coke for the central European market. Certain business activities are conducted through joint ventures and partially owned companies, such as USS-POSCO Industries ("USS-POSCO"), PRO-TEC Coating Company ("PRO-TEC"), Transtar, Inc. ("Transtar"), Clairton 1314B Partnership, Republic Technologies International, LLC ("Republic") and Rannila Kosice s.r.o. Management's Discussion and Analysis should be read in conjunction with the U. S. Steel Group's Financial Statements and Notes to Financial Statements.

Revenues and Other Income for each of the last three years are summarized in the following table:

(Dollars in millions)	2
Revenues by product:	
Sheet and semi-finished steel products	$
Tubular, plate, and tin mill products	
Raw materials (coal, coke and iron ore)	
Other/(a)/	
Income (loss) from investees	
Net gains on disposal of assets	
Other income (loss)	
Total revenues and other income	$

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

Total revenues and other income increased by $662 million in 2000 from 1999 primarily due to the consolidation of Lorain Tubular Company, LLC, ("Lorain Tubular") effective January 1, 2000, higher average realized prices, particularly tubular product prices, and lower losses from investees, which, in 1999, included a $47 million charge for the impairment of U. S. Steel's previous investment in USS/Kobe Steel Company and costs related to the formation of Republic. Total revenues and other income in 1999 decreased by $1,007 million from 1998 primarily due to lower average realized prices and lower income from investees.

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Management's Discussion and Analysis continued

Income from operations for the U. S. Steel Group for the last three years was:

(Dollars in millions)	2
Segment income for Domestic Steel/(a)/	$
Segment income for U. S. Steel Kosice/(b)/	
Income for reportable segments	$
Items not allocated to segments:	
Net pension credits	
Administrative expenses	
Costs related to former business activities/(c)/	
Asset impairments - Coal	
Impairment of USX's investment in USS/Kobe and costs related to formation of Republic	
Loss on investment in RTI stock used to satisfy indexed	

debt obligations/(d)/	
Total income from operations	$

/(a)/ Includes income from the sale and domestic production of steel mill products, coke and taconite pellets; the management of mineral resources; coal mining; real estate development and management; and engineering and consulting services.
/(b)/ Includes the sale and production of steel products from facilities primarily located in the Slovak Republic commencing November 24, 2000. For further details, see Note 5 to the U. S. Steel Group Financial Statements.
/(c)/ Primarily represents postretirement costs other than pension (OPEB costs) related to all retirees prior to January 1, 1987, and related to former employees and retirees from the businesses sold or closed after January 1, 1987. Also includes certain other expenses (primarily litigation and environmental remediation costs) associated to lines of business in which USX is no longer engaged as a result of sale or closure.
/(d)/ For further details, see Note 6 to the U. S. Steel Group Financial Statements.

Segment income for Domestic Steel

Domestic Steel operations recorded segment income of $23 million in 2000 versus segment income of $91 million in 1999, a decrease of $68 million. The 2000 segment income included $36 million for certain environmental and legal accruals, a $34 million charge to establish reserves against notes and receivables from financially distressed steel companies and a $10 million charge for USX's share of Republic special charges. Results in 1999 included $17 million in charges for certain environmental and legal accruals and $7 million in various non-recurring equity investee charges. Excluding these items, the decrease in segment income for Domestic Steel was primarily due to higher costs related to energy and inefficient operating levels due to lower throughput, lower income from raw materials operations, particularly coal operations and lower sheet shipments resulting from high levels of imports that continued in 2000.

Segment income for Domestic Steel operations in 1999 decreased $426 million from 1998. Results in 1998 included a net favorable $30 million for an insurance litigation settlement and charges of $10 million related to a voluntary workforce reduction plan. Excluding these items, the decrease in segment income for Domestic Steel was primarily due to lower average steel prices, lower income from raw materials operations, a less favorable product mix and lower income from investees.

Segment income for U. S. Steel Kosice

USSK segment income for the period following the November 24, 2000 acquisition through year-end 2000 was $2 million.

Items not allocated to segments

Net pension credits, which are primarily noncash, totaled $266 million in 2000, $228 million in 1999 and $186 million in 1998. Net pension credits in 1999 included $35 million for a one-time favorable pension settlement primarily related to the voluntary early retirement program for salaried employees. For additional information on pensions, see Note 12 to the U. S. Steel Group Financial Statements.

Asset impairments - Coal, were for asset impairments at U. S. Steel Mining's coal mines in Alabama and West Virginia in 2000 following a reassessment of long-term prospects after adverse geological conditions were encountered.

Administrative expenses are corporate general and administrative costs allocated to the U. S. Steel Group by USX based upon utilization or other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and revenues. The costs allocated to the U. S. Steel Group were $25 million in 2000, $17 million in 1999 and $24 million in 1998, which primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities. The increase from 1999 to 2000 primarily resulted from the nonrecurrence of favorable 1999 franchise tax settlements and employee compensation costs. The decrease from 1998 to 1999 was largely the result of lower franchise taxes, primarily due to settlements of prior years' taxes.

Cost related to former business activities increased $8 million in 2000 from 1999 primarily due to higher litigation expenses. Costs related to former business activities decreased $17 million in 1999 from 1998 primarily due to lower litigation expenses and lower payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992.

In 1999, an impairment of USX's investment in USS/Kobe and costs related to the formation of Republic totaled $47 million.

Income from operations in 1999 also included a loss on investment in RTI stock used to satisfy indexed debt obligations of $22 million from the termination of ownership in RTI International Metals, Inc. For further discussion, see Note 6 to the U. S. Steel Group

Financial Statements.

Outlook for 2001 - U. S. Steel Group

This outlook is as of the original filing date of March 12, 2001. For an updated outlook, see subsequent filings with the U.S. Securities and Exchange Commission.

Domestic Steel's order book and prices remain soft due to continued high import volumes (which in 2000 were second only to record-year 1998 levels), a draw-down of inventories by spot purchasers and increasing evidence that the growth in the domestic economy is slowing. In addition to these factors, our plate products business is being impacted by recently added domestic capacity. Although domestic shipments for the first quarter of 2001 are projected to be somewhat better than fourth quarter 2000 levels, we expect that sheet and plate pricing, which declined markedly in the fourth quarter, will continue to be depressed as a result of the factors cited above. The tubular business, however, remains strong. For the year 2001, domestic shipments are expected to be approximately 11 million net tons, excluding any shipments from the potential acquisition of LTV Corporation tin operations. For the year 2001, USSK shipments are expected to be approximately 3.3 million to 3.6 million net tons.

High natural gas prices adversely affected our results in 2000 and are expected to persist for some time. The blast furnace idled at Gary Works in July 2000 for a planned 10-day outage remained down until late February 2001 due to business conditions. The U. S. Steel Group has continued its cost reduction efforts, and has recently requested from its current suppliers an immediate, temporary eight percent price reduction from existing levels to help weather this difficult period.

Several domestic competitors recently have filed for Chapter 11 bankruptcy protection. This provides them with certain competitive advantages and further demonstrates the very difficult economic circumstances faced by the domestic industry.

U. S. Steel Group's income from operations includes net pension credits, which are primarily noncash, associated with all of U. S. Steel's pension plans. Net pension credits were $266 million in 2000. At the end of 2000, U. S. Steel's main pension plans' transition asset was fully amortized, decreasing the pension credit by $69 million annually in future years for this component. In addition, for the year 2001, low marketplace returns on trust assets in the year 2000 and pending business combinations in the current year are expected to further reduce net pension credits to approximately $160 million. The above includes forward-looking statements concerning net pension credits which can vary depending upon the market performance of plan assets, changes in actuarial assumptions regarding such factors as the selection of a discount rate and rate of return on plan assets, changes in the amortization levels of transition

amounts or prior period service costs, plan amendments affecting

benefit payout levels, business combinations and profile changes in the beneficiary populations being valued. Changes in any of these factors could cause net pension credits to change. To the extent net pension credits decline in the future, income from operations would be adversely affected.

The U. S. Steel Group includes a 16 percent equity method investment in Republic (through an ownership interest in Republic Technologies International Holdings, LLC ("Republic Holdings"), which is the sole owner of Republic). In the third quarter of 2000, Republic announced that it had completed a financial restructuring to improve its liquidity position. Republic raised approximately $30 million in loans from certain of its direct and indirect equity partners in exchange for notes of Republic and warrants to purchase Class D common stock of Republic Technologies International, Inc., Republic's majority owner. The U. S. Steel Group's portion was approximately $6 million and the U. S. Steel Group also agreed to certain deferred payment terms into the year 2002, up to a maximum of $30 million, with regard to Republic's obligations relating to iron ore pellets supplied to Republic. In its Form 10-Q for the period ended September 30, 2000, which was filed with the SEC on October 31, 2000, Republic Holdings stated that "Notwithstanding these efforts, [Republic Holdings] may need to obtain additional financing to meet its cash flow requirements, including financing from the sale of additional debt or equity securities." Republic Holdings also stated "As a result of the factors mentioned above, [Republic Holdings] is highly leveraged and could be considered a risky investment."

At December 31, 2000, the U. S. Steel Group's financial exposure to Republic totaled approximately $131 million, consisting of amounts owed by Republic to the U. S. Steel Group and debt obligations assumed by Republic.

In early October 2000, the U. S. Steel Group announced an agreement with LTV Corporation ("LTV") to purchase LTV's tin mill products business, including its Indiana Harbor, Indiana tin operations. This acquisition recently closed and was effective March 1, 2001. Terms of this noncash transaction call for the U. S. Steel Group to assume certain employee-related obligations of LTV. The U. S. Steel Group intends to operate these facilities as an ongoing business and tin mill employees at Indiana Harbor became U. S. Steel Group employees. The U. S. Steel Group and LTV also entered into 5-year agreements for LTV to supply the U. S. Steel Group with pickled hot bands and for the U. S. Steel Group to

provide LTV with processing of cold rolled steel.

In October 2000, Transtar announced it had entered into a Reorganization and Exchange Agreement with its two voting shareholders. Upon closing, Transtar and certain of its subsidiaries, namely, the Birmingham Southern Railroad Company; the Elgin, Joliet and Eastern Railway Company; the Lake Terminal Railroad Company; the McKeesport Connecting Railroad Company; the Mobile River Terminal Company, Inc.; the Union Railroad Company; the Warrior & Gulf Navigation Company; and Tracks Traffic and Management Services, Inc. will become subsidiaries within the U. S. Steel Group. The other shareholder, Transtar Holdings, L.P., an affiliate of Blackstone Capital Partners L.P., will become the owner of the other subsidiaries.

The preceding statements concerning anticipated steel demand, steel pricing, and shipment levels are forward-looking and are based upon assumptions as to future product prices and mix, and levels of steel production capability, production and shipments. These forward-looking statements can be affected by imports, domestic and international economies, domestic production capacity, the completion of the LTV and Transtar transactions, and customer demand. In the event these assumptions prove to be inaccurate, actual results may differ significantly from those presently anticipated.

Quantitative and Qualitative Disclosures About Market Risk

Management Opinion Concerning Derivative Instruments

USX uses commodity-based and foreign currency derivative instruments to manage its price risk. Management has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations related to the purchase, production or sale of crude oil, natural gas, refined products, and nonferrous metals. For transactions that qualify for hedge accounting, the resulting gains or losses are deferred and subsequently recognized in income from operations, in the same period as the underlying physical transaction. Derivative instruments used for trading and other activities are marked-to-market and the resulting gains or losses are recognized in the current period in income from operations. While USX's risk management activities generally reduce market risk exposure due to unfavorable commodity price changes for raw material purchases and products sold, such activities can also encompass strategies that assume price risk.

Management believes that use of derivative instruments along with risk assessment procedures and internal controls does not expose USX to material risk. The use of derivative instruments could materially

affect USX's results of operations in particular quarterly or annual periods. However, management believes that use of these instruments will not have a material adverse effect on financial position or liquidity. For a summary of accounting policies related to derivative instruments, see Note 1 to the USX Consolidated Financial Statements.

Commodity Price Risk and Related Risks

In the normal course of its business, USX is exposed to market risk or price fluctuations related to the purchase, production or sale of crude oil, natural gas, refined products and steel products. To a lesser extent, USX is exposed to the risk of price fluctuations on coal, coke, natural gas liquids, petroleum feedstocks and certain nonferrous metals used as raw materials.

USX's market risk strategy has generally been to obtain competitive prices for its products and services and allow operating results to reflect market price movements dictated by supply and demand. However, USX uses fixed-price contracts and derivative commodity instruments to manage a relatively small portion of its commodity price risk. USX uses fixed-price contracts for portions of its natural gas production to manage exposure to fluctuations in natural gas prices. Certain derivative commodity instruments have the effect of restoring the equity portion of fixed-price sales of natural gas to variable market-based pricing. These instruments are used as part of USX's overall risk management programs.

Quantitative and Qualitative Disclosures About Market Risk continued

Sensitivity analyses of the incremental effects on pretax income of hypothetical 10% and 25% changes in commodity prices for open derivative commodity instruments as of December 31, 2000 and December 31, 1999, are provided for the Marathon Group in the following table. While the U. S. Steel Group uses derivative commodity instruments, its usage is immaterial to the results of operations.

(Dollars in millions)

	In Pre
	2000
Derivative Commodity Instruments	10%
Marathon Group/(b)(c)/:	
Crude oil/(d)/	

Trading	$ -	$
Other than trading	9.1	2
Natural gas/(d)/		
Trading	-	
Other than trading	20.2	5
Refined products/(d)/		
Trading	-	
Other than trading	6.1	1

/(a)/ Gains and losses on derivative commodity instruments are generally offset by price changes in the underlying commodity. Effects of these offsets are not reflected in the sensitivity analyses. Amounts reflect the estimated incremental effect on pretax income of hypothetical 10% and 25% changes in closing commodity prices for each open contract position at December 31, 2000 and December 31, 1999. Marathon Group management evaluates their portfolio of derivative commodity instruments on an ongoing basis and adds or revises strategies to reflect anticipated market conditions and changes in risk profiles. Changes to the portfolio subsequent to December 31, 2000, would cause future pretax income effects to differ from those presented in the table.

/(b)/ The number of net open contracts varied throughout 2000, from a low of 12,252 contracts at July 5, to a high of 34,554 contracts at October 25, and averaged 21,875 for the year. The derivative commodity instruments used and hedging positions taken also varied throughout 2000, and will continue to vary in the future. Because of these variations in the composition of the portfolio over time, the number of open contracts, by itself, cannot be used to predict future income effects.

/(c)/ The calculation of sensitivity amounts for basis swaps assumes that the physical and paper indices are perfectly correlated. Gains and losses on options are based on changes in intrinsic value only.

/(d)/ The direction of the price change used in calculating the sensitivity amount for each commodity reflects that which would result in the largest incremental decrease in pretax income when applied to the derivative commodity instruments used to hedge that commodity.

/(e)/ Price increase.

/(f)/ Price decrease.

Quantitative and Qualitative Disclosures
About Market Risk continued

In total, Marathon's exploration and production operations recorded net pretax other than trading activity losses of approximately $34 million in 2000,

gains of $3 million in 1999 and losses of $3 million in 1998.

Marathon's refining, marketing and transportation operations generally use derivative commodity instruments to lock-in costs of certain crude oil and other feedstocks, to protect carrying values of inventories and to protect margins on fixed-price sales of refined products. Marathon's refining, marketing and transportation operations recorded net pretax other than trading activity losses, net of the 38% minority interest in MAP, of approximately $116 million in 2000, and net pretax other than trading activity gains, net of the 38% minority interest in MAP, of $8 million in 1999 and $28 million in 1998. Marathon's refining, marketing and transportation operations used derivative instruments for trading activities and recorded net pretax trading activity losses, net of the 38% minority interest in MAP, of $11 million in 2000 and net pretax trading activity gains, net of the 38% minority interest in MAP, of $5 million in 1999.

The U. S. Steel Group uses OTC commodity swaps to manage exposure to market risk related to the purchase of natural gas, heating oil and certain nonferrous metals. The U. S. Steel Group recorded net pretax other than trading activity gains of $2 million in 2000, losses of $4 million in 1999 and losses of $6 million in 1998. These gains and losses were offset by changes in the realized prices of the underlying hedged commodities.

For additional quantitative information relating to derivative commodity instruments, including aggregate contract values and fair values, where appropriate, see Note 24 to the USX Consolidated Financial Statements.

USX is subject to basis risk, caused by factors that affect the relationship between commodity futures prices reflected in derivative commodity instruments and the cash market price of the underlying commodity. Natural gas transaction prices are frequently based on industry reference prices that may vary from prices experienced in local markets. For example, New York Mercantile Exchange ("NYMEX") contracts for natural gas are priced at Louisiana's Henry Hub, while the underlying quantities of natural gas may be produced and sold in the Western United States at prices that do not move in strict correlation with NYMEX prices. To the extent that commodity price changes in one region are not reflected in other regions, derivative commodity instruments may no longer provide the expected hedge, resulting in increased exposure to basis risk. These regional price differences could yield favorable or unfavorable results. OTC transactions are being used to manage exposure to a portion of basis risk.

USX is subject to liquidity risk, caused by timing delays in liquidating contract positions due to a potential inability to identify a counterparty willing to accept an offsetting position. Due to the large number of active participants, liquidity risk exposure

is relatively low for exchange-traded transactions.

Quantitative and Qualitative Disclosures
About Market Risk continued

Interest Rate Risk

USX is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10% decrease in year-end 2000 and 1999 interest rates on the fair value of USX's non-derivative financial instruments, is provided in the following table:

(Dollars in millions)

As of December 31,	2000	
		In In
Non-Derivative Financial Instruments/(a)/	Fair Value/(b)/	Val
Financial assets:		
Investments and long-term receivables/(d)/	$ 211	$
Financial liabilities:		
Long-term debt/(e)(f)/	$ 4,549	$
Preferred stock of subsidiary/(g)/	238	
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust/(g)/	119	
Total liabilities	$ 4,906	$

/(a)/ Fair values of cash and cash equivalents, receivables, notes payable, accounts payable and accrued interest, approximate carrying value and are relatively insensitive to changes in interest rates due to the short-term maturity of the instruments. Accordingly, these instruments are excluded from the table.
/(b)/ See Note 25 to the USX Consolidated Financial Statements for carrying value of instruments.
/(c)/ Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 2000 and December 31, 1999, on the fair value of USX's non-derivative financial instruments. For financial liabilities, this assumes a 10% decrease in the weighted average yield to maturity of USX's long-term debt at December 31, 2000 and December 31, 1999.
/(d)/ For additional information, see Note 12 to the USX

Consolidated Financial Statements.
/(e)/ Includes amounts due within one year.
/(f)/ Fair value was based on market prices where available, or current borrowing rates for financings with similar terms and maturities. For additional information, see Note 14 to the USX Consolidated Financial Statements.
/(g)/ See Note 22 to the USX Consolidated Financial Statements.

At December 31, 2000, USX's portfolio of long-term debt was comprised primarily of fixed-rate instruments. Therefore, the fair value of the portfolio is relatively sensitive to effects of interest rate fluctuations. This sensitivity is illustrated by the $166 million increase in the fair value of long-term debt assuming a hypothetical 10% decrease in interest rates. However, USX's sensitivity to interest rate declines and corresponding increases in the fair value of its debt portfolio would unfavorably affect USX's results and cash flows only to the extent that USX elected to repurchase or otherwise retire all or a portion of its fixed-rate debt portfolio at prices above carrying value.

Foreign Currency Exchange Rate Risk

USX is subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars, such as the Euro, the Slovak koruna and the Canadian dollar. USX has not generally used derivative instruments to manage this risk. However, USX has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. At December 31, 2000, USX had open Canadian dollar forward purchase contracts with a total carrying value of approximately $14 million compared to $52 million at December 31, 1999. A 10% increase in the December 31, 2000, Canadian dollar to U.S. dollar forward rate, would result in a charge to income of approximately $1 million. Last year, a 10% increase in the December 31, 1999, Canadian dollar to U.S. dollar forward rate, would have resulted in a charge to income of $5 million.

Equity Price Risk

USX is subject to equity price risk and liquidity risk related to its investment in VSZ, which is attributed to the U. S. Steel Group. These risks are not readily quantifiable.

Safe Harbor

USX's quantitative and qualitative disclosures about

market risk include forward-looking statements with respect to management's opinion about risks associated with USX's use of derivative instruments. These statements are based on certain assumptions with respect to market prices and industry supply of and demand for crude oil, natural gas, refined products, steel products and certain raw materials. To the extent that these assumptions prove to be inaccurate, future outcomes with respect to USX's hedging programs may differ materially from those discussed in the forward-looking statements.

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Marathon Group

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Quantitative and Qualitative Disclosures About Market Risk................

Management's Report

The accompanying financial statements of the Marathon Group are the responsibility of and have been prepared by USX Corporation (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 Marathon Group financial information displayed in other sections of this report is consistent with these 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 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 independent accountants, management and internal auditors to monitor the proper discharge by each of its responsibilities relative to internal accounting controls and the consolidated and group financial statements.

Thomas J. Usher	Robert M. Hernandez	L
Chairman, Board of Directors &	Vice Chairman &	V
Chief Executive Officer	Chief Financial Officer	A

Report of Independent Accountants

To the Stockholders of USX Corporation:

In our opinion, the accompanying financial statements appearing on pages M-2 through M-21 present fairly, in all material respects, the financial position of the Marathon Group at December 31, 2000 and 1999, and the results of its operations and its 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.

The Marathon Group is a business unit of USX Corporation (as described in Note 1, page M-5); accordingly, the financial statements of the Marathon Group

should be read in connection with the consolidated
financial statements of USX Corporation.

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

Statement of Operations

(Dollars in millions)	2000	1999
Revenues and other income:		
Revenues (Note 6)	$ 34,487	$ 23,590
Dividend and investee income	102	69
Net gains (losses) on disposal of assets (Note 26)	(785)	-
Gain on ownership change in Marathon Ashland Petroleum LLC (Note 5)	12	17
Other income	43	31
Total revenues and other income	33,859	23,707
Costs and expenses:		
Cost of revenues (excludes items shown below)	25,477	16,653
Selling, general and administrative expenses	625	486
Depreciation, depletion and amortization	1,245	950
Taxes other than income taxes	4,626	4,218
Exploration expenses	238	238
Inventory market valuation charges (credits) (Note 20)	-	(551)
Total costs and expenses	32,211	21,994
Income from operations	1,648	1,713
Net interest and other financial costs (Note 6)	236	288
Minority interest in income of Marathon Ashland Petroleum LLC (Note 5)	498	447
Income before income taxes	914	978
Provision for income taxes (Note 18)	482	324
Net income	$ 432	$ 654

Income Per Common Share

	2000	1999
Basic	$ 1.39	$ 2.11
Diluted	1.39	2.11

See Note 7, for a description and computation of income per common share. The accompanying notes are an integral part of these financial statements.

