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PLAINTIFF'S
EXHIBIT
USX-141

FORM 10-K 1999

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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	6-3/4% EXCHANGEABLE NOTES DUE 2000**
COMMON STOCK, PAR VALUE \$1.00	8-3/4% CUMULATIVE MONTHLY INCOME PREFERRED SHARES,
USX-U. S. STEEL GROUP	SERIES A (LIQUIDATION PREFERENCE \$25 PER SHARE
COMMON STOCK, PAR VALUE \$1.00	6.75% CONVERTIBLE QUARTERLY INCOME PREFERRED
6.50% CUMULATIVE CONVERTIBLE PREFERRED	SECURITIES (INITIAL LIQUIDATION AMOUNT \$50 PER
(LIQUIDATION PREFERENCE \$50.00 PER SHARE)	SECURITY)****(a)
	7% GUARANTEED NOTES DUE 2002 OF MARATHON OIL
	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 (Section 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,

2000: \$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 311,767,181 SHARES OF USX-MARATHON GROUP COMMON
STOCK AND 88,398,114 SHARES OF USX-U. S. STEEL GROUP COMMON
STOCK OUTSTANDING AS OF JANUARY 31, 2000.DOCUMENTS INCORPORATED BY REFERENCE: PROXY STATEMENT DATED
MARCH 13, 2000 IS INCORPORATED IN PART III. PROXY STATEMENT DATED

MARCH 9, 1998 IS INCORPORATED IN PART IV.

*** THESE SECURITIES ARE LISTED ON THE NEW YORK STOCK EXCHANGE. IN ADDITION, THE COMMON STOCKS ARE LISTED ON THE CHICAGO STOCK EXCHANGE AND THE PACIFIC EXCHANGE. ** THESE NOTES WERE EXCHANGED ON FEBRUARY 1, 2000 FOR SHARES OF COMMON STOCK OF RTI INTERNATIONAL METALS, INC. *** 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.**

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NOTE ON PRESENTATION

USX Corporation ("USX" or the "Corporation") is a diversified company principally engaged in the energy business through its Marathon Group and in the steel business through its U. S. Steel Group. USX has two classes of common stock, USX - Marathon Group Common Stock ("Marathon Stock") and USX - U. S. Steel Group Common Stock ("Steel Stock"). Each class of Common Stock is intended to provide stockholders of that class with a separate security reflecting the performance of the related 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.

USX continues to include consolidated financial information in its periodic reports required by the Securities Exchange Act of 1934, in its annual shareholder reports and in other financial communications. The consolidated financial statements are supplemented with separate financial statements of the Marathon Group and the U. S. Steel Group, together with the related Management's Discussion and Analyses, descriptions of business and other financial and business information to the extent such information is required to be presented in the report being filed. The financial information of the Marathon Group and U. S. Steel Group and certain financial information relating to the Delhi Companies, taken together, includes all accounts which comprise the corresponding consolidated financial information of USX.

For consolidated financial reporting purposes, USX consists of the Marathon Group and the U. S. Steel Group. The 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 and 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 of the risks associated with an investment in USX and all of its businesses and liabilities. Financial impacts arising from either of the Groups that affect the overall cost of USX's capital could affect the results of operations and financial condition of both groups. In addition, 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 both classes of USX common stock. Accordingly the USX consolidated financial information should be read in connection with the Marathon Group and the U. S. Steel Group financial information.

For information regarding accounting matters and policies affecting the Marathon Group and the U. S. Steel Group financial statements, see "Financial Statements

Group and the U. S. Steel Group financial statements, see "Financial Statements and Supplementary Data - Notes to Financial Statements - 1. Basis of Presentation and - 4. Corporate Activities" for each respective group. For information regarding dividend limitations and dividend policies affecting holders of Marathon Stock and Steel Stock, see "Market for Registrant's Common Equity and Related Stockholder Matters."

For a Glossary of Certain Defined Terms used in this document, see page 59.

FORWARD-LOOKING STATEMENTS

Certain sections of USX's Form 10-K, particularly Item 1. Business, Item 3. Legal Proceedings, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk, include forward-looking statements concerning trends or events potentially affecting 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 forward-looking statements. For additional factors affecting the businesses of USX, see Supplementary Data - Disclosures About Forward-Looking Statements.