Balance Sheet

(Dollars in millions) December 31	2000	
Assets		
Current assets:		
Cash and cash equivalents	$ 340	$
Receivables, less allowance for doubtful accounts of $3 and $2	2,267	
Inventories (Note 20)	1,867	
Assets held for sale (Note 26)	330	
Deferred income tax benefits (Note 18)	60	
Other current assets	121	
Total current assets	4,985	
Investments and long-term receivables (Note 19)	362	
Property, plant and equipment - net (Note 16)	9,375	
Prepaid pensions (Note 14)	207	
Other noncurrent assets	303	
Total assets	$ 15,232	$
Liabilities		
Current liabilities:		
Notes payable	$ 80	$
Accounts payable	3,021	
Income taxes payable (Note 23)	364	
Payroll and benefits payable	230	
Accrued taxes	108	
Accrued interest	61	
Long-term debt due within one year (Note 12)	148	
Total current liabilities	4,012	
Long-term debt (Note 12)	1,937	
Deferred income taxes (Note 18)	1,354	
Employee benefits (Note 14)	648	
Deferred credits and other liabilities (Note 23)	412	
Preferred stock of subsidiary (Note 9)	184	
Minority interest in Marathon Ashland Petroleum LLC (Note 5)	1,840	
Common Stockholders' Equity (Note 17)	4,845	
Total liabilities and common stockholders' equity	$ 15,232	$

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

Statement of Cash Flows

(Dollars in millions)	2000	1999	
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income	$ 432	$ 654	$
Adjustments to reconcile to net cash provided from operating activities:			
Minority interest in income of Marathon Ashland Petroleum LLC	498	447	
Depreciation, depletion and amortization	1,245	950	
Exploratory dry well costs	86	109	
Inventory market valuation charges (credits)	-	(551)	
Pensions and other postretirement benefits	69	36	
Deferred income taxes	(240)	105	
Gain on ownership change in Marathon Ashland Petroleum LLC	(12)	(17)	
Net (gains) losses on disposal of assets	785	-	
Changes in: Current receivables	(377)	(844)	
Inventories	17	(63)	
Current accounts payable and accrued expenses	717	1,106	
All other - net	(62)	84	
Net cash provided from operating activities	3,158	2,016	
Investing activities:			
Capital expenditures	(1,425)	(1,378)	
Acquisition of Tarragon Oil and Gas Limited	-	-	
Disposal of assets	539	356	
Restricted cash - withdrawals	271	45	
- deposits	(268)	(44)	
Investees - investments	(65)	(59)	
- loans and advances	(6)	(70)	
- returns and repayments	10	1	
All other - net	21	(25)	
Net cash used in investing activities	(923)	(1,174)	
Financing activities (Note 9):			
Increase (decrease) in Marathon Group's portion of USX consolidated debt	(1,200)	(296)	
Specifically attributed debt:			
Borrowings	273	141	
Repayments	(279)	(144)	
Marathon Stock - issued	-	89	
- repurchased	(105)	-	
Treasury common stock reissued	1	-	
Dividends paid	(274)	(257)	
Distributions to minority shareholder of Marathon Ashland Petroleum LLC	(420)	(400)	
Net cash provided from (used in) financing activities	(2,004)	(867)	

Effect of exchange rate changes on cash	(2)	(1)	
Net increase (decrease) in cash and cash equivalents	229	(26)	
Cash and cash equivalents at beginning of year	111	137	
Cash and cash equivalents at end of year	$ 340	$ 111	$

See Note 13 for supplemental cash flow information.
The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Basis of Presentation

USX Corporation (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 Group and the U. S. Steel Group, respectively.

The financial statements of the Marathon Group include the financial position, results of operations and cash flows for the businesses of Marathon Oil Company (Marathon) and certain other subsidiaries of USX, and a portion of the corporate assets and liabilities and related transactions which are not separately identified with ongoing operating units of USX. The Marathon Group financial statements are prepared using the amounts included in the USX consolidated financial statements. For a description of the Marathon Group's operating segments, see Note 10.

Although the financial statements of the Marathon Group and the U. S. Steel Group separately report the assets, liabilities (including contingent liabilities) and stockholders' equity of USX attributed to each such Group, such attribution of assets, liabilities (including contingent liabilities) and stockholders' equity between the Marathon Group and the U. S. Steel Group for the purpose of preparing their respective financial statements does not affect legal title to such assets or responsibility for such liabilities. Holders of Marathon Stock and Steel Stock are holders of common stock of USX and continue to be subject to all the risks associated with an investment in USX and all of its businesses and liabilities. Financial impacts arising from one Group that affect the overall cost of USX's capital could affect the results of operations and financial condition of the other Group. In addition, net losses of either 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 both classes of Common Stock. Accordingly, the USX consolidated financial information should be read in connection with the Marathon Group financial information.

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2. Summary of Principal Accounting Policies

Principles applied in consolidation - These financial statements include the accounts of the businesses comprising the Marathon Group. The Marathon Group and the U. S. Steel Group financial statements, taken together, comprise all of the accounts included in the USX consolidated financial statements.

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 the Marathon Group has significant influence are accounted for using the equity method of accounting and are carried at the Marathon Group's share of net assets plus loans and advances.

Investments in companies whose stock is publicly traded are carried at market value. The 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 the Marathon Group'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.

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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. The Marathon Group 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 - The Marathon Group 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 and electricity. While the Marathon Group's risk management activities generally reduce 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.

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 - The Marathon Group 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 - The Marathon Group 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.

The Marathon Group 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 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.

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 or 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 - The Marathon Group incurs planned major maintenance costs primarily for refinery turnarounds. Such costs 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.

Environmental liabilities - The Marathon Group provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is 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 dismantlement costs of offshore production platforms are accrued based upon estimated proved oil and gas reserves on a units-of-production method.

Insurance - The Marathon Group 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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3. New Accounting Standards

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

The Marathon Group 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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4. Corporate Activities

Financial activities - As a matter of policy, USX manages most financial activities on a centralized, consolidated basis. Such financial activities include the investment of surplus cash; the issuance, repayment and repurchase of short-term and long-term debt; the issuance, repurchase and redemption of preferred stock; and the issuance and repurchase of common stock. Transactions related primarily to invested cash, short-term and long-term debt (including convertible debt), related net interest and other financial costs, and preferred stock and related dividends are attributed to the Marathon Group and the U. S. Steel Group based upon the cash flows of each group for the periods presented and the initial capital structure of each group. Most financing transactions are attributed to and reflected in the financial statements of all groups. See Note 9, for the Marathon Group's portion of USX's financial activities attributed to all groups. However, transactions such as leases, certain collaterized financings, certain indexed debt instruments, financial activities of consolidated entities which are less than wholly owned by USX and transactions related to securities convertible solely into any one class of common stock are or will be specifically attributed to and reflected in their entirety in the financial statements of the group to which they relate.

Corporate general and administrative costs - Corporate general and administrative costs are allocated to the Marathon Group and the U. S. Steel Group based upon utilization or other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and revenues. The costs allocated to the Marathon Group were $36 million in 2000, $26 million in 1999 and $28 million in 1998, and primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities.

Income taxes - All members of the USX affiliated group are included in the consolidated United States federal income tax return filed by USX. Accordingly, the provision for federal income taxes and the related payments or refunds of tax are determined on a consolidated basis. The consolidated provision and the related tax payments or refunds have been reflected in the Marathon Group and the U. S. Steel Group financial statements in accordance with USX's tax allocation policy. In general, such policy provides that the consolidated tax provision and related tax payments or refunds are allocated between the Marathon Group and the U. S. Steel Group for group financial statement

purposes, based principally upon the financial income, taxable income, credits, preferences and other amounts directly related to the respective groups.

For tax provision and settlement purposes, tax benefits resulting from attributes (principally net operating losses and various tax credits), which cannot be utilized by one of the groups on a separate return basis but which can be utilized on a consolidated basis in that year or in a carryback year, are allocated to the group that generated the attributes. To the extent that one of the groups is allocated a consolidated tax attribute which, as a result of expiration or otherwise, is not ultimately utilized on the consolidated tax return, the prior years' allocation of such attribute is adjusted such that the effect of the expiration is borne by the group that generated the attribute. Also, if a tax attribute cannot be utilized on a consolidated basis in the year generated or in a carryback year, the prior years' allocation of such consolidated tax effects is adjusted in a subsequent year to the extent necessary to allocate the tax benefits to the group that would have realized the tax benefits on a separate return basis. As a result, the allocated group amounts of taxes payable or refundable are not necessarily comparable to those that would have resulted if the groups had filed separate tax returns.

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5. Business Combinations

In August 1998, 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 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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6. Other Items

(In millions)	200
Net interest and other financial costs	
Interest and other financial income/(a)/:	
Interest income	$
Other	
Total	
Interest and other financial costs/(a)/:	
Interest incurred	2
Less interest capitalized	

Net interest	2
Interest on tax issues	
Financial costs on preferred stock of subsidiary	
Amortization of discounts	
Other	
Total	2
Net interest and other financial costs/(a)/	$ 2

/(a)/ See Note 4, for discussion of USX net interest and other financial
Group.

Foreign currency transactions

For 2000, 1999 and 1998, the aggregate foreign currency transaction gains (losses) included in determining net income were $30 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.

7. Income Per Common Share

The method of calculating net income 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 Restated Certificate of Incorporation, are available for payment of dividends to the respective classes of stock, although legally available funds and liquidation preferences of these classes of stock do not necessarily correspond with these amounts.

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share assumes exercise of stock options, provided the effect is not antidilutive.

	2000		199
Computation of Income Per Share	Basic	Diluted	Basic
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 -			

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

8. Transactions Between MAP and Ashland

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

9. Financial Activities Attributed to Groups

The following is the portion of USX financial activities attributed to the Marathon Group. These amounts exclude amounts specifically attributed to the Marathon Group.

		Marathon Gr	
(In millions)	December 31	2000	
Cash and cash equivalents		$ 193	$
Other noncurrent assets		4	
Total assets		$ 197	$
Notes payable		$ 80	$
Accrued interest		50	
Long-term debt due within one year (Note 12)		147	
Long-term debt (Note 12)		1,930	
Preferred stock of subsidiary		184	
Total liabilities		$ 2,391	$

	Marathon Group/(b		
(In millions)	2000	1999	19
Net interest and other financial costs (Note 6)	$250	$295	$2

/(a)/ For details of USX long-term debt and preferred stock of subsidiary, see Notes 14 and 22,

respectively, to the USX consolidated financial statements.

/(b)/ The Marathon Group's net interest and other financial costs reflect weighted average effects of all financial activities attributed to all groups.

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10. Segment Information

The Marathon Group's operations consist of three reportable operating segments: 1) Exploration and Production - explores for and produces crude oil and natural gas on a worldwide basis; 2) Refining, Marketing and Transportation - 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. 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.

Revenues by product line are:

(In millions)	
Refined products	$ 2
Merchandise	
Liquid hydrocarbons	
Natural gas	
Transportation and other products	

Segment income represents income from operations allocable to operating segments. USX corporate general and administrative costs are not allocated to operating segments. These costs primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate 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 also are not allocated to operating segments. Additionally, the following items are not allocated to operating segments: inventory market valuation adjustments, gain on ownership change in MAP and certain other items not allocated to operating segments for business performance reporting purposes (see (a) in reconcilement table on page M-12).

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

Refining,

(In millions)	Exploration and Production	Marketing and Transportation
2000		
Revenues and other income:		
Customer	$ 4,184	$ 28,693
Intersegment/(a)/	412	83
Intergroup/(a)/	30	1
Equity in earnings of unconsolidated investees	47	22
Other	21	50
Total revenues and other income	$ 4,694	$ 28,849
Segment income	$ 1,535	$ 1,273
Significant noncash items included in segment income -		
Depreciation, depletion and amortization/(b)/	723	315
Capital expenditures/(c)/	742	656
1999		
Revenues and other income:		
Customer	$ 2,856	$ 19,962
Intersegment(a)	202	47
Intergroup(a)	19	-
Equity in earnings (losses) of unconsolidated investees	(2)	17
Other	30	50
Total revenues and other income	$ 3,105	$ 20,076
Segment income	$ 618	$ 611
Significant noncash items included in segment income -		
Depreciation, depletion and amortization/(b)/	638	280
Capital expenditures/(c)/	744	612
1998		
Revenues and other income:		
Customer	$ 1,905	$ 19,018
Intersegment/(a)/	144	10
Intergroup/(a)/	13	-
Equity in earnings of unconsolidated investees	2	12
Other	26	40
Total revenues and other income	$ 2,090	$ 19,080
Segment income	$ 278	$ 896
Significant noncash items included in segment income -		
Depreciation, depletion and amortization/(b)/	581	272
Capital expenditures/(c)/	839	410

/(a)/ Intersegment and intergroup revenues and transfers were conducted under terms comparable to those with unrelated parties.
/(b)/ Differences between segment totals and group totals represent amounts included in administrative expenses and international and domestic oil and gas property impairments.
/(c)/ Differences between segment totals and group totals represent amounts related to corporate administrative activities.

The following schedules reconcile segment amounts to amounts reported in the Marathon Group financial statements:

(In millions)	2000
Revenues and Other Income:	
Revenues and other income of reportable segments	$ 35,227
Items not allocated to segments:	
Joint venture formation charges	(931)
Gain on ownership change in MAP	12
Other	124
Elimination of intersegment revenues	(573)
Total Group revenues and other income	$ 33,859
Income:	
Income for reportable segments	$ 2,846
Items not allocated to segments:	
Joint venture formation charges	(931)
Gain on ownership change in MAP	12
Administrative expenses	(136)
Inventory market valuation adjustments	-
Other/(a)/	(143)
Total Group income from operations	$ 1,648

/(a)/ Represents in 2000, certain oil and gas property impairments, net gains on certain asset sales and reorganization charges. Represents in 1999, primarily certain domestic oil and gas property impairments, net losses on certain asset sales and costs of a voluntary early retirement program. 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 Inc	
(In millions)	Year	Within Geographic Areas	Between Geographic Areas
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	-
Other Foreign Countries	2000	197	188
	1999	106	88
	1998	115	52
Eliminations	2000	-	(1,087)
	1999	-	(609)
	1998	-	(420)
Total	2000	$ 33,859	$ -
	1999	23,707	-
	1998	21,623	-

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

11. 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)	2000
Minimum rental	$ 156
Contingent rental	13
Sublease rentals	(13)
Net rental expense	$ 156

The Marathon Group 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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12. Long-Term Debt

The Marathon Group's portion of USX's consolidated long-term debt is as follows:

(In millions)	December 31	Marathon Gro	
		2000	1
Specifically attributed debt/(b)/:			
Receivables facility		$ -	$
Sale-leaseback financing and capital leases		7	
Other		1	
Total		8	
Less amount due within one year		1	
Total specifically attributed long-term debt		$ 7	$
Debt attributed to groups/(c)/		$ 2,090	$
Less unamortized discount		13	
Less amount due within one year		147	
Total long-term debt attributed to groups		$ 1,930	$
Total long-term debt due within one year		$ 148	$
Total long-term debt due after one year		1,937	

/(a)/ See Note 14, to the USX consolidated financial statements for details of interest rates, maturities and other terms of long-term debt.

/(b)/ As described in Note 4, certain financial activities are specifically attributed only to the Marathon Group and the U. S. Steel Group.

/(c)/ Most long-term debt activities of USX Corporation and its wholly owned subsidiaries are attributed to all groups (in total, but not with respect to specific debt issues) based on their respective cash flows (Notes 4, 9 and 13).

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13. Supplemental Cash Flow Information

(In millions)

Cash used in operating activities included:	
Interest and other financial costs paid (net of amount capitalized)	$
Income taxes paid, including settlements with the U. S. Steel Group	
USX debt attributed to all groups - net:	
Commercial paper - issued	$
- repayments	
Credit agreements - borrowings	
- repayments	
Other credit arrangements - net	
Other debt - borrowings	
- repayments	
Total	$
Marathon Group activity	$
U. S. Steel Group activity	
Total	$
Noncash investing and financing activities:	
Marathon 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 Company Ltd.	
Notes received	
Business combinations:	
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	

14. Pensions and Other Postretirement Benefits

The Marathon Group has noncontributory defined benefit pension plans covering substantially all employees. Benefits under these plans are based primarily upon years of service and final average pensionable earnings. Certain subsidiaries provide benefits for employees covered by other plans based primarily upon employees' service and career earnings.

The Marathon Group also has defined benefit retiree health care and life insurance plans (other benefits) covering most 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 most union represented retiree

beneficiaries primarily based on employees' annual base salary at retirement. Other benefits have not been prefunded.

	Pension Bene
(In millions)	2000
Change in benefit obligations	
Benefit obligations at January 1	$ 868
Service cost	52
Interest cost	67
Plan amendments	6
Actuarial (gains) losses	121
Plan merger and acquisition	-
Settlements, curtailments and termination benefits	(99)
Benefits paid	(77)
Benefit obligations at December 31	$ 938
Change in plan assets	
Fair value of plan assets at January 1	$ 1,310
Actual return on plan assets	(8)
Plan merger and acquisition	-
Employer contributions	1
Trustee distributions/(a)/	(18)
Settlements paid	(134)
Benefits paid from plan assets	(72)
Fair value of plan assets at December 31	$ 1,079
Funded status of plans at December 31	$ 141/(b)/
Unrecognized net gain from transition	(18)
Unrecognized prior service costs (credits)	59
Unrecognized actuarial (gains) losses	(37)
Additional minimum liability	(19)
Prepaid (accrued) benefit cost	$ 126

/(a)/ Represents transfers of excess pension assets to fund retiree health care benefits accounts under Section 420 of the Internal Revenue Code.

/(b)/ Includes several plans that have accumulated benefit obligations in excess of plan assets:

Aggregate accumulated benefit obligations
Aggregate projected benefit obligations
Aggregate plan assets

Pension Benefits

(In millions)	2000	1999	199
Components of net periodic benefit cost (credit)			
Service cost	$ 52	$ 65	$
Interest cost	67	67	
Expected return on plan assets	(117)	(114)	(1
Amortization - net transition gain	(4)	(5)	
- prior service costs (credits)	4	4	
- actuarial (gains) losses	(9)	1	
Multiemployer and other plans	5	5	
Settlement and termination (gain) loss	32/(a)/	(7)/(a)/	
Net periodic benefit cost	$ 30	$ 16	$

/(a)/ Includes voluntary early retirement programs.

	Pension Ben	
	2000	19
Weighted average actuarial assumptions at December 31:		
Discount rate	7.5%	8.
Expected annual return on plan assets	9.5%	9.
Increase in compensation rate	5.0%	5.

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For measurement purposes, an 8% 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% for 2007 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)	P
Effect on total of service and interest cost components	
Effect on other postretirement benefit obligations	

15. Dividends

In accordance with the USX Restated Certificate of Incorporation, dividends on the Marathon Stock and Steel Stock are limited to the legally available funds of USX. Net losses of either 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 both classes of Common Stock. Subject to this limitation, the Board of Directors intends to declare and pay dividends on the Marathon Stock based on the financial condition and results of operations of the Marathon Group, although it has no obligation under Delaware law to do so. In making its dividend decisions with respect to Marathon Stock, the Board of Directors considers among other things, the long-term earnings and cash flow capabilities of the Marathon Group as well as the dividend policies of similar publicly traded energy companies.

16. Property, Plant and Equipment

(In millions)	December 31
Production	
Refining	
Marketing	
Transportation	
Other	
Total	
Less accumulated depreciation, depletion and amortization	
Net	

Property, plant and equipment at December 31, 2000 and 1999, includes gross assets acquired under capital leases of $8 million and $20 million, respectively, with no related amounts in accumulated depreciation, depletion and amortization.

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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17. Common Stockholders' Equity

(In millions, except per share data)	
Balance at beginning of year	$
Net income	
Marathon Stock - issued	
- repurchased	
Treasury stock reissued	
Exchangeable Shares - issued	
- exchanged for Marathon Stock	
Dividends on Marathon Stock (per share $.88 in 2000 and $.84 in 1999 and 1998)	
Deferred compensation	
Accumulated other comprehensive income (loss)/(a)/:	
Foreign currency translation adjustments	
Minimum pension liability adjustments (Note 14)	
Unrealized holding losses on investments	
Balance at end of year	$

/(a)/ See page U-7 of the USX consolidated financial statements relative to the annual activity of these adjustments and losses. Total comprehensive income for the Marathon Group for the years 2000, 1999 and 1998 was $419 million, $660 million and $306 million, respectively.

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18. Income Taxes

Income tax provisions and related assets and liabilities attributed to the Marathon Group are determined in accordance with the USX group tax allocation policy (Note 4).

Provisions (credits) for income taxes were:

	2000			1999		
(In millions)	Current	Deferred	Total	Current	Deferred	To
Federal	$ 614	$ (144)	$ 470	$191	$ 158	$ 3
State and local	53	(46)	7	3	(7)	

Foreign	55	(50)	5	25	(46)	(
Total	$ 722	$ (240)	$ 482	$219	$ 105	$ 3

A reconciliation of federal statutory tax rate (35%) to total provisions follows:

(In millions)	200
Statutory rate applied to income before income taxes	$ 3
Effects of foreign operations:	
Impairment of deferred tax benefits	2
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	
Effects of partially owned companies	
Dispositions of subsidiary investments	
Adjustment of prior years' federal income taxes	(
Other	
Total provisions	$ 4

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Deferred tax assets and liabilities resulted from the following:

(In millions) December 31	2000
Deferred tax assets:	
State tax loss carryforwards (expiring in 2001 through 2020)	$ 70
Foreign tax loss carryforwards (portion of which expire in 2001 through 2015)	269
Employee benefits	246
Receivables, payables and debt	41
Expected federal benefit for:	
Crediting certain foreign deferred income taxes	315
Deducting state deferred income taxes	20
Contingency and other accruals	155
Investments in foreign subsidiaries	39
Investments in subsidiaries and equity investees	30
Other	60
Valuation allowances:	
Federal	-
State	(16)
Foreign	(252)
Total deferred tax assets/(a)/	977
Deferred tax liabilities:	
Property, plant and equipment	1,642
Inventory	320

Prepaid pensions	119
Other	160
Total deferred tax liabilities	2,241
Net deferred tax liabilities	$ 1,264

/(a)/ USX expects to generate sufficient future taxable income to realize the benefit of the Marathon Group's 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. 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 $237 million, $66 million and $(75) million attributable to foreign sources in 2000, 1999 and 1998, respectively.

Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 2000, amounted to $205 million. No provision for deferred U.S. income taxes has been made for these subsidiaries because the Marathon Group intends to permanently reinvest such earnings in those foreign operations. If such earnings were not permanently reinvested, a deferred tax liability of $72 million would have been required.

19. Investments and Long-Term Receivables

(In millions)	December 31
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)	20
Income data - year:	
Revenues and other income	$
Operating income	
Net income	
Balance sheet data - December 31:	
Current assets	$
Noncurrent assets	1,
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 resulted in a pretax gain on disposal of assets of $58 million.

Dividends and partnership distributions received from equity investees were $46 million in 2000, $44 million in 1999 and $23 million in 1998.

Marathon Group purchases from equity investees totaled $61 million, $50 million and $64 million in 2000, 1999 and 1998, respectively. Marathon Group revenues for sales to USX equity investees were $28 million in 2000 and $22 million in 1999 and 1998.

20. Inventories

(In millions)	December 31
Crude oil and natural gas liquids	
Refined products and merchandise	
Supplies and sundry items	
Total (at cost)	
Less inventory market valuation reserve	
Net inventory carrying value	

Inventories of crude oil and refined products are valued by the LIFO method. The LIFO method accounted for 92% and 90% of total inventory value at December 31, 2000 and 1999, respectively. Current acquisition costs were estimated to exceed the above inventory values at

December 31, by approximately $500 million and $200 million in 2000 and 1999, respectively. Cost of revenues was reduced and income from operations was increased by $14 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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21. Stock-Based Compensation Plans and Stockholder Rights Plan

USX Stock-Based Compensation Plans and Stockholder Rights Plan are discussed in Note 17, and Note 19, respectively, to the USX consolidated financial statements.

The Marathon Group's actual stock-based compensation expense (credit) was $5 million in 2000, $(4) million in 1999 and $(3) million in 1998. Incremental compensation expense, as determined under a fair value model, was not material ($.02 or less per share for all years presented). Therefore, pro forma net income and earnings per share data have been omitted.