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PART I

ITEM 1. BUSINESS

USX CORPORATION

USX Corporation was incorporated in 1901 and is a Delaware corporation. Executive offices are located at 600 Grant Street, Pittsburgh, PA 15219-4776. The terms "USX" and "Corporation" when used herein refer to USX Corporation or USX Corporation and its subsidiaries, as required by the context.

GROUPS

For consolidated reporting purposes, USX consists of the Marathon Group and the U. S. Steel Group. Effective October 31, 1997, USX sold Delhi Gas Pipeline Corporation and other subsidiaries of USX that comprised all of the Delhi Group. See "Financial Statements and Supplementary Data - Notes to USX Consolidated Financial Statements - 5. Discontinued Operations" on page U-11. The businesses of the Marathon Group and the U. S. Steel Group, are as follows:

- The Marathon Group includes Marathon Oil Company ("Marathon") and certain other subsidiaries of 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

transportation of petroleum products primarily through Marathon Petroleum LLC ("MAP"), owned 62 percent by Marathon; and other energy related businesses. Marathon Group revenues as a percentage of total USX consolidated revenues were 82 percent in 1999, 78 percent in 1998 and 69 percent in 1997.

- The U. S. Steel Group includes U. S. Steel, which is engaged in the production and sale of steel mill products, coke and taconite pellets; the management of mineral resources; domestic coal mining; real estate development; and engineering and consulting services. Certain business activities are conducted through joint ventures and partially owned companies, such as USS-POSCO Industries, PRO-TEC Coating Company, Transtar, Inc., Clairton 1314B Partnership, VSZ U. S. Steel, s. r.o., and Republic Technologies International, LLC. U. S. Steel Group revenues as a percentage of total USX consolidated revenues were 18 percent in 1999, 22 percent in 1998 and 31 percent in 1997.

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A three-year summary of financial highlights for the groups is provided below.

	REVENUES (a) (b)	INCOME FROM OPERATIONS (b) (c)	NET INCOME	ASSETS AT YEAR-END	CAPIT EXPENDIT
	-----	-----	-----	-----	-----
(MILLIONS)					
Marathon Group					
1999	\$ 24,327	\$ 1,713	\$ 654	\$ 15,705	\$ 1,3
1998	21,977	938	310	14,544	1,2
1997	15,846	932	456	10,565	1,0
U. S. Steel Group					
1999	5,314	150	44	7,525	2
1998	6,283	579	364	6,749	3
1997	6,941	773	452	6,694	2
Adjustments for Discontinued Operations and Eliminations (d)					
1999	(58)	-	-	(268)	
1998	(23)	-	-	(160)	
1997	(107)	-	80	25	
Total USX Corporation					
1999	\$ 29,583	\$ 1,863	\$ 698	\$ 22,962	\$ 1,6
1998	28,237	1,517	674	21,133	1,5
1997	22,680	1,705	988	17,284	1,3

(a) Consists of sales, dividend and affiliate income, gain on ownership change in MAP, net gains on disposal of assets and other income. (b) Excludes amounts for the companies comprising the Delhi Group of USX (sold in 1997; see footnote (d) below), which have been classified as discontinued operations. (c) Includes the following favorable (unfavorable) amounts: adjustments to the inventory market valuation reserve for the Marathon Group of \$551 million, (\$267) million, and (\$284) million in 1999, 1998, and 1997, respectively; and gain on ownership change in MAP of \$17 million in 1999 and \$245 million in 1998. (d) Effective October 31, 1997, USX sold Delhi Gas Pipeline Corporation and other subsidiaries of USX that comprised all of the Delhi Group.

For additional financial information about the Groups, see "Financial Statements and Supplementary Data - Notes to USX Consolidated Financial Statements - 9. Group and Segment Information" on page U-13.

The total number of active USX Headquarters employees not assigned to a specific group at year-end 1999 was 234.

A narrative description of the primary businesses of the Marathon Group and the U. S. Steel Group is provided below.

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MARATHON GROUP

The Marathon Group is comprised of Marathon Oil Company and certain other subsidiaries of 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 Oil Company; and other energy related businesses. Marathon Group revenues as a percentage of total USX consolidated revenues were 82 percent in 1999, 78 percent in 1998 and 69 percent in 1997.

The following table summarizes Marathon Group revenues for each of the last three years:

REVENUES (a) (MILLIONS)	1999	1998	1997
	----	----	----
Sales by product:			
Refined products.....	\$ 10,873	\$ 8,750	\$ 7,012
Merchandise.....	2,088	1,873	1,045
Liquid hydrocarbons.....	2,159	1,818	941
Natural gas.....	1,381	1,144	1,331
Transportation and other products.....	199	271	167
Gain on ownership change in MAP (b).....	17	245	-
Other (c).....	98	104	86
	-----	-----	-----
Subtotal.....	16,815	14,205	10,582
Excise taxes (d) (f).....	3,973	3,824	2,828
Matching buy/sell transactions (e) (f).....	3,539	3,948	2,436
	-----	-----	-----
Total revenues.....	\$ 24,327	\$ 21,977	\$ 15,846
	=====	=====	=====

(a) Amounts in 1999 and 1998 include 100 percent of MAP. (b) See Note 5 to the Marathon Group Financial Statements for a discussion of the gain on ownership change in MAP. (c) Includes dividend and affiliate income, net gains on disposal of assets and other income. (d) Consumer excise taxes on petroleum products and merchandise. (e) Matching crude oil and refined products buy/sell transactions settled in cash. (f) Included in both revenues and costs and expenses, resulting in no effect on income.

For additional financial information about USX's operating segments, see "Financial Statements and Supplementary Data - Notes to USX Consolidated Financial Statements - 9., Group and Segment Information" on page U-13.

EXPLORATION AND PRODUCTION

OIL AND NATURAL GAS EXPLORATION AND DEVELOPMENT

Marathon is currently conducting exploration and development activities in 14 countries. Principal exploration activities are in the United States, the United Kingdom, Angola, Canada, Congo, Denmark, Ireland, the Netherlands and Tunisia. Principal development activities are in the United States, the United Kingdom, Canada, Gabon, Ireland, the Netherlands and Russia. Marathon is also pursuing opportunities in Western Africa, South America and the Middle East.

During 1999, exploration activities resulted in discoveries in the United States, Ireland and the Netherlands.

The following table sets forth, by geographic area, the number of net productive and dry development and exploratory wells completed in each of the last three years (references to "net" wells or production indicate Marathon's ownership interest or share as the context requires):

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NET PRODUCTIVE AND DRY WELLS COMPLETED (a)		1999	1998	1997
		----	----	----
United States				
Development (b)	- Oil	11	28	44
	- Gas	54	58	76
	- Dry	1	2	3
		--	--	--
	Total	66	88	123
Exploratory				
	- Oil	5	7	4
	- Gas	9	5	13
	- Dry	13	8	10
		---	---	---
	Total	27	20	27
		---	---	---
Total United States		93	108	150
International (c)				

Development (b)	- Oil	42	7	5
	- Gas	55	7	1
	- Dry	11	2	-
	Total	108	16	6
Exploratory	- Oil	2	5	4
	- Gas	14	4	-
	- Dry	16	15	5
	Total	32	24	9
Total International		140	40	15
Total Worldwide		233	148	165

(a) Includes the number of wells completed during the year regardless of the year in which drilling was initiated. A dry well is a well found to be incapable of producing hydrocarbons in sufficient quantities to justify completion. A productive well is a well that is not a dry well.

(b) Indicates wells drilled in the proved area of an oil or gas reservoir.

(c) Includes Marathon's equity interest in CLAM Petroleum B.V. ("CLAM") and Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy").

UNITED STATES

In the United States during 1999, Marathon drilled 40 gross (29 net) wildcat and delineation ("exploratory") wells of which 22 gross (15 net) wells encountered hydrocarbons. Of these 22 wells, 2 gross (2 net) wells were temporarily suspended, and will be reported in the Net Productive and Dry Wells Completed table when completed. Principal domestic exploratory and development activities were in the U.S. Gulf of Mexico and the states of Alaska, New Mexico, Oklahoma and Texas.

Exploration expenditures during the three-year period ended December 31, 1999, totaled \$528 million in the United States, of which \$141 million was incurred in 1999. Development expenditures during the three-year period ended December 31, 1999, totaled \$1,113 million in the United States, of which \$205 million was incurred in 1999.