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22. Fair Value of Financial Instruments

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. As described in Note 4, the Marathon Group's specifically attributed financial instruments and the Marathon Group's portion of USX's financial instruments attributed to all groups are as follows:

(In millions) December 31	200 Fair Value
Financial assets:	
Cash and cash equivalents	$ 340
Receivables	2,267
Investments and long-term receivables	171
Total financial assets	$ 2,778

Financial liabilities:	
Notes payable	$ 80
Accounts payable (including intergroup payables)	3,385
Accrued interest	61
Long-term debt (including amounts due within one year)	2,174
Preferred stock of subsidiary	175
Total financial liabilities	$ 5,875

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. Fair value of preferred stock of subsidiary 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.

The Marathon Group'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 25.

23. Intergroup Transactions

Revenues and purchases - Marathon Group revenues for sales to the U. S. Steel Group totaled $60 million, $41 million and $21 million in 2000, 1999 and 1998, respectively. Marathon Group purchases from the U. S. Steel Group totaled $17 million in both 2000 and 1999 and $2 million in 1998. At December 31, 2000 and 1999, Marathon Group receivables included $1 million and $5 million, respectively, related to transactions with the U. S. Steel Group. At December 31, 2000 and 1999, Marathon Group accounts payable included $2 million related to transactions with the U. S. Steel Group. These transactions were conducted under terms comparable to those with unrelated parties.

Income taxes receivable from/payable to the U. S. Steel Group - At December 31, 2000 and 1999, amounts receivable or payable for income taxes were included in the balance sheet as follows:

(In millions)	December 31
Current:	
Receivables	
Income taxes payable	
Noncurrent:	
Deferred credits and other liabilities	

These amounts have been determined in accordance with the tax allocation policy described in Note 4. Amounts classified as current are settled in cash in the year succeeding that in which such amounts are accrued. Noncurrent amounts represent estimates of intergroup tax effects of certain issues for years that are still under various stages of audit and administrative review. Such tax effects are not settled between the groups until the audit of those respective tax years is closed. The amounts ultimately settled for open tax years will be different than recorded noncurrent amounts based on the final resolution of all of the audit issues for those years.

24. Derivative Instruments

The Marathon Group 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. The Marathon Group 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:

(In millions)	Fair Value Assets (Liabilities)/(a)(b)/	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	-
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	3/(f)/	3	-
OTC commodity options:			
Trading	-	-	-
Other than trading	4/(g)/	4	-
Total commodities	$ 1	$ 1	$ 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 the years 2000 and 1999 were $(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 $8 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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25. Contingencies and Commitments

USX is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments relating to the Marathon Group 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 Marathon Group 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 to the Marathon Group.

Environmental matters -

The Marathon Group 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 $75 million and $69 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, the Marathon Group 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 $73 million and $46 million, respectively. The Marathon Group 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.

Guarantees -

Guarantees by USX and its consolidated subsidiaries of the liabilities of unconsolidated entities of the Marathon Group totaled $131 million at December 31, 1999. There were no guarantees at December 31, 2000.

At December 31, 2000 and 1999, the Marathon Group'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, the Marathon Group is required to 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, the Marathon Group's contract commitments to acquire property, plant and equipment and long-term investments totaled $457 million and $485 million, respectively.

The Marathon Group is a party to a 15-year transportation services agreement with a natural gas transmission company. The contract requires the Marathon Group 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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26. 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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27. Subsequent Event - Business Combination

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

Selected Quarterly Financial Data (Unaudited)

(In millions, except per share data)	2000					
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd
Revenues and other income:						
Revenues/(a)/	$ 8,899	$ 9,169	$ 8,680	$ 7,739	$7,250	$
Other income (loss)	(833)	59	30	116	45	

Total	8,066	9,228	8,710	7,855	7,295	
Income (loss) from operations	(466)	729	860	525	350	
Includes:						
Joint venture formation charges	(931)	-	-	-	-	
Inventory market valuation credits	-	-	-	-	-	
Net income (loss)	(310)	121	367	254	171	
Marathon Stock data:						
Net income (loss) 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	

/(a)/ Certain items have been reclassified between revenues and cost of revenues, primarily to give effect to new accounting standards as disclosed in Note 3 of the Notes to Financial Statements. Amounts reclassified in the first, second and third quarters of 2000 were $(106) million, $(183) million and $(59) million, respectively, and for the first, second, third and fourth quarters of 1999 were $(136) million, $(123) million, $(151) million and $(210) million, respectively.

/(b)/ Composite tape.

Principal Unconsolidated Investees (Unaudited)

Company	Country	December 31, 2000 Ownership
CLAM Petroleum B.V.	Netherlands	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%

(a) Represents the ownership of MAP.

Supplementary Information on Oil and Gas Producing Activities (Unaudited)

See the USX consolidated financial statements for Supplementary Information on Oil and Gas Producing Activities relating to the Marathon Group, pages U-33 through U-38.

Five-Year Operating Summary

	2000	199
Net Liquid Hydrocarbon Production (thousands of barrels per day)		
United States (by region)		
Alaska	-	
Gulf Coast	62	7
Southern	5	
Central	4	
Mid-Continent	34	3
Rocky Mountain	26	2
Total United States	131	14
International		
Canada	19	1
Egypt	1	
Gabon	16	
Norway	-	
United Kingdom	29	3
Total International	65	6
Consolidated	196	20
Equity investee/(a)/	11	
Total	207	20
Natural gas liquids included in above	22	1
Net Natural Gas Production (millions of cubic feet per day)		
United States (by region)		
Alaska	160	14
Gulf Coast	88	10
Southern	147	17
Central	156	13
Mid-Continent	133	12
Rocky Mountain	47	5
Total United States	731	75
International		
Canada	143	15
Egypt	-	1
Ireland	115	13
Norway	-	2
United Kingdom - equity	212	16
- other/(b)/	11	1
Total International	481	50
Consolidated	1,212	1,26
Equity investee/(c)/	29	3

Total	1,241	1,29
Average Sales Prices		
Liquid Hydrocarbons (dollars per barrel)/(d)(e)/		
United States	$ 25.11	$15.4
International	26.54	16.9
Natural Gas (dollars per thousand cubic feet)/(d)(e)/		
United States	$ 3.30	$ 1.9
International	2.76	1.9
Net Proved Reserves at year-end (developed and undeveloped)		
Liquid Hydrocarbons (millions of barrels)		
United States	458	52
International	259	27
Consolidated	717	79
Equity investee/(a)/	-	7
Total	717	87
Developed reserves as % of total net reserves	76%	8
Natural Gas (billions of cubic feet)		
United States	1,914	2,05
International	1,091	1,60
Consolidated	3,005	3,66
Equity investee/(c)/	89	12
Total	3,094	3,78
Developed reserves as % of total net reserves	78%	7

/(a)/ Represents Marathon's equity interest in Sakhalin Energy Investment Company Ltd. and CLAM Petroleum B.V.
/(b)/ Represents gas acquired for injection and subsequent resale.
/(c)/ Represents Marathon's equity interest in CLAM Petroleum B.V.
/(d)/ Prices exclude gains/losses from hedging activities.
/(e)/ Prices exclude equity investees and purchase/resale gas.

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Five-Year Operating Summary continued

	2000/(a)/	1999/
U.S. Refinery Operations (thousands of barrels per day)		
In-use crude oil capacity at year-end	935	93
Refinery runs - crude oil refined	900	88
- other charge and blend stocks	141	13
In-use crude oil capacity utilization rate	96%	9

Source of Crude Processed (thousands of barrels per day)		
United States	400	34
Canada	102	9
Middle East and Africa	346	36
Other International	52	8
Total	900	88
Refined Product Yields (thousands of barrels per day)		
Gasoline	552	56
Distillates	278	26
Propane	20	2
Feedstocks and special products	74	6
Heavy fuel oil	43	4
Asphalt	74	6
Total	1,041	1,02
Refined Products Yields (% breakdown)		
Gasoline	53%	5
Distillates	27	2
Other products	20	2
Total	100%	10
U.S. Refined Product Sales Volumes (thousands of barrels per day)		
Gasoline	746	71
Distillates	352	33
Propane	21	2
Feedstocks and special products	69	6
Heavy fuel oil	43	4
Asphalt	75	7
Total	1,306	1,25
Matching buy/sell volumes included in above	52	4
Refined Products Sales Volumes by Class of Trade (as a % of total sales volumes)		
Wholesale - independent private-brand marketers and consumers	65%	6
Marathon and Ashland brand jobbers and dealers	12	1
Speedway SuperAmerica retail outlets	23	2
Total	100%	10
Refined Products (dollars per barrel)		
Average sales price	$ 38.24	$ 24.5
Average cost of crude oil throughput	29.07	18.6
Petroleum Inventories at year-end (thousands of barrels)		
Crude oil, raw materials and natural gas liquids	33,720	34,25
Refined products	34,386	32,85
U.S. Refined Product Marketing Outlets at year-end		
MAP operated terminals	91	9
Retail - Marathon and Ashland brand outlets	3,728	3,48
- Speedway SuperAmerica outlets	2,242	2,43

Pipelines (miles of common carrier pipelines)/(b)/		
Crude Oil - gathering lines	419	55
- trunklines	4,623	4,72
Products - trunklines	2,834	2,85
Total	7,876	8,13
Pipeline Barrels Handled (millions)/(c)/		
Crude Oil - gathering lines	22.7	30.
- trunklines	563.6	545.
Products - trunklines	329.7	331.
Total	916.0	908.
River Operations		
Barges - owned/leased	158	16
Boats - owned/leased	6	

/(a)/ 1998-2000 statistics include 100% of MAP and should be considered when compared to prior periods.
/(b)/ Pipelines for downstream operations also include non-common carrier, leased and equity investees.
/(c)/ Pipeline barrels handled on owned common carrier pipelines, excluding equity investees.

Five-Year Financial Summary

(Dollars in millions, except as noted)	2000	1999	1998	19
Revenues and Other Income				
Revenues by product:				
Refined products	$ 22,514	$15,181	$12,852	$ 1
Merchandise	2,441	2,194	1,941	
Liquid hydrocarbons	6,856	4,587	5,023	
Natural gas	2,518	1,429	1,187	
Transportation and other products	158	199	271	
Gain on ownership change in MAP	12	17	245	
Other/(a)/	(640)	100	104	
Total revenues and other income/(b)/	$ 33,859	$23,707	$21,623	$ 1
Income From Operations				
Exploration and production (E&P)				
Domestic	$ 1,115	$ 494	$ 190	$
International	420	124	88	
Income for E&P reportable segment	1,535	618	278	
Refining, marketing and transportation	1,273	611	896	
Other energy related businesses	38	61	33	
Income for reportable segments	2,846	1,290	1,207	
Items not allocated to reportable segments:				

Administrative expenses	(136)	(108)	(106)	
Joint venture formation charges	(931)	-	-	
Inventory market valuation adjustments	-	551	(267)	
Gain on ownership change & transition charges - MAP	12	17	223	
Int'l. & domestic oil & gas impairments & gas contract settlement	(197)	(16)	(119)	
Other items	54	(21)	-	
Income from operations	1,648	1,713	938	
Minority interest in income of MAP	498	447	249	
Net interest and other financial costs	236	288	237	
Provision for income taxes	482	324	142	
Income Before Extraordinary Loss	$ 432	$ 654	$ 310	$
Per common share - basic (in dollars)	1.39	2.11	1.06	
- diluted (in dollars)	1.39	2.11	1.05	
Net Income	$ 432	$ 654	$ 310	$
Per common share - basic (in dollars)	1.39	2.11	1.06	
- diluted (in dollars)	1.39	2.11	1.05	
Balance Sheet Position at year-end				
Current assets	$ 4,985	$ 4,081	$ 2,976	$
Net property, plant and equipment	9,375	10,293	10,429	
Total assets	15,232	15,674	14,544	1
Short-term debt	228	48	191	
Other current liabilities	3,784	3,096	2,419	
Long-term debt	1,937	3,320	3,456	
Minority interest in MAP	1,840	1,753	1,590	
Common stockholders' equity	4,845	4,800	4,312	
Per share (in dollars)	15.70	15.38	13.95	
Cash Flow Data				
Net cash from operating activities	$ 3,158	$ 2,016	$ 1,642	$
Capital expenditures	1,425	1,378	1,270	
Disposal of assets	539	356	65	
Dividends paid	274	257	246	
Employee Data/(c)/				
Marathon Group:				
Total employment costs	$ 1,474	$ 1,421	$ 1,054	$
Average number of employees	31,515	33,086	24,344	2
Number of pensioners at year-end	3,255	3,402	3,378	
Speedway SuperAmerica LLC (SSA): (Included in Marathon Group totals)				
Total employment costs	$ 489	$ 452	$ 283	$
Average number of employees	21,649	22,801	12,831	1
Number of pensioners at year-end	211	209	212	
Stockholder Data at year-end				
Number of common shares outstanding (in millions)	308.3	311.8	308.5	
Registered shareholders (in thousands)	65.0	71.4	77.3	
Market price of common stock	$ 27.750	$24.688	$30.125	$ 3

/(a)/ Includes dividend and investee income, net gains (losses) on disposal of assets and other income.

/(b)/ 1996-1999 reclassified to conform to 2000 classifications.

/(c)/ Employee Data for 1998 includes Ashland employees from the date of their payroll transfer to MAP, which occurred at various times throughout 1998.

These employees were contracted to MAP in 1998, prior to their payroll transfer.

Management's Discussion and Analysis

The Marathon Group includes Marathon Oil Company ("Marathon") and certain other subsidiaries of USX Corporation ("USX"), which are engaged in worldwide exploration and production of crude oil and natural gas; domestic refining, marketing and transportation of petroleum products primarily through Marathon Ashland Petroleum LLC ("MAP"), owned 62 percent by Marathon; and other energy related businesses. The Management's Discussion and Analysis should be read in conjunction with the Marathon Group's Financial Statements and Notes to Financial Statements.

The Marathon Group's 2000 financial performance was primarily affected by the strong recovery in worldwide liquid hydrocarbon and natural gas prices and stronger refining margins. During 2000, Marathon focused on the acquisition of assets with a strong strategic fit, the disposal of non-core properties, and workforce reductions through a voluntary early retirement program.

Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of the Marathon Group. These statements typically contain words such as "anticipates", "believes", "estimates", "expects", "targets" or similar words indicating that future outcomes are uncertain. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For additional risk factors affecting the businesses of the Marathon Group, see Supplementary Data - Disclosures About Forward-Looking Statements in USX's 2000 Form 10-K.

Management's Discussion and Analysis of Income and Operations

Revenues and Other Income for each of the last three years are summarized in the following table:

(Dollars in millions)	200
Exploration & production ("E&P")	$ 4,6
Refining, marketing & transportation ("RM&T")/(a)/	28,8
Other energy related businesses/(b)/	1,6
Revenues and other income of reportable segments	35,2
Revenues and other income not allocated to segments:	
Joint venture formation charges/(c)/	(9

Gain on ownership change in MAP	
Other/(d)/	1
Elimination of intersegment revenues	(5
Total Group revenues and other income	$ 33,8

Items included in both revenues and costs and expenses, resulting in no effect on income:

Consumer excise taxes on petroleum products and merchandise	$ 4,3

/(a)/ Amounts include 100 percent of MAP.
/(b)/ Includes domestic natural gas and crude oil marketing and transportation, and power generation.
/(c)/ Represents a pretax charge related to the joint venture formation between Marathon and Kinder Morgan Energy Partners, L.P.
/(d)/ Represents net gains/(losses) on certain asset sales.

E&P segment revenues increased by $1,589 million in 2000 from 1999 following an increase of $1,015 million in 1999 from 1998. The increase in 2000 was primarily due to higher worldwide liquid hydrocarbon and natural gas prices, partially offset by lower domestic liquid hydrocarbon and worldwide natural gas production. The increase in 1999 was primarily due to higher worldwide liquid hydrocarbon prices, increased domestic liquid hydrocarbon production and higher E&P crude oil buy/sell volumes.

RM&T segment revenues increased by $8,773 million in 2000 from 1999 following an increase of $996 million in 1999 from 1998. The increase in 2000 primarily reflected higher refined product prices and increased refined product sales volumes. The increase in 1999 was mainly due to higher refined

product prices, increased volumes of refined product sales and higher merchandise sales, partially offset by reduced crude oil sales revenues following the sale of Scurlock Permian LLC.

Other energy related businesses segment revenues increased by $850 million in 2000 from 1999 following an increase of $479 million in 1999 from 1998. The increase in 2000 reflected higher natural gas and crude oil resale activity accompanied by higher crude oil and natural gas prices. The increase in 1999 was primarily due to increased crude oil and natural gas purchase and resale activity.

For additional discussion of revenues, see Note 10 to the Marathon Group Financial Statements.

Income from operations for each of the last three years is summarized in the following table:

(Dollars in millions)	2000
E&P	
Domestic	$ 1,1
International	4
Income of E&P reportable segment	1,5
RM&T/(a)/	1,2
Other energy related businesses	
Income for reportable segments	2,8
Items not allocated to reportable segments:	
Joint venture formation charges/(b)/	(9
Administrative expenses/(c)/	(1
IMV reserve adjustment/(d)/	
Gain on ownership change & transition charges - MAP/(e)/	
Impairment of oil and gas properties, assets held for sale, and gas contract settlement/(f)/	(1
Gain/(loss) on disposal of assets/(g)/	1
Reorganization charges including pension settlement (loss)/gain & benefit accruals/(h)/	(
Total income from operations	$ 1,6

/(a)/ Amounts include 100 percent of MAP.

/(b)/ Represents a pretax charge related to the joint venture formation between Marathon and Kinder Morgan Energy Partners, L.P.

/(c)/ Includes the portion of the Marathon Group's administrative costs not charged to the operating segments and the portion of USX corporate general and administrative costs allocated to the Marathon Group.

/(d)/ The inventory market valuation ("IMV") reserve reflects the extent to which the recorded LIFO cost basis of crude oil and refined products inventories exceeds net realizable value. For additional discussion of the IMV, see Note 20 to the Marathon Group Financial Statements.

/(e)/ The gain on ownership change and one-time transition charges in 1998 relate to the formation of MAP. For additional discussion of the gain on ownership change in MAP, see Note 5 to the Marathon Group Financial Statements.

/(f)/ Represents in 2000, an impairment of certain oil and gas properties, primarily in Canada, and assets held for sale. Represents in 1999, an impairment of certain domestic properties. Represents in 1998, a write-off of certain non-revenue producing international investments and several exploratory wells which had encountered

hydrocarbons but had been suspended pending further evaluation. It also includes in 1998 a gain from the resolution of a contract dispute with a purchaser of Marathon's natural gas production from certain domestic properties.

/(g)/ The net gain in 2000 represents a gain on the disposition of Angus/Stellaria, a gain on the Sakhalin exchange, a gain on the sale of Speedway SuperAmerica LLC ("SSA") non-core stores, and a loss on the sale of the Howard Glasscock field. The net loss in 1999 represents a loss on the sale of Scurlock Permian LLC, certain domestic production properties, Carnegie Natural Gas Company and affiliated subsidiaries and a gain on certain Egyptian properties.

/(h)/ Amounts in 2000 and 1999 represent pension settlement gains/(losses) and various benefit accruals resulting from retirement plan settlements, the voluntary early retirement program, and reorganization charges.

Management's Discussion and Analysis continued

Income for reportable segments increased by $1,556 million in 2000 from 1999, mainly due to higher worldwide liquid hydrocarbon and natural gas prices, and higher refined product margins, partially offset by decreased natural gas volumes. Income for reportable segments increased by $83 million in 1999 from 1998, mainly due to higher worldwide liquid hydrocarbon prices, partially offset by lower refined product margins. Income from operations includes 100 percent of MAP beginning in 1998, and results from Marathon Canada Limited (formerly known as Tarragon) commencing August 12, 1998.

Average Volumes and Selling Prices

		2000
(thousands of barrels per day)		
Net liquids production/(a)/	- U.S.	1
	- International/(b)/	
	- Total consolidated	1
	- Equity investees/(c)/	
	- Worldwide	2
(millions of cubic feet per day)		
Net natural gas production	- U.S.	7
	- International - equity	4
	- International - other/(d)/	
	- Total consolidated	1,2
	- Equity investee/(e)/	
	- Worldwide	1,2

(dollars per barrel)		
Liquid hydrocarbons/(a)(f)/	- U.S.	$ 25.
	- International	26.
(dollars per mcf)		
Natural gas/(f)/	- U.S.	$ 3.
	- International - equity	2.
(thousands of barrels per day)		
Refined products sold/(g)/		1,3
Matching buy/sell volumes included in above		

/(a)/ Includes crude oil, condensate and natural gas liquids.
/(b)/ Represents equity tanker liftings, truck deliveries and direct deliveries.
/(c)/ Represents Marathon's equity interest in Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy") and CLAM Petroleum B.V. ("CLAM") for 2000 and 1999.
/(d)/ Represents gas acquired for injection and subsequent resale.
/(e)/ Represents Marathon's equity interest in CLAM.
/(f)/ Prices exclude gains/losses from hedging activities, equity investees and purchase/resale gas.
/(g)/ Refined products sold and matching buy/sell volumes include 100 percent of MAP.

Domestic E&P income increased by $621 million in 2000 from 1999 following an increase of $304 million in 1999 from 1998. The increase in 2000 was primarily due to higher liquid hydrocarbon and natural gas prices, partially offset by lower liquid hydrocarbon and natural gas volumes due to natural field declines and asset sales, and derivative losses from other than trading activities.

The increase in 1999 was primarily due to higher liquid hydrocarbon and natural gas prices, increased liquid hydrocarbon volumes resulting from new production in the Gulf of Mexico and lower exploration expense.

International E&P income increased by $296 million in 2000 from 1999 following an increase of $36 million in 1999 from 1998. The increase in 2000 was mainly due to higher liquid hydrocarbon and natural gas prices, higher liquid hydrocarbon liftings, primarily in Russia and Gabon, and lower dry well expense, partially offset by lower natural gas volumes.

The increase in 1999 was primarily due to higher liquid hydrocarbon prices, partially offset by lower liquid hydrocarbon and natural gas production in Europe and higher exploration expense.

RM&T segment income increased by $662 million in 2000 from 1999 following a decrease of $285 million in 1999 from 1998. The increase in 2000 was primarily due to higher refined product margins, partially offset by higher operating expenses for SSA, higher administrative expenses including increased variable pay plan costs, and higher transportation costs.

The decrease in 1999 was primarily due to lower refined product margins, partially offset by recognized mark-to-market derivative gains, increased refined product sales volumes, higher merchandise sales at SSA and the realization of additional operating efficiencies as a result of forming MAP.

Other energy related businesses segment income decreased by $23 million in 2000 from 1999 following an increase of $28 million in 1999 from 1998. The decrease in 2000 was primarily a result of derivative losses from other than trading activities and lower equity earnings as a result of decreased pipeline throughput. The increase in 1999 was primarily due to higher equity earnings as a result of increased pipeline throughput and a reversal of abandonment accruals of $10 million in 1999.

Items not allocated to reportable segments: IMV reserve adjustment - When U. S. Steel Corporation acquired Marathon Oil Company in March 1982, crude oil and refined product prices were at historically high levels. In applying the purchase method of accounting, the Marathon Group's crude oil and refined product inventories were revalued by reference to current prices at the time of acquisition, and this became the new LIFO cost basis of the inventories. Generally accepted accounting principles require that inventories be carried at lower of cost or market. Accordingly, the Marathon Group has established an IMV reserve to reduce the cost basis of its inventories to net realizable value. Quarterly adjustments to the IMV reserve result in noncash charges or credits to income from operations.

When Marathon acquired the crude oil and refined product inventories associated with Ashland's RM&T operations on January 1, 1998, the Marathon Group established a new LIFO cost basis for those inventories. The acquisition cost of these inventories lowered the overall average cost of the Marathon Group's combined RM&T inventories. As a result, the price threshold at which an IMV reserve will be recorded was also lowered.

These adjustments affect the comparability of financial results from period to period as well as comparisons with other energy companies, many of which do not have such adjustments. Therefore, the Marathon Group reports separately the effects of the IMV reserve adjustments on financial results. In management's opinion, the effects of such adjustments should be considered separately when evaluating operating performance.

In 1999, the IMV reserve adjustment resulted in a

credit to income from operations of $551 million compared to a charge of $267 million in 1998, or a change of $818 million. The favorable 1999 IMV reserve adjustment, which is almost entirely recorded by MAP, was primarily due to the significant increase in refined product prices experienced during 1999. For additional discussion of the IMV reserve, see Note 20 to the Marathon Group Financial Statements.

Joint venture formation charges represent a pretax charge of $931 million in 2000 related to the joint venture formation between Marathon and Kinder Morgan Energy Partners, L.P. The formation of the joint venture included contribution of interests in the Yates and SACROC assets. Marathon holds an 85 percent economic interest in the combined entity which commenced operations in January 2001.

Impairment of oil and gas properties, assets held for sale, and gas contract settlement includes in 2000, the impairments of certain oil and gas properties primarily in Canada and assets held for sale totaling $197 million. In 1999, the $16 million charge relates to the impairment of certain domestic properties. In 1998, the $119 million charge relates to a write-off of certain non-revenue producing international investments and several exploratory wells, partially offset by a gain from the resolution of a contract dispute with a purchaser of Marathon's natural gas production from certain domestic properties.

Gain/(loss) on disposal of assets represents in 2000 a net gain on the sale of Marathon's interest in the Angus/Stellaria development in the Gulf of Mexico, a gain on the Sakhalin exchange, a loss on the sale of the Howard Glasscock Field, and a gain on the sale of non-core SSA stores. In 1999,

the net loss represents losses on the sale of Scurlock Permian LLC, certain domestic production properties, Carnegie Natural Gas Company and affiliated subsidiaries and a gain on certain Egyptian properties.

Reorganization charges including pension settlement (loss)/gain and benefit accruals represent charges related to a reorganization program initiated by Marathon for its upstream business during 2000.

Net interest and other financial costs decreased by $52 million in 2000 from 1999, following an increase of $51 million in 1999 from 1998. The decrease in 2000 was primarily due to lower average debt levels and increased interest income. The increase in 1999 was primarily due to lower interest income and lower capitalized interest on upstream projects. For additional details, see Note 6 to the Marathon Group Financial Statements.

The minority interest in income of MAP, which represents Ashland's 38 percent ownership interest, increased by $51 million in 2000 from 1999, primarily due to much higher RM&T segment income and the absence of the favorable 1999 IMV reserve adjustment, as discussed above.

The provision for income taxes of $482 million in 2000 included a $235 million one-time, noncash deferred tax charge 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. for other oil and gas producing interests. The 1999 income tax provision included a $23 million favorable adjustment to deferred federal income taxes related to the outcome of a United States Tax Court case. For additional discussion of income taxes, see Note 18 to the Marathon Group Financial Statements.

Net income decreased by $222 million in 2000 from 1999, following an increase of $344 million in 1999 from 1998, primarily reflecting the factors discussed above.

Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity

Current assets increased $904 million from year-end 1999, primarily due to an increase in cash, receivables, and assets held for sale. The increase in assets held for sale was mainly due to the reclassification of the Yates field from property, plant, and equipment. The receivables increase was mainly due to higher year-end commodity prices.

Current liabilities increased $868 million from year-end 1999, primarily due to an increase in accounts payable due to higher year-end commodity prices and the recording of an intergroup income tax payable.

Investments and long-term receivables decreased $400 million from year-end 1999, primarily due to the exchange of Marathon's interest in Sakhalin Energy Investment Company Ltd.

Net property, plant and equipment decreased $918 million from year-end 1999, primarily due to the impairment and reclassification of assets held for sale, the impairment of reserves, and the sale of certain domestic production properties. This was partially offset by increases from properties received from the Sakhalin exchange. Net property, plant and equipment for each of the last three years is summarized in the following table:

(Dollars in millions)	2000	1999
E&P		
Domestic	$ 2,229	$ 3,435
International	2,924	2,987

Total E&P	5,153	6,422
RM&T/(a)/	4,035	3,712
Other/(b)/	187	159
Total	$ 9,375	$ 10,293

/(a)/ Amounts include 100 percent of MAP.
/(b)/ Includes other energy related businesses and other miscellaneous corporate net property, plant and equipment.

Total long-term debt and notes payable at December 31, 2000 were $2,165 million, a decrease of $1,203 million from year-end 1999. This decrease in debt is mainly due to higher cash flow provided from operating activities. Most of the debt is a direct obligation of, or is guaranteed by, USX.

Management's Discussion and Analysis continued

Stockholders' equity increased $45 million from year-end 1999, mainly reflecting net income of $432 million offset by dividends declared of $274 million and Marathon Stock repurchases of $105 million. In July 2000, the USX Board of Directors authorized spending up to $450 million to repurchase shares of Marathon Stock. This repurchase program will continue from time to time as the Corporation's financial condition and market conditions warrant.

Net cash provided from operating activities totaled $3,158 million in 2000, compared with $2,016 million in 1999 and $1,642 million in 1998. Net cash from operating activities increased $1,142 million in 2000 from 1999 and increased $374 million in 1999 from 1998. The increase in 2000 mainly reflects the favorable effects of improved net income (excluding noncash items) and net favorable working capital changes, including an increased allocation for income tax payments and an income tax settlement with the Steel Group in accordance with the group tax allocation policy. The increase in 1999 mainly reflected favorable working capital changes.

Capital expenditures for each of the last three years are summarized in the following table:

(Dollars in millions)	200
E&P	
Domestic	$
International/(a)/	
Total E&P	

RM&T/(b)/	
Other/(c)/	
Total	$ 1,

/(a)/ Amount for 1998 excludes the Tarragon acquisition.
/(b)/ Amounts include 100 percent of MAP.
/(c)/ Includes other energy related businesses and other miscellaneous corporate capital expenditures.

During 2000, domestic E&P capital spending mainly included the completion of the Viosca Knoll Block 786 (Petronius) development in the Gulf of Mexico, various producing property acquisitions, and natural gas developments in East Texas and other gas basins throughout the western United States. International E&P projects included the completion of the Tchatamba West development, located offshore Gabon, and continued oil and natural gas developments in Canada. RM&T spending by MAP primarily consisted of refinery modifications, including the initiation of the delayed coker unit project at the Garyville refinery, and upgrades and expansions of retail marketing outlets. Contract commitments for property, plant and equipment acquisitions and long-term investments at year-end 2000 were $457 million, compared with $485 million at year-end 1999.

Costs incurred for the periods ended December 31, 2000, 1999 and 1998 relating to the development of proved undeveloped oil and gas reserves, including equity investees, were $316 million, $333 million, and $496 million, respectively. As of December 31, 2000, estimated future development costs relating to the development of proved undeveloped oil and gas reserves for the years 2001 through 2003 are projected to be $337 million, $115 million, and $97 million.

Capital expenditures in 2001 are expected to be approximately $1.5 billion, which is consistent with 2000 levels. Domestic E&P projects planned for 2001 will focus on gas projects and include various producing property acquisitions. Planned capital expenditures in 2001 do not include the capital requirements related to the acquisition of Pennaco Energy, Inc. ("Pennaco"). International E&P projects include the continued development of the Foinaven area in the U.K. Atlantic Margin and continued oil and natural gas developments in Canada. RM&T spending by MAP will primarily consist of refinery improvements, including the completion of the delayed coker unit project at the Garyville refinery, upgrades and expansions of retail marketing outlets, and expansion and enhancement of logistics systems. Other Marathon spending will include funds for development and installation of SAP software, which is an enterprise resource planning system that will allow the integration of processes among business units and with outside enterprises.

Investments in investees were $65 million in 2000,

compared with $59 million in 1999. The amounts in both periods mainly reflected development spending for the Sakhalin II project in Russia.

Loans and advances to investees were $6 million in 2000, compared with $70 million in 1999. Cash outflows in both periods primarily reflected funding provided to equity investees for capital

projects. In 2000, the cash outflow was primarily related to the Centennial Pipeline project, and in 1999, the outflow was primarily related to the Sakhalin II project.

Repayments of loans and advances to investees were $10 million in 2000, compared with $1 million in 1999. The 2000 amount primarily was a result of repayments by a foreign power subsidiary of advances made by Marathon.

The above statements with respect to future capital expenditures and investments are forward-looking statements, reflecting management's best estimates, based on information currently available. To the extent this information proves to be inaccurate, the timing and levels of future spending could differ materially from those included in the forward-looking statements. Factors that could cause future capital expenditures to differ materially from present expectations include price volatility, worldwide supply and demand for petroleum products, general worldwide economic conditions, levels of cash flow from operations, available business opportunities, unforeseen hazards such as weather conditions, and/or delays in obtaining government or partner approvals.

The acquisition of Tarragon Oil and Gas Limited in 1998 included cash payments of $686 million. For further discussion of Tarragon, see Note 5 to the Marathon Group Financial Statements.

Cash from disposal of assets was $539 million in 2000, compared with $356 million in 1999 and $65 million in 1998. Proceeds in 2000 were mainly from the Sakhalin exchange, the disposition of Marathon's interest in the Angus/Stellaria development in the Gulf of Mexico, the sale of non-core SSA stores and other domestic production properties. Proceeds in 1999 were mainly from the sale of Scurlock Permian LLC, over 150 non-strategic domestic and international production properties and Carnegie Natural Gas Company and affiliated subsidiaries. Proceeds in 1998 were mainly from the sales of domestic production properties and equipment.

The net change in restricted cash was a net withdrawal of $3 million in 2000 compared to a net withdrawal of $1 million in 1999. Restricted cash in both periods primarily reflected the net effects of cash

deposited and withdrawn from domestic production property dispositions and acquisitions.

Net cash changes related to financial obligations, which consist of the Marathon Group's portion of USX debt and preferred stock of a subsidiary attributed to both groups, as well as debt specifically attributed to the Marathon Group, decreased by $1,206 million in 2000. Financial obligations decreased primarily because cash from operating activities and asset sales exceeded capital expenditures, distributions to the minority shareholder of MAP and dividend payments. For further details, see Management's Discussion and Analysis of USX Consolidated Financial Condition, Cash Flows and Liquidity.

Marathon Stock repurchased was $105 million in 2000. In July 2000, the USX Board of Directors authorized spending up to $450 million to repurchase shares of Marathon Stock. This repurchase program will continue from time to time as the Corporation's financial condition and market conditions warrant.

Distributions to minority shareholder of MAP were $420 million in 2000, compared with $400 million in 1999. The 1999 amount included a distribution of $103 million in the first quarter 1999, which related to fourth quarter 1998 MAP activity.

Derivative Instruments

See Quantitative and Qualitative Disclosures About Market Risk for a discussion of derivative instruments and associated market risk.

Liquidity

For discussion of USX's liquidity and capital resources, see Management's Discussion and Analysis of USX Consolidated Financial Condition, Cash Flows and Liquidity.

Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies

The Marathon Group has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of the Marathon Group's products and services, operating results will be adversely affected. The Marathon Group believes that substantially all of its competitors are subject to similar environmental laws and

regulations. However, the specific impact on each

competitor may vary depending on a number of factors, including the age and location of its operating facilities, marketing areas, production processes and whether or not it is engaged in the petrochemical business, power business or the marine transportation of crude oil and refined products.

Marathon Group environmental expenditures for each of the last three years were/(a)/:

(Dollars in millions)	2
Capital	$
Compliance	
Operating & maintenance	
Remediation/(c)/	
Total	$

/(a)/ Amounts are determined based on American Petroleum Institute survey guidelines and include 100 percent of MAP.
/(b)/ Reclassified to conform to 1999 classifications.
/(c)/ These amounts include spending charged against remediation reserves, net of recoveries, where permissible, but do not include noncash provisions recorded for environmental remediation.

The Marathon Group's environmental capital expenditures accounted for five percent of total capital expenditures in 2000, three percent in 1999, and seven percent in 1998 (excluding the acquisition of Tarragon).

During 1998 through 2000, compliance expenditures represented one percent of the Marathon Group's total operating costs. Remediation spending during this period was primarily related to retail marketing outlets which incur ongoing clean-up costs for soil and groundwater contamination associated with underground storage tanks and piping.

USX has been notified that it is a potentially responsible party ("PRP") at 13 waste sites related to the Marathon Group under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of December 31, 2000. In addition, there are 6 sites related to the Marathon Group where USX has received information requests or other indications that USX may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability.

There are also 115 additional sites, excluding retail marketing outlets, related to the Marathon Group where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through

discussions or litigation. Of these sites, 15 were associated with properties conveyed to MAP by Ashland for which Ashland has retained liability for all costs associated with remediation.

At many of these sites, USX is one of a number of parties involved and the total cost of remediation, as well as USX's share thereof, is frequently dependent upon the outcome of investigations and remedial studies. The Marathon Group accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. See Note 25 to the Marathon Group Financial Statements.

New or expanded environmental requirements, which could increase the Marathon Group's environmental costs, may arise in the future. USX intends to comply with all legal requirements regarding the environment, but since many of them are not fixed or presently determinable (even under existing legislation) and may be affected by future legislation, it is not possible to predict accurately the ultimate cost of compliance, including remediation costs which may be incurred and penalties which may be imposed. However, based on presently available information, and existing laws and regulations as currently implemented, the Marathon Group does not anticipate that environmental compliance expenditures (including operating and maintenance and remediation) will materially increase in 2001. The Marathon Group's environmental capital expenditures are expected to be approximately $100 million in 2001. Predictions beyond 2001 can only be broad-based estimates which have varied, and will continue to vary, due to the ongoing evolution of specific regulatory requirements, the possible imposition of more stringent requirements and the availability of new

technologies, among other matters. Based upon currently identified projects, the Marathon Group anticipates that environmental capital expenditures will be approximately $92 million in 2002; however, actual expenditures may vary as the number and scope of environmental projects are revised as a result of improved technology or changes in regulatory requirements and could increase if additional projects are identified or additional requirements are imposed.

New Tier II Fuels regulations were proposed in late 1999. The gasoline rules, which were finalized by the U.S. Environmental Protection Agency ("EPA") in February 2000, and the diesel fuel rule which was finalized in January 2001, require substantially reduced sulfur

levels. The combined capital cost to achieve compliance with the gasoline and diesel regulations could amount to approximately $700 million between 2003 and 2005. This is a forward-looking statement and can only be a broad-based estimate due to the ongoing evolution of regulatory requirements. Some factors (among others) that could potentially affect gasoline and diesel fuel compliance costs include obtaining the necessary construction and environmental permits, operating considerations, and unforeseen hazards such as weather conditions.

In October 1998, the National Enforcement Investigations Center and Region V of the EPA conducted a multi-media inspection of MAP's Detroit refinery. Subsequently, in November 1998, Region V conducted a multi-media inspection of MAP's Robinson refinery. These inspections covered compliance with the Clean Air Act (New Source Performance Standards, Prevention of Significant Deterioration, and the National Emission Standards for Hazardous Air Pollutants for Benzene), the Clean Water Act (permit exceedances for the Waste Water Treatment Plant), reporting obligations under the Emergency Planning and Community Right to Know Act and the handling of process waste. MAP has been advised, in ongoing discussions with the EPA, as to certain compliance issues regarding MAP's Detroit and Robinson refineries. Thus far, MAP has been served with two Notices of Violation ("NOV") and three Findings of Violation in connection with the multi-media inspections at its Detroit refinery. The Detroit notices allege violations of the Michigan State Air Pollution Regulations, the EPA New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants for Benzene. On March 6, 2000, MAP received its first NOV arising out of the multi-media inspection of the Robinson refinery conducted in November 1998. The NOV is for alleged Resource Conservation and Recovery Act (hazardous waste) violations.

MAP has responded to information requests from the EPA regarding New Source Review ("NSR") compliance at its Garyville and Texas City refineries. In addition, the scope of the EPA's 1998 multi-media inspections of the Detroit and Robinson refineries included NSR compliance. NSR requires new major stationary sources and major modifications at existing major stationary sources to obtain permits, perform air quality analysis and install stringent air pollution control equipment at affected facilities. The current EPA initiative appears to target many items that the industry has historically considered routine repair, replacement and maintenance or other activity exempted from the NSR requirements. MAP is engaged in ongoing discussions with the EPA on these issues concerning all of MAP's refineries.

While MAP has not been notified of any formal findings or violations resulting from either the information requests or inspections regarding NSR compliance, MAP has been informed during discussions with the EPA of potential non-compliance concerns of the EPA based on these inspections and other information

identified by the EPA. Recently, discussions with the EPA have included commitment to some specific control technologies and implementation schedules, but not penalties. In addition, MAP anticipates that some or all of the non-NSR related issues arising from the multi-media inspections may also be resolved as part of the current discussions with the EPA. A negotiated resolution with the EPA could result in increased environmental capital expenditures in future years, in addition to as yet, undetermined penalties.

During 1999 an EPA advisory panel on oxygenate use in gasoline issued recommendations to the EPA, calling for the improved protection of drinking water from methyl tertiary butyl ether ("MTBE") impacts, a substantial reduction in the use of MTBE, and action by Congress to remove the oxygenate requirements for reformulated gasoline under the Clean Air Act. The panel reviewed public health and environmental issues that have been raised by the use of MTBE in gasoline, and specifically by the discovery of MTBE in water supplies. State and federal environmental regulatory agencies could implement the majority of the recommendations, while some would require Congressional legislative action. California has acted to ban MTBE use by December 31, 2002 and has requested a waiver from

the EPA of California state oxygenate requirements. In addition, a number of states have passed laws which limit or require the phase out of MTBE in gasoline, including states in MAP's marketing area such as Michigan and Minnesota. Many other states are considering bills which require similar limitations or the phase out of MTBE.

MAP has a non-material investment in MTBE units at its Robinson, Catlettsburg and Detroit refineries. Approximately seven percent of MAP's refinery gasoline production includes MTBE. Potential phase-outs or restrictions on the use of MTBE would not be expected to have a material impact on MAP and its operations, although it is not possible to reach any conclusions until further federal or state actions, if any, are taken.

USX is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments relating to the Marathon Group involving a variety of matters, including laws and regulations relating to the environment, certain of which are discussed in Note 25 to the Marathon Group Financial Statements. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the Marathon Group 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 to the Marathon Group. See Management's Discussion and Analysis of USX Consolidated Financial Condition, Cash Flows and Liquidity.

Outlook

This outlook is as of the original filing date of March 12, 2001. For an updated outlook, see subsequent filings with the U.S. Securities and Exchange Commission.

The outlook regarding the results of operations for the Marathon Group's upstream segment is largely dependent upon future prices and volumes of liquid hydrocarbons and natural gas. Prices have historically been volatile and have frequently been affected by unpredictable changes in supply and demand resulting from fluctuations in worldwide economic activity and political developments in the world's major oil and gas producing and consuming areas. Any significant decline in prices could have a material adverse effect on the Marathon Group's results of operations. A prolonged decline in such prices could also adversely affect the quantity of crude oil and natural gas reserves that can be economically produced and the amount of capital available for exploration and development.

At year-end 2000, Marathon revised its estimate of proved developed and undeveloped oil and gas reserves downward by 167 million barrels of oil equivalent ("BOE"). These revisions were principally in Canada, the North Sea and United States and are the result of production performance and disappointing drilling results.

BOE is a combined measure of worldwide liquid hydrocarbon and natural gas production, measured in barrels per day and cubic feet per day, respectively. For purposes of determining BOE, natural gas volumes are converted to approximate liquid hydrocarbon barrels by dividing the natural gas volumes expressed in thousands of cubic feet ("mcf") by 6. The liquid hydrocarbon volume is added to the barrel equivalent of gas volume to obtain BOE. Marathon intends to disclose total production estimates on a BOE basis from this point forward.

In 2001, worldwide production is expected to average 430,000 BOE per day, split evenly between liquid hydrocarbons and natural gas, including production from Marathon's share of investees and future acquisitions.

On December 28, 2000, Marathon signed a definitive agreement to form a joint venture with Kinder Morgan Energy Partners, L.P., which commenced operations in January 2001. The formation of the joint venture included contribution of interests in the Yates and SACROC assets. 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. Marathon holds an 85 percent economic interest in the combined entity, which

will be accounted for under the equity method of accounting.

On December 22, 2000, Marathon announced its plans to acquire Pennaco. This acquisition will enhance Marathon's presence in a core area, the North American gas market, and will provide an opportunity for possible new reserves to be developed. The tender offer expired on February 5, 2001 at 12:00 midnight, Eastern time. Marathon acquired approximately 17.6 million shares of Pennaco common stock which were validly tendered and not withdrawn in the offer, representing approximately 87 percent of the outstanding Pennaco shares.

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.

Marathon plans to drill six deepwater Gulf of Mexico exploratory wells in 2001. To support this increased drilling activity, Marathon has contracted two new deepwater rigs, capable of drilling in water depths beyond 6,500 feet.

Other major upstream projects, which are currently underway or under evaluation and are expected to improve future income streams, include the Mississippi Canyon Block 348 in the Gulf of Mexico and various North American natural gas fields. Also, Marathon expects continued development in the Foinaven area in the U.K. Atlantic Margin. Marathon acquired an interest in this location through the exchange of its Sakhalin interests with Shell Oil in the fourth quarter of 2000.

Marathon E&P is currently on target for achieving $150 million in annual repeatable pre-tax operating efficiencies by year-end 2001. Marathon initiated a reorganization program for its upstream business units which will contribute to an overall workforce reduction of 24% compared to 1999 levels. In addition, regional production offices in Lafayette, Louisiana and Tyler, Texas have been closed along with the Petroleum Technology Center in Littleton, Colorado.

The above discussion includes forward-looking statements with respect to 2001 worldwide liquid hydrocarbon production and natural gas volumes, the acquisition of Pennaco, commencement of upstream projects, and the Gulf of Mexico drilling program. Some factors that could potentially affect worldwide liquid hydrocarbon production/gas volumes, upstream projects, and the drilling program include: pricing, worldwide supply and demand for petroleum products, amount of

capital available for exploration and development, regulatory constraints, reserve estimates, reserve replacement rates, production decline rates of mature fields, timing of commencing production from new wells, timing and results of future development drilling, drilling rig availability, the completion of the merger with Pennaco, future acquisitions of producing properties, and other geological, operating and economic considerations. In addition, development of new production properties in countries outside the United States may require protracted negotiations with host governments and is frequently subject to political considerations, such as tax regulations, which could adversely affect the timing and economics of projects. A factor that could affect the Pennaco acquisition is successful completion of the merger. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Downstream income of the Marathon Group is largely dependent upon refined product margins, which reflect the difference between the selling prices of refined products and the cost of raw materials refined and manufacturing costs. Refined product margins have been historically volatile and vary with the level of economic activity in the various marketing areas, the regulatory climate, crude oil costs, manufacturing costs, logistical limitations and the available supply of crude oil and refined products.

In 2000, MAP, CMS Energy Corporation, and TEPPCO Partners, L.P. formed a limited liability company with equal ownership to operate an interstate refined petroleum products pipeline extending from the U.S. Gulf of Mexico to the Midwest. The new company plans to build a 74-mile, 24-inch diameter pipeline connecting TEPPCO's facility in Beaumont, Texas, with an existing 720-mile, 26-inch diameter pipeline extending from Longville, Louisiana to Bourbon, Illinois. In addition, a two million barrel terminal storage facility will be constructed. The system will be called Centennial Pipeline and will connect with existing MAP transportation assets and other common carrier lines. Construction is expected to be completed in the fourth quarter of 2001.