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The following is a summary of recent, significant exploration and development activity in the United States including discussion, as deemed appropriate, of completed wells, drilling wells and wells under evaluation.

GULF OF MEXICO - Marathon continues to consider the Gulf of Mexico ("Gulf") as a core area for domestic growth in oil and gas production and has committed significant resources to exploit its opportunities.

On August 12, 1999, Marathon announced a deepwater natural gas discovery on

the Camden Hills prospect, located in the deepwater Gulf on Mississippi Canyon Block 348. The well was drilled to a depth of 15,080 feet and encountered over 200 feet of gas pay. In February 2000, Marathon confirmed the discovery with an appraisal well. Current plans are focusing on project development options. Marathon is the operator and has a 50.03 percent working interest in this block.

Progress continues on the Viosca Knoll Block 786 ("Petronius") development in the deepwater Gulf. In 1999, efforts focused on rebuilding the lost platform deck module, which was dropped during installation in 1998. Third party insurance has covered substantially all rebuilding costs associated with this incident. The platform module is scheduled to be completed in the first quarter of 2000 and offshore installation should occur in the second quarter of 2000. The Petronius project is estimated to have proved reserves of 57 million gross barrels of oil equivalent ("BOE"). The previous estimate of 95 million gross recoverable BOE included reserves attributable to a pressure maintenance program. Reserves resulting from the Petronius pressure maintenance program will be considered proved only when such project is in operation and shows successful results. Following commencement of production and the implementation of the pressure maintenance program, both scheduled for third quarter 2000, Petronius proved reserves will be reassessed. Marathon holds a 50 percent working interest in this project.

In 2000, Marathon plans to drill eight deepwater exploratory wells. To support the drilling of deepwater prospects, Marathon, along with two other parties, began a five-year commitment in 1999 on the Noble Amos Runner, a drilling rig capable of drilling in water depths up to 6,600 feet. Additionally, by the second quarter of 2000, Marathon expects to take receipt of the recently completed Transocean-Sedco-Forex Cajun Express, capable of drilling in water up to 8,500 feet. Marathon has a three-year commitment to utilize this rig.

ALASKA - To offset the impact of limited rig availability and relatively high day rates in the Cook Inlet area, Marathon has contracted the fabrication of a new onshore drilling rig. The Glacier drilling rig is expected to be in service by the second quarter of 2000 and will support Marathon's increased development and exploration activities in Alaska. With the completion of the Cook Inlet Region Incorporation (CIRI) Exploration Agreement, Marathon gained access to over 600 miles of 2-D seismic and acquired approximately 14 thousand leasehold acres. This acreage includes five active prospects and two recent Marathon gas discoveries at Wolf Lake and Sterling Deep.

NEW MEXICO - Marathon's New Mexico gas production is at a record high due to successful development activity in the Indian Basin field. In 2000, 15 additional development wells are planned for this field. Marathon's Indian Basin gas plant is presently operating at maximum capacity following a 1999 expansion.

OKLAHOMA - A 1998 Marathon exploration gas discovery in the Granite Wash formation resulted in significant development drilling in 1999. Marathon's current production from five wells in this area is 14 net million cubic feet per day ("mmcf"). In 2000, 15 development wells are planned in the Granite Wash formation. In addition, the Carter Knox field net gas rate increased by 45 percent in 1999. With a strategic 2000 acquisition, the net rate for this field now exceeds 60 gross mmcf. In

2000, 15 development wells are planned for the Carter Knox field.

TEXAS - In East Texas, Marathon continued an active gas reserves development program in the Austin Chalk trend. This play utilizes horizontal drilling to significantly enhance the per-well rates and reserve recoveries in the fractured Austin Chalk.

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INTERNATIONAL

Outside the United States during 1999, Marathon drilled 71 gross (49 net) exploratory wells in 5 countries. Of these 71 wells, 47 gross (33 net) wells encountered hydrocarbons, of which 38 gross (26 net) wells were temporarily suspended and will be reported in the Net Productive and Dry Wells Completed table when completed.