A MAP subsidiary, Ohio River Pipe Line LLC ("ORPL"), plans to build a pipeline from Kenova, West Virginia to Columbus, Ohio. ORPL is a common carrier pipeline company and the pipeline will be an interstate common carrier pipeline. The pipeline is expected to initially move about 50,000 bpd of refined petroleum into the central Ohio region. The pipeline is currently expected to be operational in mid-2002. The startup of this pipeline is largely dependent on obtaining the final regulatory approvals, obtaining the necessary rights-of-way, of which approximately 95 percent have been obtained to date, and completion of construction. ORPL is still negotiating with a few landowners to obtain the

remaining rights-of-way. Where necessary, ORPL has filed condemnation actions to acquire some rights-of-way. These actions are at various stages of litigation and appeal with several recent decisions supporting ORPL's use of eminent domain.

MAP is constructing a delayed coker unit at its Garyville, Louisiana refinery. This unit will allow for the use of heavier, lower cost crude and reduce the production of heavy fuel oil. To supply this new unit, MAP reached an agreement with P.M.I. Comercio Internacional, S.A. de C.V., (PMI), an affiliate of Petroleos Mexicanos, (PEMEX), to purchase approximately 90,000 bpd of heavy Mayan crude oil. This is a multi-year contract, which will begin upon completion of the delayed coker unit which is scheduled in the fall of 2001. In addition, a project to increase light product output is underway at MAP's Robinson, Illinois refinery and is expected to be completed in the second quarter of 2001.

MAP initiated a program for 2000 to dispose of approximately 270 non-core SSA retail outlets in the Midwest and Southeast. At the end of this program through December 31, 2000, 159 stores, which comprise about 7 percent of MAP's owned and operated SSA retail network, had been sold. MAP will continue to sell additional SSA stores as part of its ongoing store development process.

The above discussion includes forward-looking statements with respect to pipeline and refinery improvement projects. Some factors that could potentially cause actual results to differ materially from present expectations include the price of petroleum products, levels of cash flow from operations, obtaining the necessary construction and environmental permits, unforeseen hazards such as weather conditions, obtaining the necessary rights-of-way, outcome of pending litigation, and regulatory approval constraints. These factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Accounting Standards

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

The Marathon Group 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.

Quantitative and Qualitative Disclosures About Market Risk

Management Opinion Concerning Derivative Instruments

USX uses commodity-based and foreign currency derivative instruments to manage its price risk. Management has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations related to the purchase, production or sale of crude oil, natural gas, refined products, and

nonferrous metals. For transactions that qualify for hedge accounting, the resulting gains or losses are deferred and subsequently recognized in income from operations, in the same period as the underlying physical transaction. Derivative instruments used for trading and other activities are marked-to-market and the resulting gains or losses are recognized in the current period in income from operations. While USX's risk management activities generally reduce market risk exposure due to unfavorable commodity price changes for raw material purchases and products sold, such activities can also encompass strategies that assume price risk.

Management believes that use of derivative instruments along with risk assessment procedures and internal controls does not expose the Marathon Group to material risk. The use of derivative instruments could materially affect the Marathon Group's results of operations in particular quarterly or annual periods. However, management believes that use of these instruments will not have a material adverse effect on financial position or liquidity. For a summary of accounting policies related to derivative instruments, see Note 2 to the Marathon Group Financial Statements.

Commodity Price Risk and Related Risks

In the normal course of its business, the Marathon Group is exposed to market risk or price fluctuations related to the purchase, production or sale of crude oil, natural gas and refined products. To a lesser extent, the Marathon Group is exposed to the risk of price fluctuations on natural gas liquids and petroleum feedstocks used as raw materials.

The Marathon Group's market risk strategy has generally been to obtain competitive prices for its products and services and allow operating results to reflect market price movements dictated by supply and demand. However, the Marathon Group uses fixed-price contracts and derivative commodity instruments to manage a relatively small portion of its commodity price risk.

The Marathon Group uses fixed-price contracts for portions of its natural gas production to manage exposure to fluctuations in natural gas prices. Certain derivative commodity instruments have the effect of restoring the equity portion of fixed-price sales of natural gas to variable market-based pricing. These instruments are used as part of the Marathon Group's overall risk management programs.

Sensitivity analyses of the incremental effects on pretax income of hypothetical 10% and 25% changes in commodity prices for open derivative commodity

instruments as of December 31, 2000 and December 31, 1999, are provided in the following table:(a)

(Dollars in millions)

		In Pre
	2000	
Derivative Commodity Instruments	10%	
Marathon Group/(b)(c)/:		
Crude oil/(d)/		
Trading	$ -	$
Other than trading	9.1	2
Natural gas/(d)/		
Trading	-	
Other than trading	20.2	5
Refined products/(d)/		
Trading	-	
Other than trading	6.1	1

/(a)/ Gains and losses on derivative commodity instruments are generally offset by price changes in the underlying commodity. Effects of these offsets are not reflected in the sensitivity analyses. Amounts reflect the estimated incremental effect on pretax income of hypothetical 10% and 25% changes in closing commodity prices for each open contract position at December 31, 2000 and December 31, 1999. Marathon Group management evaluates their portfolio of derivative commodity instruments on an ongoing basis and adds or revises strategies to reflect anticipated market conditions and changes in risk profiles. Changes to the portfolio subsequent to December 31, 2000, would cause future pretax income effects to differ from those presented in the table.

/(b)/ The number of net open contracts varied throughout 2000, from a low of 12,252 contracts at July 5, to a high of 34,554 contracts at October 25, and averaged 21,875 for the year. The derivative commodity instruments used and hedging positions taken also varied throughout 2000, and will continue to vary in the future. Because of these variations in the composition of the portfolio over time, the number of open contracts, by itself, cannot be used to predict future income effects.

/(c)/ The calculation of sensitivity amounts for basis swaps assumes that the physical and paper indices are perfectly correlated. Gains and losses on options are based on changes in intrinsic value only.

/(d)/ The direction of the price change used in

calculating the sensitivity amount for each commodity reflects that which would result in the largest incremental decrease in pretax income when applied to the derivative commodity instruments used to hedge that commodity.

/(e)/ Price increase.

/(f)/ Price decrease.

In total, Marathon's exploration and production operations recorded net pretax other than trading activity losses of approximately $34 million in 2000, gains of $3 million in 1999 and losses of $3 million in 1998.

Marathon's refining, marketing and transportation operations generally use derivative commodity instruments to lock-in costs of certain crude oil and other feedstocks, to protect carrying values of inventories and to protect margins on fixed-price sales of refined products. Marathon's refining, marketing and transportation operations recorded net pretax other than trading activity losses, net of the 38% minority interest in MAP, of approximately $116 million in 2000, and net pretax other than trading activity gains, net of the 38% minority interest in MAP, of $8 million in 1999 and $28 million in 1998. Marathon's refining, marketing and transportation operations used derivative instruments for trading activities and recorded net pretax trading activity losses, net of the 38% minority interest in MAP, of $11 million in 2000 and net pretax trading activity gains, net of the 38% minority interest in MAP, of $5 million in 1999.

The Marathon Group is subject to basis risk, caused by factors that affect the relationship between commodity futures prices reflected in derivative commodity instruments and the cash market price of the underlying commodity. Natural gas transaction prices are frequently based on industry reference prices that may vary from prices experienced in local markets. For example, New York Mercantile Exchange ("NYMEX") contracts for natural gas are priced at Louisiana's Henry Hub, while the underlying quantities of natural gas may be produced and sold in the Western United States at prices

that do not move in strict correlation with NYMEX prices. To the extent that commodity price changes in one region are not reflected in other regions, derivative commodity instruments may no longer provide the expected hedge, resulting in increased exposure to basis risk. These regional price differences could yield favorable or unfavorable results. OTC transactions are being used to manage exposure to a portion of basis risk.

The Marathon Group is subject to liquidity risk, caused by timing delays in liquidating contract positions due to a potential inability to identify a counterparty willing to accept an offsetting position. Due to the large number of active participants, liquidity risk exposure is relatively low for exchange-traded transactions.

Interest Rate Risk

USX is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10% decrease in year-end 2000 and 1999 interest rates on the fair value of the Marathon Group's specifically attributed non-derivative financial instruments and the Marathon Group's portion of USX's non-derivative financial instruments attributed to both groups, is provided in the following table:

(Dollars in millions)

As of December 31,	2000	
Non-Derivative Financial Instruments/(a)/	Fair Value/(b)/	In In Va
Financial assets:		
Investments and long-term receivables/(d)/	$ 171	$
Financial liabilities:		
Long-term debt/(e)(f)/	$ 2,174	$
Preferred stock of subsidiary/(g)/	175	
Total liabilities	$ 2,349	$

/(a)/ Fair values of cash and cash equivalents, receivables, notes payable, accounts payable and accrued interest, approximate carrying value and are relatively insensitive to changes in interest rates due to the short-term maturity of the instruments. Accordingly, these instruments are excluded from the table.

/(b)/ See Note 22 to the Marathon Group Financial Statements for carrying value of instruments.

/(c)/ Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 2000 and December 31, 1999, on the fair value of USX's non-derivative financial instruments. For financial liabilities, this assumes a 10% decrease in the weighted average yield to maturity of USX's long-term debt at December 31, 2000 and December 31, 1999.

/(d)/ For additional information, see Note 19 to the Marathon Group Financial Statements.

/(e)/ Includes amounts due within one year.
/(f)/ Fair value was based on market prices where available, or current borrowing rates for financings with similar terms and maturities. For additional information, see Note 12 to the Marathon Group Financial Statements.
/(g)/ See Note 22 to the USX Consolidated Financial Statements.

At December 31, 2000, USX's portfolio of long-term debt was comprised primarily of fixed-rate instruments. Therefore, the fair value of the portfolio is relatively sensitive to effects of interest rate fluctuations. This sensitivity is illustrated by the $86 million increase in the fair value of long-term debt assuming a hypothetical 10% decrease in interest rates. However, USX's sensitivity to interest rate declines and corresponding increases in the fair value of its debt portfolio would unfavorably affect USX's results and cash flows only to the extent that USX elected to repurchase or otherwise retire all or a portion of its fixed-rate debt portfolio at prices above carrying value.

Foreign Currency Exchange Rate Risk

USX is subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars. USX has not generally used derivative instruments to manage this risk. However, USX has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. At December 31, 2000, USX had open Canadian dollar forward purchase

contracts with a total carrying value of approximately $14 million compared to $52 million at December 31, 1999. A 10% increase in the December 31, 2000, Canadian dollar to U.S. dollar forward rate, would result in a charge to income of approximately $1 million. Last year, a 10% increase in the December 31, 1999, Canadian dollar to U.S. dollar forward rate, would have resulted in a charge to income of $5 million. The entire amount of these contracts is attributed to the Marathon Group.

Equity Price Risk

At December 31, 2000, the Marathon Group had no material exposure to equity price risk.

Safe Harbor

The Marathon Group's quantitative and qualitative disclosures about market risk include forward-looking

statements with respect to management's opinion about risks associated with the Marathon Group's use of derivative instruments. These statements are based on certain assumptions with respect to market prices and industry supply of and demand for crude oil, natural gas, refined products and other feedstocks. To the extent that these assumptions prove to be inaccurate, future outcomes with respect to the Marathon Group's hedging programs may differ materially from those discussed in the forward-looking statements.

U. S. Steel Group

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Management's Report

The accompanying financial statements of the U. S. Steel Group are the responsibility of and have been prepared by USX Corporation (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 U. S. Steel Group financial information displayed in other sections of this report is consistent with these 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 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 independent accountants, management and internal auditors to monitor the proper discharge by each of its responsibilities relative to internal accounting controls and the consolidated and group 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 financial statements appearing on pages S-2 through S-21 present fairly, in all material respects, the financial position of the U. S. Steel Group at December 31, 2000 and 1999, and the results of its operations and its 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.

The U. S. Steel Group is a business unit of USX Corporation (as described in Note 1, page S-5); accordingly, the financial statements of the U. S. Steel Group should be read in connection with the consolidated financial statements of USX Corporation.

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

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Statement of Operations

(Dollars in millions)	
Revenues and other income:	
Revenues	$
Income (loss) from investees	
Net gains on disposal of assets	
Other income (loss)	
Total revenues and other income	
Costs and expenses:	
Cost of revenues (excludes items shown below)	
Selling, general and administrative expenses (credits) (Note 12)	
Depreciation, depletion and amortization	
Taxes other than income taxes	
Total costs and expenses	
Income from operations	
Net interest and other financial costs (Note 7)	
Income (loss) before income taxes and extraordinary losses	
Provision for income taxes (Note 15)	
Income (loss) before extraordinary losses	
Extraordinary losses (Note 6)	
Net income (loss)	
Dividends on preferred stock	
Net income (loss) applicable to Steel Stock	$

Income Per Common Share Applicable to Steel Stock

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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 21, for a description and computation of income per common share. The accompanying notes are an integral part of these financial statements.

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Balance Sheet

(Dollars in millions)	December 31
Assets	
Current assets:	
Cash and cash equivalents	
Receivables, less allowance for doubtful accounts of $57 and $10	
Receivables subject to a security interest (Note 11)	
Income taxes receivable (Note 13)	
Inventories (Note 14)	
Deferred income tax benefits (Note 15)	
Other current assets	
Total current assets	
Investments and long-term receivables, less reserves of $38 and $3 (Notes 13 and 16)	
Property, plant and equipment - net (Note 23)	
Prepaid pensions (Note 12)	
Other noncurrent assets	
Total assets	
Liabilities	
Current liabilities:	
Notes payable	
Accounts payable	
Payroll and benefits payable	
Accrued taxes	
Accrued interest	
Long-term debt due within one year (Note 11)	
Total current liabilities	

Long-term debt (Note 11)
Deferred income taxes (Note 15)
Employee benefits (Note 12)
Deferred credits and other liabilities
Preferred stock of subsidiary (Note 10)
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust holding solely junior subordinated convertible debentures of USX (Note 18)

Stockholders' Equity (Note 19)

Preferred stock
Common stockholders' equity

Total stockholders' equity

Total liabilities and stockholders' equity

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

Statement of Cash Flows

(Dollars in millions)	2000	1999
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net income (loss)	$ (21)	$ 44
Adjustments to reconcile to net cash provided from (used in) operating activities:		
Extraordinary losses	-	7
Depreciation, depletion and amortization	360	304
Pensions and other postretirement benefits	(847)	(256)
Deferred income taxes	389	107
Net gains on disposal of assets	(46)	(21)
Changes in: Current receivables - sold	-	(320)
- operating turnover	(263)	(242)
Inventories	(63)	(14)
Current accounts payable and accrued expenses	(262)	239
All other - net	126	72
Net cash provided from (used in) operating activities	(627)	(80)
Investing activities:		
Capital expenditures	(244)	(287)
Acquisition of U. S. Steel Kosice s.r.o., net of cash acquired of $59	(10)	-
Disposal of assets	21	10
Restricted cash - withdrawals	2	15
- deposits	(2)	(17)

Investees - investments	(35)	(15)
- loans and advances	(10)	-
All other - net	8	-
Net cash used in investing activities	(270)	(294)
Financing activities (Note 10):		
Increase in U. S. Steel Group's portion of USX consolidated debt	1,208	147
Specifically attributed debt:		
Borrowings	-	350
Repayments	(6)	(11)
Steel Stock issued	-	-
Preferred stock repurchased	(12)	(2)
Dividends paid	(97)	(97)
Net cash provided from (used in) financing activities	1,093	387
Effect of exchange rate changes on cash	1	-
Net increase (decrease) in cash and cash equivalents	197	13
Cash and cash equivalents at beginning of year	22	9
Cash and cash equivalents at end of year	$ 219	$ 22

See Note 9, for supplemental cash flow information.
The accompanying notes are an integral part of these financial statements.

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Notes to Financial Statements

1. Basis of Presentation

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

The financial statements of the U. S. Steel Group include the financial position, results of operations and cash flows for all businesses of USX other than the businesses, assets and liabilities included in the Marathon Group, and a portion of the corporate assets and liabilities and related transactions which are not separately identified with ongoing operating units of USX. The U. S. Steel Group financial statements are prepared using the amounts included in the USX consolidated financial statements. For a description of the U. S. Steel Group's operating segments, see Note 8.

Although the financial statements of the U. S. Steel Group and the Marathon Group separately report the assets, liabilities (including contingent liabilities) and stockholders' equity of USX attributed to each such Group, such attribution of assets, liabilities (including contingent liabilities) and stockholders' equity between the U. S. Steel Group and the Marathon

Group for the purpose of preparing their respective financial statements does not affect legal title to such assets or responsibility for such liabilities. Holders of Steel Stock and Marathon Stock are holders of common stock of USX, and continue to be subject to all the risks associated with an investment in USX and all of its businesses and liabilities. Financial impacts arising from one Group that affect the overall cost of USX's capital could affect the results of operations and financial condition of the other Group. In addition, net losses of either 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 both classes of Common Stock. Accordingly, the USX consolidated financial information should be read in connection with the U. S. Steel Group financial information.

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2. Summary of Principal Accounting Policies

Principles applied in consolidation - These financial statements include the accounts of the U. S. Steel Group. The U. S. Steel Group and the Marathon Group financial statements, taken together, comprise all of the accounts included in the USX consolidated financial statements.

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

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

Income from investees includes the U. S. Steel Group's proportionate share of income from equity method investments. Also, gains or losses from a change in ownership of 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.

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 - The U. S. Steel Group uses commodity-based derivative instruments to manage its exposure to price risk. Management is authorized to use futures, forwards, swaps and options related to the purchase of natural gas, refined products and nonferrous metals used in steel operations. Recorded deferred gains or losses are reflected within other current and noncurrent assets or accounts payable and deferred credits and other liabilities, as appropriate.

Property, plant and equipment - Depreciation is generally computed on the straight-line method based upon estimated useful lives. The U. S. Steel Group's method of calculating depreciation for domestic steel producing assets modifies straight-line depreciation based on the level of production. The modification factors for domestic steel producing assets 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, considered to be the normal long-range level.

Depletion of mineral properties is based on rates which are expected to amortize cost over the estimated tonnage of minerals to be removed.

The U. S. Steel Group evaluates impairment of its long-lived assets on an individual asset basis or by logical groupings of assets. Assets deemed to be impaired are written down to their fair value, including any related goodwill, using discounted future cash flows and, 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 long-lived assets 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 assets 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 - The U. S. Steel Group incurs planned major maintenance costs primarily for blast furnace relines. Such costs are separately capitalized in property, plant and equipment and are amortized over their estimated useful life, which is generally the period until the nest scheduled relines.

Environmental remediation - The U. S. Steel Group provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is 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.

Postemployment benefits - The U. S. Steel Group recognizes an obligation to provide postemployment benefits, primarily for disability-related claims covering indemnity and medical payments to certain employees. 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 - The U. S. Steel Group 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.

3. 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 the U. S. Steel Group, 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. The U. S. Steel Group 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.

The U. S. Steel Group 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 transition adjustment for the U. S. Steel Group is expected to be immaterial. 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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4. Corporate Activities

Financial activities - As a matter of policy, USX manages most financial activities on a centralized, consolidated basis. Such financial activities include the investment of surplus cash; the issuance, repayment and repurchase of short-term and long-term debt; the issuance, repurchase and redemption of preferred stock; and the issuance and repurchase of common stock.

Transactions related primarily to invested cash, short-term and long-term debt (including convertible debt), related net interest and other financial costs, and preferred stock and related dividends are attributed to the U. S. Steel Group and the Marathon Group based upon the cash flows of each group for the periods presented and the initial capital structure of each group. Most financing transactions are attributed to and reflected in the financial statements of the groups. See Note 10, for the U. S. Steel Group's portion of USX's financial activities attributed to the groups. However, transactions such as leases, certain collateralized financings, certain indexed debt instruments, financial activities of consolidated entities which are less than wholly owned by USX and transactions related to securities convertible solely into any one class of common stock are or will be specifically attributed to and reflected in their entirety in the financial statements of the group to which they relate.

Corporate general and administrative costs - Corporate general and administrative costs are allocated to the U. S. Steel Group and the Marathon Group based upon utilization or other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and revenues. The costs allocated to the U. S. Steel Group were $25 million in 2000, $17 million in 1999 and $24 million in 1998, and primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities.

Income taxes - All members of the USX affiliated group are included in the consolidated United States federal income tax return filed by USX. Accordingly, the provision for federal income taxes and the related payments or refunds of tax are determined on a consolidated basis. The consolidated provision and the related tax payments or refunds have been reflected in the U. S. Steel Group and the Marathon Group financial statements in accordance with USX's tax allocation policy. In general, such policy provides that the consolidated tax provision and related tax payments or refunds are allocated between the U. S. Steel Group and the Marathon Group for group financial statement purposes, based principally upon the financial income, taxable income, credits, preferences and other amounts directly related to the respective groups.

For tax provision and settlement purposes, tax benefits resulting from attributes (principally net operating losses and various tax credits), which cannot be utilized by one of the groups on a separate return basis but which can be utilized on a consolidated basis in that year or in a carryback year, are allocated to the group that generated the attributes. To the extent that one of the groups is allocated a consolidated tax attribute which, as a result of expiration or otherwise, is not ultimately utilized on the consolidated tax

return, the prior years' allocation of such attribute is adjusted such that the effect of the expiration is borne by the group that generated the attribute. Also, if a tax attribute cannot be utilized on a consolidated basis in the year generated or in a carryback year, the prior years' allocation of such consolidated tax effects is adjusted in a subsequent year to the extent necessary to allocate the tax benefits to the group that would have realized the tax benefits on a separate return basis. As a result, the allocated group amounts of taxes payable or refundable are not necessarily comparable to those that would have resulted if the groups had filed separate tax returns.

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5. Business Combination

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.

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 the U. S. Steel Group 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, the U. S. Steel Group made certain estimates and assumptions regarding revenue and costs in the preparation of the following unaudited pro forma data.

(In millions) Year Ended December 31	20
Revenues and other income	$ 7
Income before extraordinary loss	
Net income	

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6. 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 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, the U. S. Steel Group 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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7. Other Items

(In millions)
Net interest and other financial costs
Interest and other financial income/(a)/:
Interest income
Other
Total
Interest and other financial costs/(a)/:
Interest incurred
Less interest capitalized
Net interest
Interest on tax issues
Financial costs on trust preferred securities
Financial costs on preferred stock of subsidiary
Amortization of discounts
Expenses on sales of accounts receivable
Adjustment to settlement value of indexed debt

Total

Net interest and other financial costs/(a)/

/(a)/ See Note 4, for discussion of USX net interest and other financial c
Steel Group.

Foreign currency transactions

For 2000, the aggregate foreign currency transaction gain included in determining net income was $7 million. There were no foreign currency transaction gains or losses in 1999 and 1998.

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8. Segment Information

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.

Segment income represents income from operations allocable to both operating segments and does not include net interest and other financial costs and provisions for income taxes. Additionally, the following items are not allocated to operating segments:

- Net pension credits associated with pension plan assets and liabilities
- Certain costs related to former U. S. Steel Group business activities
- 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.
- Certain other items not allocated to operating segments for business performance reporting purposes (see reconcilement schedule on S-10)

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

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The following represents the operations of the U.S. Steel Group:

(In millions) Domestic Steel

2000	
Revenues and other income:	
Customer	$ 5,981
Intergroup/(a)/	17
Equity in losses of unconsolidated investees	(8)
Other	50
Total revenues and other income	$ 6,040
Segment income	$ 23
Significant noncash items included in segment income -	
Depreciation, depletion and amortization/(b)/	285
Capital expenditures	239
1999	
Revenues and other income:	
Customer	$ 5,519
Intergroup/(a)/	17
Equity in losses of unconsolidated investees	(43)
Other	46
Total revenues and other income	$ 5,539
Segment income	$ 91
Significant noncash items included in segment income -	
Depreciation, depletion and amortization	304
Capital expenditures/(c)/	286
1998	
Revenues and other income:	
Customer	$ 6,374
Intergroup/(a)/	2
Equity in earnings of unconsolidated investees	46
Other	55
Total revenues and other income	$ 6,477
Segment income	$ 517
Significant noncash items included in segment income -	
Depreciation, depletion and amortization	283
Capital expenditures/(c)/	305

/(a)/ Intergroup revenues and transfers were conducted under terms compa
parties.
/(b)/ Difference between segment total and group total represents amount
/(c)/ Differences between segment total and group total represent
administrative activities.

The following schedules reconcile segment amounts to amounts repo
financial statements:

(In millions)	2000
Revenues and Other Income:	
Revenues and other income of reportable segments	$ 6,132
Items not allocated to segments:	
Impairment and other costs related to an investment in an equity investee	-
Loss on investment in RTI stock used to satisfy indexed debt obligations	-

Total Group revenues and other income	$ 6,132
Income:	
Income for reportable segments	$ 25
Items not allocated to segments:	
Impairment of coal assets	(71)
Impairment and other costs related to an investment in an equity investee	-
Loss on investment in RTI stock used to satisfy indexed debt obligations	-
Administrative expenses	(25)
Net pension credits	266
Costs related to former businesses activities	(91)
Total Group income from operations	$ 104

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Revenues by Product:

(In millions)	2000
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.

Geographic Area:

The information below summarizes the operations in different geographic areas.

		Revenues and Other I	
(In millions)	Year	Within Geographic Areas	Between Geographic Areas
United States	2000	$ 6,027	$ -
	1999	5,452	-
	1998	6,460	-
Slovak Republic	2000	95	-
	1999	3	-
	1998	6	-
Other Foreign Countries	2000	10	-
	1999	15	-

	1998	11	-
Total	2000	$ 6,132	$ -
	1999	5,470	-
	1998	6,477	-

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

9. Supplemental Cash Flow Information

(In millions)	20
Cash provided from (used in) operating activities included:	
Interest and other financial costs paid (net of amount capitalized)	$
Income taxes refunded (paid), including settlements with the Marathon Group	
USX debt attributed to all groups - net:	
Commercial paper:	
Issued	$
Repayments	(
Credit agreements:	
Borrowings	
Repayments	
Other credit arrangements - net	
Other debt:	
Borrowings	
Repayments	
Total	$
U. S. Steel Group activity	$
Marathon Group activity	(
Total	$
Noncash investing and financing activities:	
Steel Stock issued for dividend reinvestment and employee stock plans	$
Disposal of assets:	
Deposit of RTI common shares in satisfaction of indexed debt	
Interest in USS/Kobe contributed to Republic	
Other disposals of assets - notes or common stock received	
Business combinations:	
Acquisition of USSK:	
Liabilities assumed	
Contingent consideration payable at present value	
Investee liabilities consolidated in step acquisition	
Other acquisitions:	
Liabilities assumed	
Investee liabilities consolidated in step acquisition	

10. Financial Activities Attributed to Groups

The following is the portion of USX financial activities attributed to th
exclude amounts specifically attributed to the U. S. Steel Group.

(In millions) December 31	U. S. Stee 2000
Cash and cash equivalents	$ 171
Other noncurrent assets	3
Total assets	$ 174
Notes payable	$ 70
Accrued interest	45
Long-term debt due within one year (Note 11)	130
Long-term debt (Note 11)	1,804
Preferred stock of subsidiary	66
Total liabilities	$ 2,115

(In millions)	U. S. Steel 2000	19
Net interest and other financial costs (Note 7)	$ 59	$

/(a)/ For details of USX long-term debt and preferred stock of subsidiary, see Notes 14 and 22, respectively, to the USX consolidated financial statements.

/(b)/ The U. S. Steel Group's net interest and other financial costs reflect weighted average effects of all financial activities attributed to all groups.

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11. Long-Term Debt

The U. S. Steel Group's portion of USX's consolidated long-term debt is a

(In millions) December 31	U. S. Stee 2000
Specifically attributed debt/(b)/:	
Receivables facility	$ 350
Sale-leaseback financing and capital leases	88
Other	3
Total	441
Less amount due within one year	9
Total specifically attributed long-term debt	$ 432

Debt attributed to groups/(c)/	$ 1,946
Less unamortized discount	12
Less amount due within one year	130
Total long-term debt attributed to groups	$ 1,804
Total long-term debt due within one year	$ 139
Total long-term debt due after one year	2,236

/(a)/ See Note 14, to the USX consolidated financial statements for details of interest rates, maturities and other terms of long-term debt.
/(b)/ As described in Note 4, certain financial activities are specifically attributed only to the U. S. Steel Group and the Marathon Group.
/(c)/ Most long-term debt activities of USX Corporation and its wholly owned subsidiaries are attributed to all groups (in total, but not with respect to specific debt issues) based on their respective cash flows (Notes 4, 9 and 10).

12. Pensions and Other Postretirement Benefits

The U. S. Steel Group has noncontributory defined benefit pension plans covering substantially all U.S. employees. Benefits under these plans are 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 are also provided to most U.S. salaried employees based upon a percent of total career pensionable earnings. Certain of these plans provide benefits to USX corporate employees, and the related costs or credits for such employees are allocated to all groups (Note 4). The U. S. Steel Group also participates in multiemployer plans, most of which are defined benefit plans associated with coal operations.

The U. S. Steel Group 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 nonunion retiree beneficiaries primarily based on employees' annual base salary at retirement. These plans provide benefits to USX corporate employees, and the related costs for such employees are allocated to all groups (Note 4). For U.S. union 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	199
Change in benefit obligations		
Benefit obligations at January 1	$ 6,716	$ 7,
Service cost	76	
Interest cost	505	
Plan amendments	-	
Actuarial (gains) losses	430	(
Plan merger and acquisition	-	
Settlements, curtailments and termination benefits	-	(
Benefits paid	(806)	(
Benefit obligations at December 31	$ 6,921	$ 6,
Change in plan assets		
Fair value of plan assets at January 1	$ 9,995	$10,
Actual return on plan assets	139	
Acquisition	(1)	
Employer contributions	-	
Trustee distributions/(c)/	(16)	
Settlements paid	-	(
Benefits paid from plan assets	(805)	(
Fair value of plan assets at December 31	$ 9,312	$ 9,
Funded status of plans at December 31	$ 2,391 /(d)/	$ 3,
Unrecognized net gain from transition	(2)	
Unrecognized prior service cost	719	
Unrecognized actuarial gains	(462)	(1,
Additional minimum liability	(19)	
Prepaid (accrued) benefit cost	$ 2,627	$ 2,

/(a)/ Results primarily from a five-year labor contract with the United S
August 1999.

/(b)/ Includes contributions of $530 million to a Voluntary Employee Bene
$30 million in contractual requirements and an elective contributio
$30 million elective contribution to the non-union retiree life ins

/(c)/ Represents transfers of excess pension assets to fund retiree healt
Section 420 of the Internal Revenue Code.

/(d)/ Includes a plan that has accumulated benefit obligations in excess of plan assets:

	2000	
Aggregate accumulated benefit obligations	$ (40)	$
Aggregate projected benefit obligations	(49)	
Aggregate plan assets	-	

(In millions)	Pension Benefits 2000	1999	1998
Components of net periodic			

benefit cost (credit)			
Service cost	$ 76	$ 87	$ 71
Interest cost	505	473	487
Expected return on plan assets	(841)	(781)	(769)
Amortization -net transition gain	(67)	(67)	(69)
-prior service costs	98	83	72
-actuarial (gains) losses	(44)	6	6
Multiemployer and other plans	-	-	1
Settlement and termination (gains) losses	-	(35)/(b)/	10 /(b)/
Net periodic benefit cost (credit)	$ (273)	$ (234)	$ (191)

/(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 the 1998 voluntary early retirement program.

	Pension Benefi	
	2000	19
Weighted average actuarial assumptions at December 31:		
Discount rate	7.5%	8
Expected annual return on plan assets	8.9%	8
Increase in compensation rate	4.0%	4

For measurement purposes, a 7.5% 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% for 2006 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-P Poin
Effect on total of service and interest cost components	$
Effect on other postretirement benefit obligations	

13. Intergroup Transactions

Revenues and purchases - U. S. Steel Group revenues for sales to the Marathon Group totaled $17 million in both 2000 and 1999 and $2 million in 1998. U. S. Steel Group purchases from the Marathon Group totaled $60 million,

$41 million and $21 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, U. S. Steel Group receivables included $2 million related to transactions with the Marathon Group. At December 31, 2000 and 1999, U. S. Steel Group accounts payable included $1 million and $5 million, respectively, related to transactions with the Marathon Group. These transactions were conducted under terms comparable to those with unrelated parties.

Income taxes receivable from/payable to the Marathon Group - At December 31, 2000 and 1999, amounts receivable or payable for income taxes were included in the balance sheet as follows:

(In millions)	December 31
Current:	
Income tax receivable	
Accounts payable	
Noncurrent:	
Investments and long-term receivables	

These amounts have been determined in accordance with the tax allocation policy described in Note 4. Amounts classified as current are settled in cash in the year succeeding that in which such amounts are accrued. Noncurrent amounts represent estimates of intergroup tax effects of certain issues for years that are still under various stages of audit and administrative review. Such tax effects are not settled between the groups until the audit of those respective tax years is closed. The amounts ultimately settled for open tax years will be different than recorded noncurrent amounts based on the final resolution of all of the audit issues for those years.

14. Inventories

(In millions)	December 31
Raw materials	
Semi-finished products	
Finished products	
Supplies and sundry items	
Total	

At December 31, 2000 and 1999, respectively, the LIFO method accounted for 91% and 93% of total inventory value. Current acquisition costs were estimated to exceed the above inventory values at December 31 by approximately $380 million and $370 million in 2000 and 1999, respectively. Cost of revenues was reduced and income from operations was increased by $3 million in 2000 as a result of liquidations of LIFO inventories.

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15. Income Taxes

Income tax provisions and related assets and liabilities attributed to the U. S. Steel Group are determined in accordance with the USX group tax allocation policy (Note 4).

Provisions (credits) for income taxes were:

(In millions)	2000			1999		
	Current	Deferred	Total	Current	Deferred	To
Federal	$ (357)	$ 340	$ (17)	$ (84)	$ 99	$
State and local	(12)	49	37	1	8	
Foreign	-	-	-	1	-	
Total	$ (369)	$ 389	$ 20	$ (82)	$ 107	$

A reconciliation of federal statutory tax rate (35%) to total provisions follows:

(In millions)	
Statutory rate applied to income before income taxes	$
Excess percentage depletion	
Effects of foreign operations, including foreign tax credits	
State and local income taxes after federal income tax effects	
Credits other than foreign tax credits	
Adjustments of prior years' federal income taxes	
Other	
Total provisions	$

Deferred tax assets and liabilities resulted from the following:

(In millions)	December 31
Deferred tax assets:	
Minimum tax credit carryforwards	

State tax loss carryforwards (expiring in 2001 through 2020)
Employee benefits
Receivables, payables and debt
Expected federal benefit for deducting state deferred income taxes
Contingency and other accruals
Other
Valuation allowances - state

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 the U. S. Steel Group's deferred tax assets.

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 in 2000 included $8 million attributable to foreign sources.

Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 2000, amounted to $18 million. No provision for deferred U.S. income taxes has been made for these subsidiaries because the U. S. Steel Group intends to permanently reinvest such earnings in those foreign operations. If such earnings were not permanently reinvested, a deferred tax liability of $6 million would have been required.

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16. Investments and Long-Term Receivables

(In millions)	December 31
Equity method investments	
Other investments	
Receivables due after one year	
Income taxes receivable	
Deposits of restricted cash	
Other	

Total

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

(In millions)	
Income data - year:	
Revenues and other income	$
Operating income (loss)	
Net income (loss)	
Balance sheet data - December 31:	
Current assets	$
Noncurrent assets	
Current liabilities	
Noncurrent liabilities	

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, the U. S. Steel Group 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 income (loss) from investees 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 $10 million in 2000, $2 million in 1999 and $19 million in 1998.

U. S. Steel Group purchases of transportation services and semi-finished steel from equity investees totaled $566 million, $361 million and $331 million in

2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, U. S. Steel Group payables to these investees totaled $66 million and $60 million, respectively. U. S. Steel Group revenues for steel and raw material sales to equity investees totaled $958 million, $831 million and $725 million in 2000, 1999 and 1998, respectively. At December 31, 2000 and 1999, U. S. Steel Group receivables from these investees were $177 million. Generally, these transactions were conducted under long-term, market-based contractual arrangements.

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17. 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	$

The U. S. Steel Group 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.

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18. Trust Preferred Securities

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 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.

19. Stockholders' Equity

(In millions, except per share data)	
Preferred stock:	
Balance at beginning of year	$
Repurchased	
Balance at end of year	$
Common stockholders' equity:	
Balance at beginning of year	$
Net income (loss)	
Repurchase of 6.50% preferred stock	
Steel Stock issued	
Dividends on preferred stock	
Dividends on Steel Stock (per share $1.00)	
Deferred compensation	
Accumulated other comprehensive income (loss)/(a)/:	
Foreign currency translation adjustments	
Minimum pension liability adjustments (Note 12)	
Balance at end of year	$
Total stockholders' equity	$

/(a)/ See page U-7 of the USX consolidated financial statements relative to the annual activity of these adjustments. Total comprehensive income (loss) for the U. S. Steel Group for the years 2000, 1999 and 1998 was $(31) million, $59 million and $357 million, respectively.

20. Dividends

In accordance with the USX Restated Certificate of Incorporation, dividends on the Steel Stock and Marathon Stock are limited to the legally available funds of USX. Net losses of either 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 both classes of Common Stock. Subject to this limitation, the

Board of Directors intends to declare and pay dividends on the Steel Stock based on the financial condition and results of operations of the U. S. Steel Group, although it has no obligation under Delaware law to do so. In making its dividend decisions with respect to Steel Stock, the Board of Directors considers, among other things, the long-term earnings and cash flow capabilities of the U. S. Steel Group as well as the dividend policies of similar publicly traded steel 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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21. Income Per Common Share

The method of calculating net income (loss) per share for the Steel Stock and the Marathon Stock reflects the USX Board of Directors' intent that the separately reported earnings and surplus of the U. S. Steel Group and the Marathon Group, as determined consistent with the USX Restated Certificate of Incorporation, are available for payment of dividends to the respective classes of stock, although legally available funds and liquidation preferences of these classes of stock do not necessarily correspond with these amounts.

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.

	2000		199
	Basic	Diluted	Basic
Computation of Income Per Share			
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

22. Stock-Based Compensation Plans and Stockholder Rights Plan

USX Stock-Based Compensation Plans and Stockholder Rights Plan are discussed in Note 17, and Note 19, respectively, to the USX consolidated financial statements.

The U. S. Steel Group's actual stock-based compensation expense was $1 million in 2000 and 1999, and none in 1998. Incremental compensation expense, as determined under a fair value model, was not material ($.02 or less per share for all years presented). Therefore, pro forma net income and earnings per share data have been omitted.

23. Property, Plant and Equipment

(In millions)	December 31
Land and depletable property	
Buildings	
Machinery and equipment	
Leased assets	
Total	
Less accumulated depreciation, depletion and amortization	
Net	

Amounts in accumulated depreciation, depletion and amortization for assets acquired under capital leases (including sale-leasebacks accounted for as financings) were $79 million and $81 million at December 31, 2000 and 1999, 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. The charge is included in depreciation, depletion and amortization.

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24. Derivative Instruments

The U. S. Steel Group 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. The U. S. Steel Group 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:

(In millions)	Fair Value Assets (Liabilities)/(a)/	(L
December 31, 2000:		
OTC commodity swaps - other than trading/(c)/	$ -	
December 31, 1999:		
OTC commodity swaps - other than trading	$ 3	

/(a)/ The fair value amounts are based on exchange-traded index prices and dealer quotes.

/(b)/ Contract or notional amounts do not quantify risk exposure, but are used in the calculation of cash settlements under the contracts.

/(c)/ The OTC swap arrangements vary in duration with certain contracts extending into 2001.

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25. Fair Value of Financial Instruments

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. As described in Note 4, the U. S. Steel Group's specifically attributed financial instruments and the U. S. Steel Group's portion of USX's financial instruments attributed to all groups are as follows:

(In millions) December 31	200 Fair Value
Financial assets:	
Cash and cash equivalents	$ 219
Receivables (including intergroup receivables)	1,341
Investments and long-term receivables	137
Total financial assets	$ 1,697
Financial liabilities:	
Notes payable	$ 70
Accounts payable	760
Accrued interest	47
Long-term debt (including amounts due within one year)	2,375
Preferred stock of subsidiary and trust preferred securities	182
Total financial liabilities	$ 3,434

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. The U. S. Steel Group 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.

Financial guarantees are the U. S. Steel Group's only unrecognized financial instrument. It is not practicable to estimate the fair value of this form of financial instrument obligation because there are no quoted market prices for transactions which are similar in nature. For details relating to financial guarantees, see Note 26.

26. Contingencies and Commitments

USX is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments relating to the U. S. Steel Group 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 U. S. Steel Group 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 to the U. S. Steel Group.

Environmental matters -

The U. S. Steel Group 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. Accrued liabilities for remediation totaled $137 million and $101 million at December 31, 2000 and 1999, 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.

For a number of years, the U. S. Steel Group 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 $18 million and $32 million, respectively. The U. S. Steel Group 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.

Guarantees -

Guarantees by USX of the liabilities of unconsolidated entities of the U. S. Steel Group totaled $82 million at December 31, 2000, and $88 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 the investees to reduce potential U. S. Steel Group losses resulting from these guarantees. As of December 31, 2000, the largest guarantee for a single such entity was $59 million.

Commitments -

At December 31, 2000 and 1999, the U. S. Steel Group's contract commitments to acquire property, plant and equipment totaled $206 million and $83 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 the U. S. Steel Group 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.

Selected Quarterly Financial Data (Unaudited)

(In millions, except per share data)	2000					
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Q
Revenues and other income:						
Revenues/(a)/	$ 1,417	$1,462	$1,629	$1,582	$1,492	$1,4
Other income (loss)	(4)	13	27	6	8	(
Total	1,413	1,475	1,656	1,588	1,500	1,3
Income (loss) from operations	(159)	60	112	91	75	(
Income (loss) before extraordinary losses	(139)	19	56	43	34	(
Net income (loss)	(139)	19	56	43	34	(
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	

/(a)/ Certain items have been reclassified between revenues and cost of revenues, primarily to give effect to new accounting standards as disclosed in Note 3 of the Notes to Financial Statements. Amounts reclassified in the first, second and third quarters of 2000 were $41 million, $45 million and $45 million, respectively, and for the first, second, third and fourth quarters of 1999 were $39 million, $41 million, $38 million and $38 million, respectively.

/(b)/ Composite tape.

Principal Unconsolidated Investees (Unaudited)

December 31, 2000

Company	Country	Ownership
Clairton 1314B Partnership, L.P.	United States	10%
Double Eagle Steel Coating Company	United States	50%
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%

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

See the USX consolidated financial statements for Supplementary Information on Mineral Reserves Other Than Oil and Gas relating to the U. S. Steel Group, pages U-31 through U-33.

Five-Year Operating Summary

(Thousands of net tons, unless otherwise noted)	2000	1999
Raw Steel Production		
Gary, IN	6,610	7,102
Mon Valley, PA	2,683	2,821
Fairfield, AL	2,069	2,109
Kosice, Slovak Republic	382	-
Total	11,744	12,032
Raw Steel Capability		
Domestic Steel	12,800	12,800
U. S. Steel Kosice/(a)/	467	-
Total	13,267	12,800
Total production as % of total capability	88.5	94.0
Hot Metal Production		
Domestic Steel	9,904	10,344
U. S. Steel Kosice	340	-
Total	10,244	10,344
Coke Production		
Domestic Steel/(b)/	5,003	4,619
U. S. Steel Kosice	188	-
Total	5,191	4,619
Iron Ore Pellets - Minntac, MN		
Shipments	15,020	15,025

Coal Shipments	6,779	6,924
Steel Shipments by Product - Domestic Steel		
Sheet and semi-finished steel products	7,409	8,114
Tubular, plate and tin mill products	3,347	2,515
Total	10,756	10,629
Total as % of domestic steel industry	9.8	10.0
Steel Shipments by Product - U. S. Steel Kosice		
Sheet and semi-finished steel products	207	-
Tubular, plate and tin mill products	110	-
Total	317	-
Steel Shipments by Market - Domestic Steel		
Steel service centers	2,315	2,456
Transportation	1,466	1,505
Further conversion:		
Joint ventures	1,771	1,818
Trade customers	1,174	1,633
Containers	702	738
Construction	936	844
Oil, gas and petrochemicals	973	363
Export	544	321
All other	875	951
Total	10,756	10,629
Average Steel Price Per Ton		
Domestic Steel	$450	$420
U. S. Steel Kosice	269	-

/(a)/ Represents the operations of U. S. Steel Kosice s.r.o., following the acquisition of the steelmaking operations and related assets of VSZ a.s. on November 24, 2000.

/(b)/ The reduction in coke production after 1996 reflected U. S. Steel's entry into a strategic partnership with two limited partners on June 1, 1997, to acquire an interest in three coke batteries at its Clairton (Pa.) Works.

Five-Year Financial Summary

(Dollars in millions, except as noted)	2000	1999	1
Revenues and Other Income			
Revenues by product:			
Sheet and semi-finished steel products	$ 3,288	$ 3,433	$
Tubular, plate and tin mill products	1,731	1,140	
Raw materials (coal, coke and iron ore)	626	549	
Other/(a)/	445	414	

Income (loss) from investees	(8)	(89)	
Net gains on disposal of assets	46	21	
Other income (loss)	4	2	
Total revenues and other income/(b)/	$ 6,132	$ 5,470	$
Income From Operations			
Segment income:			
Domestic Steel/(b)/	$ 23	$ 91	$
U. S. Steel Kosice	2	-	
Items not allocated to segments:			
Net pension credits/(b)/	266	228	
Costs of former businesses	(91)	(83)	
Administrative expenses	(25)	(17)	
Other/(c)/	(71)	(69)	
Total income from operations	104	150	
Net interest and other financial costs	105	74	
Provision for income taxes	20	25	
Income (Loss) Before			
Extraordinary Losses	$ (21)	$ 51	$
Per common share - basic (in dollars)	(.33)	.48	
- diluted (in dollars)	(.33)	.48	
Net Income (Loss)	$ (21)	$ 44	$
Per common share - basic (in dollars)	(.33)	.40	
- diluted (in dollars)	(.33)	.40	
Balance Sheet Position at year-end			
Current assets	$ 2,717	$ 1,981	$
Net property, plant and equipment	2,739	2,516	
Total assets	8,711	7,525	
Short-term debt	209	13	
Other current liabilities	1,182	1,271	
Long-term debt	2,236	902	
Employee benefits	1,767	2,245	
Trust preferred securities and preferred stock of subsidiary	249	249	
Common stockholders' equity	1,917	2,053	
Per share (in dollars)	21.58	23.23	
Cash Flow Data			
Net cash from operating activities	$ (627)	(80)	$
Capital expenditures	244	287	
Disposal of assets	21	10	
Dividends paid	97	97	
Employee Data			
Total employment costs	$ 1,197/(d)/	1,148	$
Average domestic employment cost (dollars per hour)	28.70	28.35	
Average number of domestic employees	19,353	19,266	2
Number of U. S. Steel Kosice s.r.o. employees at year-end	16,244	-	
Number of pensioners at year-end	94,339	97,102/(e)/	9
Stockholder Data at year-end			
Number of common shares outstanding (in millions)	88.8	88.4	
Registered shareholders (in thousands)	50.3	55.6	
Market price of common stock	$ 18.000	$33.000	$2

/(a)/ Includes revenue from the sale of steel production by-products, engineering and consulting services, real estate development and resource management.
/(b)/ 1996-1999 reclassified to conform to 2000 classifications.
/(c)/ Includes impairment of coal assets in 2000, losses related to investments in equity investees in 1999 and gain on investee stock offering in 1996.
/(d)/ Includes U. S. Steel Kosice s.r.o. from date of acquisition.
/(e)/ Includes approximately 8,000 surviving spouse beneficiaries added to the U. S. Steel pension plan in 1999.