Marathon's expenditures for international oil and natural gas exploration activities, including Marathon's 50 percent equity interest in CLAM and 37.5 percent equity interest in Sakhalin Energy, during the three-year period ended December 31, 1999, totaled \$342 million, of which \$118 million was incurred in 1999. Marathon's international development expenditures, including CLAM and Sakhalin Energy, during the three-year period ended December 31, 1999, totaled \$714 million, of which \$235 million was incurred in 1999.

The following is a summary of recent, significant exploration and development activity outside the United States, including discussion, as deemed appropriate, of completed wells, drilling wells and wells under evaluation.

UNITED KINGDOM - Marathon is continuing its development of the Brae area in the U.K. North Sea where it is the operator and owns a 41.6 percent revenue interest in the South, Central and North Brae fields, a 38.5 percent revenue interest in the East Brae field and a 28.1 percent revenue interest in the West Brae/Sedgwick joint development project. Marathon has interests in 30 blocks in the U.K. North Sea and other offshore areas.

Three exploration wells were drilled offshore the U.K. in 1999, one was dry, one was a non-commercial discovery and the third is being evaluated further. Two exploration wells are planned for U.K. acreage in 2000.

ANGOLA - In May 1999, Marathon was awarded an interest in Blocks 31 and 32 offshore Angola. The blocks, which are located approximately 90 miles northwest of Luanda in water depths between 5,400 and 9,200 feet, are adjacent to Blocks 15 and 17 where major discoveries by others have been made. Marathon holds a 10 percent working interest in these blocks, which are operated by co-venturers. In December 1999, a 3-D seismic program started on Block 31. A seismic program for Block 32 is presently planned for 2000.

CANADA - In May 1999, Marathon Canada Limited ("MCL") was awarded three

exploration licenses offshore Nova Scotia. Marathon has a 30, 33.75 and 37.5 percent interest in Exploration Licenses ("EL") 2377, 2384 and 2376, respectively and will be the operator of EL 2377. In 2000, 3-D seismic data for EL 2377 and 2376 will be acquired and evaluated.

In its first full year of operations, MCL completed an aggressive exploration and development program in the onshore western Canada region. The 1999 program resulted in net reserve additions of 27 million BOE. In 2000, MCL plans to continue the exploitation of this region with a significant drilling program.

CONGO - In February 2000, Marathon acquired a 15 percent equity interest in the Mer Profonde Nord Permit, which is operated by a co-venturer. This permit is located approximately 30 miles offshore Republic of Congo in water depths between 500 and 7,000 feet. In 2000, one exploratory well is planned in this permit.

DENMARK - In June 1998, Marathon acquired one block in Denmark, a new operating country for Marathon. The geological and field development knowledge obtained from the Brae/Sedgwick area of the United Kingdom led to the identification of the areas awarded to Marathon. A 3-D seismic program was completed in 1999 and the data will be evaluated in 2000.

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GABON - In September 1999, oil production commenced from the Tchatamba South field in the Kowe Permit, located 20 miles offshore Gabon. Field reserves are estimated to be approximately 30 million gross BOE. Marathon is the operator of this field. Its working interest was proportionately reduced from 75 percent to 56.25 percent in 1999 after the Gabonese government exercised its right to obtain a 25 percent interest in the field.

The Tchatamba West discovery was drilled in early 1998, 4.5 miles northwest of the Tchatamba Marin production facilities. This field has estimated reserves of seven million gross BOE, and is being developed as a one-well development tied back to the Tchatamba Marin facility. Production is expected from this field in the fourth quarter of 2000.

In June 1998, Marathon and its partner announced an oil discovery on the East Orovinare prospect, four miles offshore Gabon. The East Orovinare No. 1 wildcat well was drilled in the Kowe Permit in 65 feet of water and encountered an oil column in excess of 400 feet. The first appraisal well, East Orovinare No. 2, was drilled in 1998 and tested a combined daily flow rate of 2,460 barrels of 35-degree API gravity of oil. In 1999, a second appraisal well was drilled, which did not encounter hydrocarbons and reduced the potential size of the reservoir. Studies are currently underway to determine if an economic scenario exists for development of this field.

Marathon is the operator and holds a 75 percent working interest in the Tchatamba West and East Orovinare fields. Under the terms of the Kowe Permit, the Gabonese government has the right to obtain a maximum 25 percent working interest in any development which would proportionately reduce Marathon's

interest in any development, which would proportionately reduce Marathon's interest.

During early 1999, an exploratory well was drilled in the deepwater Akoumba Marin Permit, which did not encounter hydrocarbons. In June 1999, Marathon relinquished the permit and its 100 percent working interest in this concession.

In 1998, Marathon acquired a 50 percent working interest in the Inguessi Permit, which is adjacent to the Kowe Permit. During 1999, Marathon acquired 139 square miles of 3-D seismic data. This data will be used to evaluate this permit for future exploration opportunities. Under the terms of the Inguessi Permit, the Gabonese government has the right to obtain a maximum 10 percent working interest in any development, which would proportionately reduce Marathon's interest.

IRELAND - In October 1999, gas production commenced from the Southwest Kinsale field, located in the Irish Celtic Sea approximately 30 miles south of Cork. Field reserves are estimated to contain approximately 36 billion cubic feet ("bcf") of recoverable gas. Marathon has a 100 percent working interest in this field.

In August 1999, Marathon announced that a successful appraisal well was drilled in the Corrib gas field in Slyne Trough License PL 2/93, located 40 miles off the west coast of Ireland. The well, which was drilled in 1,103 feet of water to a total depth of 12,274 feet, achieved test rates up to 64 gross mmcf/d of gas. Another appraisal well is planned for the Corrib field in 2000, which will likely be followed by a field development plan. Marathon owns an 18.5 percent working interest in this field. Also in 1999, Marathon drilled an unsuccessful exploratory well in Slyne Trough License PL 3/94.

NETHERLANDS - In 1999, Marathon, through its 50 percent equity interest in CLAM, participated in two exploratory wells and one development well in the Dutch sector of the North Sea. In August 1999, CLAM announced a second gas discovery on the Q4 Block in the Dutch sector of the North Sea. The well tested at 26 to 28 gross mmcf/d of gas in two separate zones. Marathon holds a 9.9 percent equity interest in this block.

In 1998, CLAM was awarded two blocks in the Danish sector of the North Sea. In 1999, 3-D seismic surveys were acquired and two exploration wells are presently planned for 2000.

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Independent from its interest in CLAM, in January 1999, Marathon was awarded the A-15 block in the Netherlands North Sea. Marathon holds a 40 percent working interest in this block, which is operated by a co-venturer. An exploration well was drilled in 1999, which tested at 20 gross mmcf/d of gas. A 3-D seismic program is presently planned for 2000.

RUSSIA - Marathon holds a 37.5 percent interest in Sakhalin Energy, an incorporated joint venture company responsible for the overall management of the Sakhalin II project. This project includes development of the Piltun-Astokhskaya ("P-

Sakhalin II project. The project includes development of the P-A and Lunskeye (P-A) oil field and the Lunskeye gas-condensate field, which are located 8-12 miles offshore Sakhalin Island in the Russian Far East Region. The Russian State Reserves Committee has approved estimated combined reserves for the P-A and Lunskeye fields of 1 billion gross barrels of liquid hydrocarbons and 14 trillion cubic feet of natural gas.

In July 1999, oil production commenced from the P-A field and the first lifting occurred on September 20, 1999. In late September, production was shut-in following a failure of the mooring system and resumed only for brief periods during October and November before operations ceased for the winter in early December. A re-designed mooring system is expected to be installed in the second quarter of 2000 and production is expected to resume in June 2000, the beginning of the ice-free season. In 2000, gross production is expected to average 36,000 gross barrels per day ("bpd") (on an annualized basis). Marathon's equity share of reserves from primary production in the Astokh Feature is 80 million barrels of oil.

Further development of the P-A field continues, including plans to drill two appraisal and eight development wells in 2000 and to commence waterflood activity for the Astokh Feature. With respect to the Lunskeye field, appraisal work and efforts to secure long term gas sales markets continue. Commencement of gas production from the Lunskeye field, which will be contingent upon the conclusion of a gas sales contract, is anticipated to occur in 2006 or later.

At December 31, 1999, Marathon's net investment in the Sakhalin II project was approximately \$400 million.