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Management's Discussion and Analysis

The U. S. Steel Group, through its Domestic Steel segment, is engaged in the production and sale of steel mill products, coke, and taconite pellets; the management of mineral resources; coal mining; real estate development; and engineering and consulting services and, through its U. S. Steel Kosice ("USSK") segment, primarily located in the Slovak Republic, in the production and sale of steel mill products and coke for the central European market. Certain business activities are conducted through joint ventures and partially owned companies, such as USS-POSCO Industries ("USS-POSCO"), PRO-TEC Coating Company ("PRO-TEC"), Transtar, Inc. ("Transtar"), Clairton 1314B Partnership, Republic Technologies International, LLC ("Republic") and Rannila Kosice s.r.o. Management's Discussion and Analysis should be read in conjunction with the U. S. Steel Group's Financial Statements and Notes to Financial Statements.

Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of the U. S. Steel Group. These statements typically contain words such as "anticipates," "believes," "estimates," "expects" or similar words indicating that future outcomes are not known with certainty and subject to risk factors that could cause these outcomes to differ significantly from those projected. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For additional risk factors affecting the businesses of the U. S. Steel Group, see Supplementary Data - Disclosures About Forward-Looking Information in USX Form 10-K.

Management's Discussion and Analysis of Income

Revenues and Other Income for each of the last three

years are summarized in the following table:

(Dollars in millions)	
Revenues by product:	
Sheet and semi-finished steel products	$
Tubular, plate, and tin mill products	
Raw materials (coal, coke and iron ore)	
Other/(a)/	
Income (loss) from investees	
Net gains on disposal of assets	
Other income (loss)	
Total revenues and other income	$

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

Total revenues and other income increased by $662 million in 2000 from 1999 primarily due to the consolidation of Lorain Tubular Company, LLC, ("Lorain Tubular") effective January 1, 2000, higher average realized prices, particularly tubular product prices, and lower losses from investees, which, in 1999, included a $47 million charge for the impairment of U. S. Steel's previous investment in USS/Kobe Steel Company and costs related to the formation of Republic. Total revenues and other income in 1999 decreased by $1,007 million from 1998 primarily due to lower average realized prices and lower income from investees.

Management's Discussion and Analysis continued

Income from operations for the U. S. Steel Group for the last three years was:

(Dollars in millions)	
Segment income for Domestic Steel/(a)/	$
Segment income for U. S. Steel Kosice/(b)/	
Income for reportable segments	$
Items not allocated to segments:	
Net pension credits	
Administrative expenses	
Costs related to former business activities/(c)/	
Asset impairments - Coal	
Impairment of USX's investment in USS/Kobe and costs related to formation of Republic	

Loss on investment in RTI stock used to satisfy indexed debt obligations/(d)/	
Total income from operations	$

/(a)/ Includes income from the sale and domestic production of steel mill products, coke and taconite pellets; the management of mineral resources; coal mining; real estate development and management; and engineering and consulting services.
/(b)/ Includes the sale and production of steel products from facilities primarily located in the Slovak Republic commencing November 24, 2000. For further details, see Note 5 to the U. S. Steel Group Financial Statements.
/(c)/ Primarily represents postretirement costs other than pension (OPEB costs) related to all retirees prior to January 1, 1987, and related to former employees and retirees from the businesses sold or closed after January 1, 1987. Also includes certain other expenses (primarily litigation and environmental remediation costs) associated to lines of business in which USX is no longer engaged as a result of sale or closure.
/(d)/ For further details, see Note 6 to the U. S. Steel Group Financial Statements.

Segment income for Domestic Steel

Domestic Steel operations recorded segment income of $23 million in 2000 versus segment income of $91 million in 1999, a decrease of $68 million. The 2000 segment income included $36 million for certain environmental and legal accruals, a $34 million charge to establish reserves against notes and receivables from financially distressed steel companies and a $10 million charge for USX's share of Republic special charges. Results in 1999 included $17 million in charges for certain environmental and legal accruals and $7 million in various non-recurring investee charges. Excluding these items, the decrease in segment income for Domestic Steel was primarily due to higher costs related to energy and inefficient operating levels due to lower throughput, lower income from raw materials operations, particularly coal operations and lower sheet shipments resulting from high levels of imports that continued in 2000.

Segment income for Domestic Steel operations in 1999 decreased $426 million from 1998. Results in 1998 included a net favorable $30 million for an insurance litigation settlement and charges of $10 million related to a voluntary workforce reduction plan. Excluding these items, the decrease in segment income for Domestic Steel was primarily due to lower average steel prices, lower income from raw materials operations, a less favorable product mix and lower income from investees.

Segment income for U. S. Steel Kosice

USSK segment income for the period following the November 24, 2000 acquisition through year-end 2000 was $2 million.

Items not allocated to segments

Net pension credits, which are primarily noncash, totaled $266 million in 2000, $228 million in 1999 and $186 million in 1998. Net pension credits in 1999 included $35 million for a one-time favorable pension settlement primarily related to the voluntary early retirement program for salaried employees. For additional information on pensions, see Note 12 to the U. S. Steel Group Financial Statements.

Asset impairments - Coal, were for asset impairments at U. S. Steel Mining's coal mines in Alabama and West Virginia in 2000 following a reassessment of long-term prospects after adverse geological conditions were encountered.

Administrative expenses are corporate general and administrative costs allocated to the U. S. Steel Group by USX based upon utilization or other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and revenues. The costs allocated to the U. S. Steel Group were $25 million in 2000, $17 million in 1999 and $24 million in 1998, which primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities. The increase from 1999 to 2000 primarily resulted from the nonrecurrence of favorable 1999 franchise tax settlements and employee compensation costs. The decrease from 1998 to 1999 was largely the result of lower franchise taxes, primarily due to settlements of prior years' taxes.

Cost related to former business activities increased $8 million in 2000 from 1999 primarily due to higher litigation expenses. Costs related to former business activities decreased $17 million in 1999 from 1998 primarily due to lower litigation expenses and lower payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992.

In 1999, an impairment of USX's investment in USS/Kobe and costs related to the formation of Republic totaled $47 million.

Income from operations in 1999 also included a loss on investment in RTI stock used to satisfy indexed debt obligations of $22 million from the termination of ownership in RTI International Metals, Inc. For further discussion, see Note 6 to the U. S. Steel Group

Financial Statements.

Net interest and other financial costs for each of the last three years are summarized in the following table:

(Dollars in millions)	2
Net interest and other financial costs	$
Less:	
Favorable adjustment to carrying value of Indexed Debt/(a)/	
Net interest and other financial costs adjusted to exclude above item	$

/(a)/ In December 1996, USX issued $117 million of 6-3/4% Exchangeable Notes Due February 1, 2000 ("Indexed Debt") indexed to the price of RTI common stock. The carrying value of Indexed Debt was adjusted quarterly to settlement value, based on changes in the value of RTI common stock. Any resulting adjustment was credited to income and included in interest and other financial costs. For further discussion of Indexed Debt, see Note 6 to the U. S. Steel Group Financial Statements.

Adjusted net interest and other financial costs increased $18 million in 2000 as compared with 1999, primarily due to higher average debt levels. Adjusted net interest and other financial costs were $87 million in 1999 as compared with $86 million in 1998.

The provision for income taxes in 2000 decreased compared to 1999 primarily due to a decline in income from operations, offset by higher state income taxes as certain previously recorded state tax benefits will not be utilized. The provision for income taxes in 1999 decreased compared to 1998 due to a decline in income from operations. For further discussion on income taxes, see Note 15 to the U. S. Steel Group Financial Statements.

The extraordinary loss on extinguishment of debt of $7 million, net of income tax benefit, in 1999 included a $5 million loss resulting from the satisfaction of the indexed debt and a $2 million loss for U. S. Steel's share of Republic's extraordinary loss related to the early extinguishment of debt. For additional information, see Note 6 to the U. S. Steel Group Financial Statements.

The U. S. Steel Group recorded a 2000 net loss of $21 million, compared with net income of $44 million in 1999 and $364 million in 1998. Net income decreased $65 million in 2000 from 1999, and decreased $320 million in 1999 from 1998. The decreases in net income primarily reflect the factors discussed above.

Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity

Current assets at year-end 2000 increased $736 million from year-end 1999 primarily due to an increase in cash and cash equivalents, a larger inter-group income tax receivable, and increased trade receivables and inventories resulting from the acquisition of USSK.

Net property, plant and equipment at year-end 2000 increased $223 million from year-end 1999 primarily due to the acquisition of USSK.

Current liabilities in 2000 increased $107 million from 1999 primarily due to increased notes payable and increased debt due within one year, partially offset by a decrease in payroll and benefits payable.

Total long-term debt and notes payable at December 31, 2000 of $2,445 million was $1,530 million higher than year-end 1999. USX debt attributed to the U. S. Steel Group increased partially due to a $500 million elective contribution to a Voluntary Employee Benefit Association ("VEBA"), a trust established by contract in 1994 covering United Steelworkers of America retirees' health care and life insurance benefits, and the acquisition of USSK. Excluding the impact of these items, the increase in debt was primarily due to lower cash flow provided from operating activities partially offset by reduced capital expenditures. For further discussion of the VEBA contribution, see Note 12 to the U. S. Steel Group Financial Statements. Most of the debt is a direct obligation of, or is guaranteed by, USX.

Employee benefits at December 31, 2000 decreased $478 million primarily due to the $500 million elective contribution to a VEBA.

Net cash used in operating activities in 2000 was $627 million and reflected the $500 million elective contribution to a VEBA and a $30 million elective contribution to a non-union retiree life insurance trust, partially offset by an income tax settlement with the Marathon Group in accordance with the group tax allocation policy. Net cash used in operating activities was $80 million in 1999 including a net payment of $320 million upon the expiration of the accounts receivable program. Excluding these non-recurring items in both years, net cash provided from operating activities decreased $434 million in 2000 due mainly to decreased profitability and an increase in working capital.

Management's Discussion and Analysis continued

Net cash provided from operating activities was $380 million in 1998 and included proceeds of $38 million for the insurance litigation settlement pertaining to the 1995 Gary Works No. 8 blast furnace explosion and the payment of $30 million for the repurchase of sold accounts receivable, partially offset by an income tax settlement with the Marathon Group in accordance with the group tax allocation policy. Excluding these non-recurring items in both years, net cash provided from operating activities decreased $110 million in 1999 due mainly to decreased profitability.

Capital expenditures of $244 million in 2000 included exercising an early buyout option of a lease for approximately half of the Gary Works No. 2 Slab Caster; the continued replacement of coke battery thruwalls at Gary Works; installation of the remaining two coilers at Gary's hot strip mill; a blast furnace stove replacement at Gary Works; and the continuation of an upgrade to the Mon Valley cold reduction mill. Capital expenditures of $287 million in 1999 included the completion of the new 64" pickle line at Mon Valley Works; the replacement of one coiler at the Gary hot strip mill; an upgrade to the Mon Valley cold reduction mill; replacement of coke battery thruwalls at Gary Works; several projects at Gary Works allowing for production of specialized high strength steels, primarily for the automotive market; and completion of the conversion of the Fairfield pipemill to use rounds instead of square blooms. Capital expenditures of $310 million in 1998 included a reline of the Gary Works No. 6 blast furnace; an upgrade to the galvanizing line at Fairless Works; replacement of coke battery thruwalls at Gary Works; conversion of the Fairfield pipemill to use round instead of square blooms; and additional environmental expenditures primarily at Fairfield Works and Gary Works. Contract commitments for capital expenditures at year-end 2000 were $206 million, compared with $83 million at year-end 1999.

Capital expenditures for 2001 are expected to be approximately $425 million including exercising an early buyout option of a lease for the balance of the Gary Works No. 2 Slab Caster; work on the No. 3 blast furnace at Mon Valley Works; work on the No. 2 stove at the No. 6 blast furnace at Gary Works; the completion of the replacement of coke battery thruwalls at Gary Works; the completion of an upgrade to the Mon Valley cold reduction mill; mobile equipment purchases; systems development project; and projects at USSK, including the completion of the tin mill upgrade.

The preceding statement concerning expected 2001 capital expenditures is a forward-looking statement. This forward-looking statement is based on assumptions, which can be affected by (among other things) levels of cash flow from operations, general economic conditions, whether or not assets are purchased or financed by operating leases, unforeseen hazards such as weather conditions, explosions or fires, which could delay the

timing of completion of particular capital projects. Accordingly, actual results may differ materially from current expectations in the forward-looking statement.

Investments in investees in 2000 of $35 million largely reflected an investment in stock of VSZ in which USX now holds a 25 percent interest. Investments in investees in 1999 of $15 million was an investment in Republic. Investments in investees in 1998 of $73 million mainly reflects funding for entry into a joint venture in the Slovak Republic with VSZ.

The acquisition of U. S. Steel Kosice s.r.o. totaled $10 million in 2000 which reflected a $69 million purchase price net of cash acquired in the transaction of $59 million.

Net cash changes related to financial obligations increased by $1,202 million, $486 million and $9 million in 2000, 1999 and 1998, respectively. Financial obligations consist of the U. S. Steel Group's portion of USX debt and preferred stock of a subsidiary attributed to both groups as well as debt and financing agreements specifically attributed to the U. S. Steel Group. The increase in 2000 primarily reflected the net effects of cash used in operating activities, including a VEBA contribution, cash used in investing activities, dividend payments and preferred stock repurchases. The increase in 1999 primarily reflected the net effects of cash used in operating and investing activities and dividend payments. For a discussion of USX financing activities attributed to both groups, see Management's Discussion and Analysis of USX Consolidated Financial Condition, Cash Flows and Liquidity.

Derivative Instruments

See Quantitative and Qualitative Disclosures About Market Risk for discussion of derivative instruments and associated market risk for U. S. Steel Group.

Liquidity

For discussion of USX's liquidity and capital resources, see Management's Discussion and Analysis of USX Consolidated Financial Condition, Cash Flows and Liquidity.

Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies

The U. S. Steel Group has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. In recent years, these expenditures have been mainly for process changes in order to meet Clean Air Act obligations, although

ongoing compliance costs have also been significant. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of the U. S. Steel Group's products and services, operating results will be adversely affected. The U. S. Steel Group believes that all of its domestic competitors are subject to similar environmental laws and regulations. However, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities, marketing areas, production processes and the specific products and services it provides. To the extent that competitors are not required to undertake equivalent costs in their operations, the competitive position of the U. S. Steel Group could be adversely affected.

In addition, the U. S. Steel Group expects to incur capital expenditures for its USSK operation to meet environmental standards under the Slovak Republic's environmental laws.

The U. S. Steel Group's environmental expenditures for the last three years were/(a)/:

(Dollars in millions)	
Capital	$
Compliance	
Operating & maintenance	
Remediation/(b)/	
Total U. S. Steel Group	$

/(a)/ Based on previously established U. S. Department of Commerce survey guidelines.
/(b)/ These amounts include spending charged against remediation reserves, net of recoveries where permissible, but do not include noncash provisions recorded for environmental remediation.

The U. S. Steel Group's environmental capital expenditures accounted for 7%, 11% and 16% of total capital expenditures in 2000, 1999 and 1998, respectively.

Compliance expenditures represented 4% of the U. S. Steel Group's total costs and expenses in 2000, 1999 and 1998. Remediation spending during 1998 to 2000 was mainly related to remediation activities at former and present operating locations. These projects include remediation of contaminated sediments in a river that

receives discharges from the Gary Works and the closure of permitted hazardous and non-hazardous waste landfills.

The Resource Conservation and Recovery Act ("RCRA") establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks.

The U. S. Steel Group is in the study phase of RCRA corrective action programs at its Fairless Works and its former Geneva Works. A RCRA corrective action program has been initiated at its Gary Works and its Fairfield Works. Until the studies are completed at these facilities, USX is unable to estimate the total cost of remediation activities that will be required.

USX has been notified that it is a potential responsible party ("PRP") at 25 waste sites related to the U. S. Steel Group under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of December 31, 2000. In addition, there are 17 sites related to the U. S. Steel Group where USX has received information requests or other indications that USX may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or make any judgment as to the amount thereof. There are also 29 additional sites related to the U. S. Steel Group where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. At many of these sites, USX is one of a number of parties involved and the total cost of remediation, as well as USX's share thereof, is frequently dependent upon the outcome of investigations and remedial studies. The U. S. Steel Group accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. See Note 26 to the U. S. Steel Group Financial Statements.

In October 1996, USX was notified by the Indiana Department of Environmental Management ("IDEM") acting as lead trustee, that IDEM and the U. S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a pre-assessment screen pursuant to federal regulations and have determined to perform a Natural Resource Damages Assessment. USX was identified as a PRP along with 15 other companies owning property along the river and harbor canal. USX and eight other PRPs have formed a joint defense group. The trustees

notified the public of their plan for assessment and later adopted the plan. In 2000, the trustees concluded their assessment of sediment injuries, which includes a technical review of environmental conditions. The PRP joint defense group is discussing settlement opportunities with the trustees and the U.S. Environmental Protection Agency ("EPA").

In 1997, USS/Kobe Steel Company ("USS/Kobe"), a joint venture between USX and Kobe Steel, Ltd. ("Kobe"), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the

steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC ("Lorain Tubular"), which operated as a joint venture between USX and Kobe until December 31, 1999 when USX purchased all of Kobe's interest in Lorain Tubular. Republic and Lorain Tubular are continuing negotiations with the EPA. Most of the matters raised by the EPA relate to Republic's facilities; however, air discharges from Lorain Tubular's #3 seamless pipe mill have also been cited. Lorain Tubular will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued.

In 1998, USX entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System ("NPDES") permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, USX entered into a consent decree with the public trustees which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, USX paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, USX will pay the public trustees $1 million at the end of the remediation project for future monitoring costs and USX is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. The sediment remediation project is an approved final interim measure under the corrective action program for Gary Works and is expected to cost approximately $36.4 million over the next five years. Estimated remediation and monitoring

costs for this project have been accrued.

In February 1999, the U.S. Department of Justice and EPA issued a letter demanding a cash payment of approximately $4 million to resolve a Finding of Violation issued in 1997 alleging improper sampling of benzene waste streams at Gary Coke. On September 18, 2000, a Consent Decree was entered which required USX to pay a civil penalty of $587,000 and to replace PCB transformers as a Supplemental Environmental Program at a cost of approximately $2.2 million. Payment of the civil penalty was made on October 13, 2000.

The Berks Associates/Douglassville Site ("Berks Site") is situated on a 50-acre parcel located on the Schuylkill River in Berks County, PA. Used oil and solvent reprocessing operations were conducted on the Berks Site between 1941 and 1986. In September 1997, USX signed a consent decree to conduct a feasibility study at the site relating to the alternative remedy. In 1999, a new Record of Decision was approved by the EPA and the U.S. Department of Justice. On January 19, 2001, USX signed a consent decree with the EPA to remediate this site.

In 1987, the California Department of Health Services ("DHS") issued a remedial action order for the GBF/Pittsburg landfill near Pittsburg, California. DHS alleged that from 1972 through 1974, Pittsburg Works arranged for the disposal of approximately 2.6 million gallons of waste oil, sludge, caustic mud and acid, which were eventually taken to this landfill for disposal. In 2000, the parties reached a buyout arrangement with a third party remediation firm, whereby the firm agreed to take title to and remediate the site and also indemnify the PRPs. This commitment was backed by pollution insurance. USX's share to participate in the buyout was approximately $1.1 million. Payment of the USX buyout amount was made December 2000. Title to the site was transferred to the remediation firm on January 31, 2001.

New or expanded environmental requirements, which could increase the U. S. Steel Group's environmental costs, may arise in the future. USX intends to comply with all legal requirements regarding the environment, but since many of them are not fixed or presently determinable (even under existing legislation) and may be affected by future legislation, it is not possible to predict accurately the ultimate cost of compliance, including remediation costs which may be incurred and penalties which may be imposed. However, based on presently available information, and existing laws and regulations as currently implemented, the U. S. Steel Group does not anticipate that environmental compliance expenditures (including operating and maintenance and remediation) will materially increase in 2001. The U. S.

Steel Group's capital expenditures for environmental are expected to be approximately $20 million in 2001 and are expected to be spent on projects primarily at Gary Works and USSK. Predictions beyond 2001 can only be broad-based estimates which have varied, and will continue to vary, due to the ongoing evolution of specific regulatory requirements, the possible imposition of more stringent requirements and the availability of new technologies to remediate sites, among other matters. Based upon currently identified projects, the U. S. Steel Group anticipates that environmental capital expenditures will be approximately $51 million in 2002; however, actual expenditures may vary as the number and scope of environmental projects are revised as a result of improved technology or changes in regulatory requirements and could increase if additional projects are identified or additional requirements are imposed.

USX is the subject of, or a party to, a number of pending or threatened legal actions, contingencies and commitments relating to the U. S. Steel Group involving a variety of matters, including laws and regulations relating to the environment, certain of which are discussed in Note 26 to the U. S. Steel Group Financial Statements. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the U. S. Steel Group 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 to the U. S. Steel Group.

Management's Discussion and Analysis of Operations

Despite a strong start, 2000 turned out to be a difficult year for the domestic steel industry. Steel imports to the United States accounted for an estimated 27%, 26% and 30% of the domestic steel market for 2000, 1999 and 1998, respectively. In 2000, steel imports of pipe increased 37% and imports of hot rolled sheets increased 19%, compared to 1999.

For the U. S. Steel Group in 2000, domestic sheet and semi-finished product shipments decreased 9% compared to 1999. In addition, higher natural gas prices increased production cost by approximately $70 million over 1999. Nevertheless, average realized steel prices were 7.1% higher in 2000 versus 1999 due primarily to a strong tubular market and a better product mix from including Lorain Tubular shipments, effective January 1, 2000. However, sheet prices deteriorated during the second half of the year to fourth quarter levels which were among the lowest in the last 20 years. By year-end, several competitors had filed for Chapter 11 bankruptcy, adding more uncertainty to already weak steel markets.

Total steel shipments were 11.1 million tons in 2000, 10.6 million tons in 1999, and 10.7 million tons in 1998. Domestic Steel shipments comprised approximately 9.8% of the domestic steel market in 2000. Domestic Steel shipments were negatively affected by high import levels in 1998, 1999 and 2000 and by weak

tubular markets in 1999 and 1998. Exports accounted for approximately 5% of Domestic Steel shipments in 2000, 3% in 1999 and 4% in 1998.

Domestic raw steel production was 11.4 million tons in 2000, compared with 12.0 million tons in 1999 and 11.2 million tons in 1998. Domestic raw steel production averaged 89% of capability in 2000, compared with 94% of capability in 1999 and 88% of capability in 1998. In 2000, domestic raw steel production was negatively impacted by a planned reline at Gary Works No. 4 blast furnace in July 2000. Because of market conditions, U. S. Steel Group limited its domestic production by keeping the Gary Works No. 4 blast furnace out of service through year-end 2000. In 1998, domestic raw steel production was negatively affected by a planned reline at Gary Works No. 6 blast furnace, an unplanned blast furnace outage at the Gary Works No. 13 blast furnace, and the idling of certain facilities as a result of the increase in imports. Because of market conditions, U. S. Steel Group curtailed its domestic production by keeping the Gary Works No. 6 blast furnace out of service until February 1999, after a scheduled reline was completed in mid-August 1998. In addition, domestic raw steel production was cut back at Mon Valley Works and Fairfield Works during 1998. U. S. Steel's stated annual domestic raw steel production capability was 12.8 million tons in 2000, 1999 and 1998. USSK's stated annual raw steel production capability for 2000 was 4.5 million net tons. After the acquisition, raw steel production at USSK in 2000 averaged 82% of capability.

On November 13, 2000, U. S. Steel Group joined with eight other producers and the Independent Steelworkers Union to file trade cases against hot-rolled carbon steel flat products from 11 countries (Argentina, India, Indonesia, Kazakhstan, the Netherlands, the People's Republic of China, Romania, South Africa, Taiwan, Thailand and Ukraine). Three days later, the USWA also entered the cases as a petitioner. Antidumping ("AD") cases were filed against all the countries and countervailing duty ("CVD") cases were filed against Argentina, India, Indonesia, South Africa, and Thailand. On December 28, 2000, the U.S. International Trade Commission ("ITC") made a preliminary determination that there is a reasonable indication that the domestic industry is being materially injured by the imports in question. As a result, both the ITC and U.S. Department of Commerce ("Commerce") will continue their investigations in these cases.

U. S. Steel Group believes that the remedies provided by U.S. law to private litigants are insufficient to correct the widespread dumping and subsidy abuses that currently characterize steel imports

into our country. U. S. Steel Group, nevertheless, intends to file additional AD and CVD petitions against unfairly traded imports that adversely impact, or threaten to adversely impact, the results of the U. S. Steel Group and is urging the U.S. government to take additional steps.

On July 3, 2000, Commerce and the ITC initiated mandatory five-year "sunset" reviews of AD orders issued in 1995 against seamless pipe from Argentina, Brazil, Germany and Italy and oil country tubular goods ("OCTG") from Argentina, Italy, Japan, Mexico and South Korea. The reviews also encompass the 1995 CVD orders against the same two products from Italy. The "sunset" review procedures require that an order must be revoked after five years unless Commerce and the ITC determine that, if the orders would be discontinued, dumping or a countervailable subsidy would be likely to continue or recur and material injury to the domestic industry would be likely to continue or recur. Of the 11 orders, 8 are the subject of expedited review at Commerce because there was no response, inadequate response, or waiver of participation by the respondent parties. Therefore, at Commerce, only three of the orders (AD: OCTG from Mexico; and CVD: OCTG and seamless pipe from Italy) are the subject of a full review. The ITC is conducting full reviews of all the cases, despite the fact that responses by some of the respondent countries were inadequate.

The U. S. Steel Group depreciates domestic steel assets by modifying straight-line depreciation based on the level of production. Depreciation charges for 2000, 1999, and 1998 were 94%, 99%, and 93%, respectively, of straight-line depreciation based on production levels for each of the years. See Note 2 to the U. S. Steel Group Financial Statements.

Outlook for 2001

This outlook is as of the original filing date of March 12, 2001. For an updated outlook, see subsequent filings with the U.S. Securities and Exchange Commission.

Domestic Steel's order book and prices remain soft due to continued high import volumes (which in 2000 were second only to record-year 1998 levels), a draw-down of inventories by spot purchasers and increasing evidence that the growth in the domestic economy is slowing. In addition to these factors, our plate products business is being impacted by recently added domestic capacity. Although domestic shipments for the first quarter of 2001 are projected to be somewhat better than fourth quarter 2000 levels, we expect that sheet and plate pricing, which declined markedly in the fourth quarter, will continue to be depressed as a result of the factors

cited above. The tubular business, however, remains strong. For the year 2001, domestic shipments are expected to be approximately 11 million net tons, excluding any shipments from the potential acquisition of LTV Corporation tin operations. For the year 2001, USSK shipments are expected to be approximately 3.3 million to 3.6 million net tons.

High natural gas prices adversely affected our results in 2000 and are expected to persist for some time. The blast furnace idled at Gary Works in July 2000 for a planned 10-day outage remained down until late February 2001 due to business conditions. The U. S. Steel Group has continued its cost reduction efforts, and has recently requested from its current suppliers an immediate, temporary eight percent price reduction from existing levels to help weather this difficult period.

Several domestic competitors recently have filed for Chapter 11 bankruptcy protection. This provides them with certain competitive advantages and further demonstrates the very difficult economic circumstances faced by the domestic industry.

U. S. Steel Group's income from operations includes net pension credits, which are primarily noncash, associated with all of U. S. Steel's pension plans. Net pension credits were $266 million in 2000. At the end of 2000, U. S. Steel's main pension plans' transition asset was fully amortized, decreasing the pension credit by $69 million annually in future years for this component. In addition, for the year 2001, low marketplace returns on trust assets in the year 2000 and pending business combinations in the current year are expected to further reduce net pension credits to approximately $160 million. The above includes forward-looking statements concerning net pension credits which can vary depending upon the market performance of plan assets, changes in actuarial assumptions regarding such factors as the selection of a discount rate and rate of return on plan assets, changes in the amortization levels of transition amounts or prior period service costs, plan amendments affecting benefit payout levels, business combinations and profile changes in the beneficiary populations being valued. Changes in any of these factors could cause net pension credits to change. To the extent net pension credits decline in the future, income from operations would be adversely affected.

The U. S. Steel Group includes a 16 percent equity method investment in Republic (through an ownership interest in Republic Technologies International Holdings, LLC ("Republic Holdings"), which is the sole owner of Republic). In the third quarter of 2000, Republic announced that it had completed a financial restructuring to improve its liquidity position. Republic raised approximately $30 million in loans from certain of its direct and indirect equity partners in exchange for notes of Republic and

Management's Discussion and Analysis continued

warrants to purchase Class D common stock of Republic Technologies International, Inc., Republic's majority owner. The U. S. Steel Group's portion was approximately $6 million and the U. S. Steel Group also agreed to certain deferred payment terms into the year 2002, up to a maximum of $30 million, with regard to Republic's obligations relating to iron ore pellets supplied to Republic. In its Form 10-Q for the period ended September 30, 2000, which was filed with the SEC on October 31, 2000, Republic Holdings stated that "Notwithstanding these efforts, [Republic Holdings] may need to obtain additional financing to meet its cash flow requirements, including financing from the sale of additional debt or equity securities." Republic Holdings also stated "As a result of the factors mentioned above, [Republic Holdings] is highly leveraged and could be considered a risky investment."

At December 31, 2000, the U. S. Steel Group's financial exposure to Republic totaled approximately $131 million, consisting of amounts owed by Republic to the U. S. Steel Group and debt obligations assumed by Republic.

In early October 2000, the U. S. Steel Group announced an agreement with LTV Corporation ("LTV") to purchase LTV's tin mill products business, including its Indiana Harbor, Indiana tin operations. This acquisition recently closed and was effective March 1, 2001. Terms of this noncash transaction call for the U. S. Steel Group to assume certain employee-related obligations of LTV. The U. S. Steel Group intends to operate these facilities as an ongoing business and tin mill employees at Indiana Harbor became U. S. Steel Group employees. The U. S. Steel Group and LTV also entered into 5-year agreements for LTV to supply the U. S. Steel Group with pickled hot bands and for the U. S. Steel Group to provide LTV with processing of cold rolled steel.

In October 2000, Transtar announced it had entered into a Reorganization and Exchange Agreement with its two voting shareholders. Upon closing, Transtar and certain of its subsidiaries, namely, the Birmingham Southern Railroad Company; the Elgin, Joliet and Eastern Railway Company; the Lake Terminal Railroad Company; the McKeesport Connecting Railroad Company; the Mobile River Terminal Company, Inc.; the Union Railroad Company; the Warrior & Gulf Navigation Company; and Tracks Traffic and Management Services, Inc., will become subsidiaries within the U. S. Steel Group. The other shareholder, Transtar Holdings, L.P., an affiliate of Blackstone Capital Partners L.P., will become the owner of the other subsidiaries.

The preceding statements concerning anticipated steel demand, steel pricing, and shipment levels are forward-looking and are based upon assumptions as to future product prices and mix, and levels of steel production capability, production and shipments. These

forward-looking statements can be affected by imports, domestic and international economies, domestic production capacity, the completion of the LTV and Transtar transactions, and customer demand. In the event these assumptions prove to be inaccurate, actual results may differ significantly from those presently anticipated.

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. The U. S. Steel Group 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.

The U. S. Steel Group will adopt the Standard effective January 1, 2001. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle. The transition adjustment for the U. S. Steel Group is expected to be immaterial. 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.

Quantitative and Qualitative Disclosures About Market Risk

Management Opinion Concerning Derivative Instruments

USX uses commodity-based and foreign currency derivative instruments to manage its price risk. Management has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations related to the purchase, production or sale of crude oil, natural gas, refined products, and nonferrous metals. For transactions that qualify for hedge accounting, the resulting gains or losses are deferred and subsequently recognized in income from operations, in the same period as the underlying physical transaction. Derivative instruments used for trading and other activities are marked-to-market and the resulting gains or losses are recognized in the current period in income from operations. While USX's risk management activities generally reduce market risk exposure due to unfavorable commodity price changes for raw material purchases and products sold, such activities can also encompass strategies that assume price risk.

Management believes that use of derivative instruments along with risk assessment procedures and internal controls does not expose the U. S. Steel Group to material risk. The use of derivative instruments could materially affect the U. S. Steel Group's results of operations in particular quarterly or annual periods. However, management believes that use of these instruments will not have a material adverse effect on financial position or liquidity. For a summary of

accounting policies related to derivative instruments, see Note 2 to the U. S. Steel Group Financial Statements.

Commodity Price Risk and Related Risks

In the normal course of its business, the U. S. Steel Group is exposed to market risk or price fluctuations related to the purchase, production or sale of steel products. To a lesser extent, the U. S. Steel Group is exposed to price risk related to the purchase, production or sale of coal and coke and the purchase of natural gas, steel scrap and certain nonferrous metals used as raw materials.

The U. S. Steel Group's market risk strategy has generally been to obtain competitive prices for its products and services and allow operating results to reflect market price movements dictated by supply and demand. However, the U. S. Steel Group uses derivative commodity instruments (primarily over-the-counter commodity swaps) to manage exposure to fluctuations in the purchase price of natural gas, heating oil and certain nonferrous metals. The use of these instruments has not been significant in relation to the U. S. Steel Group's overall business activity.

The U. S. Steel Group recorded net pretax other than trading activity gains of $2 million in 2000, losses of $4 million in 1999 and losses of $6 million in 1998. These gains and losses were offset by changes in the realized prices of the underlying hedged commodities. For additional quantitative information relating to derivative commodity instruments, including aggregate contract values and fair values, where appropriate, see Note 24 to the U. S. Steel Group Financial Statements.

Quantitative and Qualitative Disclosures
About Market Risk continued

Interest Rate Risk

USX is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10% decrease in year-end 2000 and 1999 interest rates on the fair value of the U. S. Steel Group's specifically attributed non-derivative financial instruments and the U. S. Steel Group's portion of USX's non-derivative financial instruments attributed to both groups, is provided in the following table:

(Dollars in millions)

As of December 31,	2000
	In

Non-Derivative Financial Instruments/(a)/	Fair Value/(b)/	In Val
Financial assets:		
Investments and long-term receivables/(d)/	$ 137	$
Financial liabilities:		
Long-term debt/(e)(f)/	$ 2,375	$
Preferred stock of subsidiary/(g)/	63	
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust/(g)/	119	
Total liabilities	$ 2,557	$

/(a)/ Fair values of cash and cash equivalents, receivables, notes payable, accounts payable and accrued interest, approximate carrying value and are relatively insensitive to changes in interest rates due to the short-term maturity of the instruments. Accordingly, these instruments are excluded from the table.
/(b)/ See Note 25 to the U. S. Steel Group Financial Statements for carrying value of instruments.
/(c)/ Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 2000 and December 31, 1999, on the fair value of USX's non-derivative financial instruments. For financial liabilities, this assumes a 10% decrease in the weighted average yield to maturity of USX's long-term debt at December 31, 2000 and December 31, 1999.
/(d)/ For additional information, see Note 16 to the U. S. Steel Group Consolidated Financial Statements.
/(e)/ Includes amounts due within one year.
/(f)/ Fair value was based on market prices where available, or current borrowing rates for financings with similar terms and maturities. For additional information, see Note 11 to the U. S. Steel Group Financial Statements.
/(g)/ See Note 22 to the USX Consolidated Financial Statements.

At December 31, 2000, USX's portfolio of long-term debt was comprised primarily of fixed-rate instruments. Therefore, the fair value of the portfolio is relatively sensitive to effects of interest rate fluctuations. This sensitivity is illustrated by the $80 million increase in the fair value of long-term debt assuming a hypothetical 10% decrease in interest rates. However, USX's sensitivity to interest rate declines and corresponding increases in the fair value of its debt portfolio would unfavorably affect USX's results and cash flows only to the extent that USX elected to repurchase or otherwise retire all or a portion of its fixed-rate debt portfolio at prices above carrying value.

Quantitative and Qualitative Disclosures
About Market Risk continued

Foreign Currency Exchange Rate Risk

USX is subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars, in particular the Euro and Slovak koruna. USX has not generally used derivative instruments to manage this risk. However, USX has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. At December 31, 2000, the U. S. Steel Group had no open forward currency contracts.

Equity Price Risk

USX is subject to equity price risk and liquidity risk related to its investment in VSZ, which is attributed to the U. S. Steel Group. These risks are not readily quantifiable.

Safe Harbor

The U. S. Steel Group's quantitative and qualitative disclosures about market risk include forward-looking statements with respect to management's opinion about risks associated with the U. S. Steel Group's use of derivative instruments. These statements are based on certain assumptions with respect to market prices and industry supply of and demand for steel products and certain raw materials. To the extent that these assumptions prove to be inaccurate, future outcomes with respect to the U. S. Steel Group's hedging programs may differ materially from those discussed in the forward-looking statements.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. Documents Filed as Part of the Report

1. Financial Statements
   Financial Statements filed as part of this report are listed on the Index 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, immediately preceding pages U-1, M-1 and S-1, respectively.

2. Financial Statement Schedules and Supplementary Data
   The financial statement Schedule II - Valuation and Qualifying Accounts is included on page 60. All other schedules are omitted because they are not applicable or the

required information is contained in the applicable financial statements or notes thereto.

Supplementary Data -
Summarized Financial Information of Marathon Oil Company is provided on page 63. Disclosures About Forward-Looking Statements are provided beginning on page 64.

B. Reports on Form 8-K

Form 8-K dated October 19, 2000, reporting under Item 5. Other Events and Regulation FD Disclosure, that the Marathon Group Earnings Release reported that Marathon has signed a definitive agreement with Shell to transfer its 37.5 percent interest in Sakhalin Energy Investment Company Ltd. The increased likelihood of closing this transaction triggered a one-time, noncash deferred tax charge of $235 million in the third quarter.

Form 8-K dated November 22, 2000, reporting under Item 9. Regulation FD Disclosure, the press release titled "U. S. Steel Group Experiencing Coal Production Problems at Two Mines".

Form 8-K dated November 29, 2000, reporting under Item 9. Regulation FD Disclosure, the press releases titled "Surma Named President of Marathon Ashland Petroleum LLC" and "Marathon Announces new Executive Vice President".

Form 8-K dated November 30, 2000, reporting under Item 9. Regulation FD Disclosure, the press release titled "USX to Retain Advisors to Study its Capital Structure".

Form 8-K dated November 30, 2000, reporting under Item 9. Regulation FD Disclosure, the press release titled "Marathon Reviews Progress of Upstream and Downstream Businesses".

Form 8-K dated December 6, 2000, reporting under Item 9. Regulation FD Disclosure, the press release titled "Marathon Sakhalin Limited and Shell Sakhalin Holdings B.V. complete exchange agreement".

Form 8-K dated December 28, 2000, reporting under Item 9. Regulation FD Disclosure, that in December 2000, USX-U. S. Steel Group made a voluntary $500 million contribution to the Voluntary Employee Benefit Association (VEBA), which was established as part of the 1994 agreement with the United Steelworkers of America to pay retiree health care and life insurance benefits for steelworker retirees.

Form 8-K dated December 28, 2000, reporting under Item 9. Regulation FD Disclosure, the press release titled "Marathon and Kinder Morgan agree to form Permian Basin joint venture".

Form 8-K dated January 24, 2001, reporting under Item 9. Regulation FD Disclosure, the USX-Marathon Group and USX-U. S. Steel Group Earnings Releases".

Form 8-K dated February 27, 2001, reporting under Item 5. Other Events, the filing of the audited Financial Statements and

Supplementary Data for the fiscal year ended December 31, 2000, reports of independent accountants.

C. Exhibits

Exhibit No.

2. Plan of Acquisition, Reorganization, Arrangement Liquidation or Succession
   None

3. Articles of Incorporation and By-Laws

(a) USX Restated Certificate of Incorporation dated May 1, 1999.......	Incorporated by reference to Exhibit 3.1 to the USX Report on Form 10-Q for the quarter ended June 30, 1999.
(b) USX By-Laws, effective as of May 1, 1999.................	Incorporated by reference to Exhibit 3.2 to the USX Report on Form 10-Q for the quarter ended June 30, 1999.

4. Instruments Defining the Rights of Security Holders, Including Indentures

(a) Five-Year Credit Agreement dated as of November 30, 2000...........	
(b) Rights Agreement, dated as of September 28, 1999, between USX Corporation and ChaseMellon Shareholder Services, L.L.C., as Rights Agent..................	Incorporated by reference to Exhibit 4 to USX's Form 8-K filed on September 28, 1999.

(c) Pursuant to 17 CFR 229.601(b)(4)(iii), instruments with respect to long-term debt issues have been omitted where the amount of securities authorized under such instruments does not exceed 10% of the total consolidated assets of USX. USX hereby agrees to furnish a copy of any such instrument to the Commission upon its request.

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10. Material Contracts

(a) USX 1990 Stock Plan, As Amended April 28, 1998.........	Incorporated by reference to Annex II to the USX Proxy Statement dated March 9, 1998.
(b) USX Annual Incentive Compensation Plan, As Amended July 25, 2000.....	
(c) USX Senior Executive Officer Annual Incentive Compensation Plan,	

	As Amended April 28, 1998..........	Incorporated by reference to Annex I to the USX Proxy Statement dated March 9, 1998.
(d)	Marathon Oil Company Annual Incentive Compensation Plan, As Amended November 23, 1999..........	Incorporated by reference to Exhibit 10(d) of USX Form 10-K for the year ended December 31, 1999.
(e)	USX Executive Management Supplemental Pension Program, As Amended January 1, 1999.........	Incorporated by reference to Exhibit 10(e) of USX Form 10-K for the year ended December 31, 1999.
(f)	USX Supplemental Thrift Program, As Amended January 1, 1999.........	Incorporated by reference to Exhibit 10(f) of USX Form 10-K for the year ended December 31, 1999.
(g)	Amended and Restated Limited Liability Company Agreement of Marathon Ashland Petroleum LLC, dated as of December 31, 1998......	Incorporated by reference to Exhibit 10(h) of USX Form 10-Q for the quarter ended June 30, 1999.
(h)	Amendment No. 1 dated as of December 31, 1998 to the Put/Call, Registration Rights and Standstill Agreement of Marathon Ashland Petroleum LLC dated as of January 1, 1998...................	Incorporated by reference to Exhibit 10.2 of USX Form 8-K dated January 1, 1998, and Exhibit 10(i) of USX Form 10-Q for the quarter ended June 30, 1999.
(i)	Form of Severance Agreements between the Corporation and Various Officers..................	Incorporated by reference to Exhibit 10 of USX Form 10-Q for the quarter ended September 30, 1999.
(j)	USX Deferred Compensation Plan For Non-Employee Directors Amended as of January 1, 1998......	

(k)	Agreement between Marathon Oil Company and Clarence P. Cazalot, Jr., executed	

February 28, 2000................ Incorporated by reference to Exhibit 10(k) of USX Form 10-K for the year ended December 31, 1999.

(l) USX Non-Officer Restricted Stock Plan, effective January 30, 2001..

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

12.2 Computation of Ratio of Earnings to Fixed Charges

21. List of Significant Subsidiaries

23. Consent of Independent Accountants

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SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999
(Millions of Dollars)

Description	Balance at Beginning of Period	Additions: Charges to Costs and Expenses	Additions: Charges to Other Accounts	Additions: Other Additions	De
Year ended December 31, 2000:					
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts	$ 12	$ 19	$ -	$ 37/(b)/	$
Inventory market valuation reserve	-	-	-	-	
Investments and long-term receivables reserve	3	-	36/(c)/	-	
Tax valuation allowances:					
Federal	30	-	-	-	
State	52	-	-	-	
Foreign	282	-	-	-	
Year ended December 31, 1999:					
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts	$ 12	$ 5	$ -	$ 4/(d)/	$
Inventory market valuation reserve	551	-	-	-	
Investments and long-term receivabless reserve	10	-	-	-	
Tax valuation allowances:					
Federal	30	-	-	-	
State	52	-	-	-	
Foreign	260	-	22/(e)/	-	

/(a)/ Deductions for the allowance for doubtful accounts and long-term receivables include amounts written off as uncollectible, net of

recoveries. Deductions for the inventory market valuation reserve reflect increases in market prices and inventory turnover, resulting in noncash credits to costs and expenses. Reductions in the tax valuation allowances reflect changes in the amount of deferred taxes expected to be realized, resulting in credits to the provision for income taxes.

/(b)/ Includes $36 million relating to the acquisition of U. S. Steel Kosice s.r.o. and $1 million reclassification from long-term reserves.

/(c)/ Includes $36 million classified to dividend and investee income relating to a notes receivable from an equity investee.

/(d)/ Includes $2 million relating to the acquisition of Lorain Tubular LLC, and $2 million reclassification from long-term reserves.

/(e)/ Additions to the tax valuation allowances are included in the provision for income taxes.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity indicated on September 14, 2001.

USX CORPORATION

By /s/ Larry G. Schultz

Larry G. Schultz
Vice President - Accounting

Signature	Title
* Thomas J. Usher	Chairman of the Board & Chief Executive Officer and Director
* Robert M. Hernandez	Vice Chairman & Chief Financial Officer and Director
/s/ Larry G. Schultz Larry G. Schultz	Vice President - Accounting
* Neil A. Armstrong	Director
* Clarence P. Cazalot, Jr.	Vice Chairman and Director
* J. Gary Cooper	Director
* Charles A. Corry	Director

Signature	Title
*	Director
Shirley Ann Jackson	
*	Director
Charles R. Lee	
*	Director
Paul E. Lego	
*	Director
John F. McGillicuddy	
*	Director
Seth E. Schofield	
*	Director
John W. Snow	
*	Director
Douglas C. Yearley	

*By /s/ Larry G. Schultz

Larry G. Schultz, Attorney-in-Fact