TUNISIA - Marathon's 60 percent working interest in the South Jenein Permit in southern Tunisia was formally ratified by the government in 1996. In 2000, one exploratory well is planned for the South Jenein Permit.

The above discussions include forward-looking statements concerning various projects, drilling plans, expected production and sales levels, reserves and dates of initial production, which are based on a number of assumptions, including (among others) prices, amount of capital available for exploration and development, worldwide supply and demand for petroleum products, regulatory constraints, reserve estimates, production decline rates of mature fields, reserve replacement rates, drilling rig availability 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 and tax regulations, which could adversely affect the economics of projects. To the extent these assumptions prove inaccurate and/or negotiations and other considerations are not satisfactorily resolved, actual results could be materially different than present expectations.

RESERVES

At December 31, 1999, the Marathon Group's net proved liquid hydrocarbon and natural gas reserves, including equity affiliate interests, totaled approximately 1.5 billion barrels on a PGE basis, of which 57 percent were located in the United

billion barrels on a BOE basis, of which 57 percent were located in the United States. (Natural gas reserves are converted to barrels of oil equivalent using a conversion factor of six thousand cubic feet ("mcf") of natural gas to one barrel of oil.) On a BOE basis, Marathon replaced 46 percent of its 1999 worldwide oil and gas production. Including dispositions, Marathon replaced 23 percent of worldwide oil and gas production.

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The table below sets forth estimated quantities of net proved oil and gas reserves at the end of each of the last three years.

ESTIMATED QUANTITIES OF NET PROVED OIL AND GAS RESERVES AT DECEMBER 31

	DEVELOPED			DEVELOPED & UNDEVELOPED		
	1999	1998	1997	1999	1998	1997
(MILLIONS OF BARRELS)						
Liquid Hydrocarbons						
United States.....	476	489	486	520	549 (d)	590 (d)
Europe.....	90	119	161	90	122	161
Other International (c).....	72	67	12	187	194	26
Total Consolidated.....	638	675	659	797	865	777
Equity affiliates (a).....	69	-	-	77	80	82
WORLDWIDE.....	707	675	659	874	945	859
Developed reserves as % of total net proved reserves.....	80.9%	71.4% (d)	76.7% (d)			
(BILLIONS OF CUBIC FEET)						
Natural Gas						
United States.....	1,550	1,678	1,702	2,057	2,163 (d)	2,232 (d)
Europe.....	741	909	1,024	774	966	1,048
Other International (c).....	497	534	19	833	830	23
Total Consolidated.....	2,788	3,121	2,745	3,664	3,959	3,303
Equity affiliate (b).....	65	76	78	123	110	111
WORLDWIDE.....	2,853	3,197	2,823	3,787	4,069	3,414
Developed reserves as % of total net proved reserves.....	75.3%	78.6% (d)	82.7% (d)			
(MILLIONS OF BARRELS)						
Total BOEs						
United States.....	734	769	770	863	910 (d)	962 (d)
Europe.....	213	270	332	219	282	336
Other International (c).....	155	156	15	326	332	30
Total Consolidated.....	1,102	1,195	1,117	1,408	1,524	1,328
Equity affiliates (a).....	80	13	13	98	98	100
WORLDWIDE.....	1,182	1,208	1,130	1,506	1,622	1,428
Developed reserves as % of total net proved reserves.....	78.5%	74.5% (d)	79.1% (d)			

(a) Represents Marathon's equity interests in CLAM and Sakhalin Energy. (b) Represents Marathon's equity interests in CLAM. (c) Includes Canada for 1999 and 1998. (d) Revised to exclude reserves attributable to a pressure maintenance program for the Petronius field scheduled to commence in third quarter 2000.

The above estimates, which are forward-looking statements, are based upon a number of assumptions, including (among others) prices, presently known physical data concerning size and character of the reservoirs, economic recoverability, production experience and other operating considerations. To the extent these assumptions prove inaccurate, actual recoveries could be materially different than current estimates.

For additional details of estimated quantities of net proved oil and gas reserves at the end of each of the last three years, see "Consolidated Financial Statements and Supplementary Data - Supplementary Information on Oil and Gas Producing Activities - Estimated Quantities of Proved Oil and Gas Reserves" on page U-32. Reports have

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been filed with the U.S. Department of Energy ("DOE") for the years 1998 and 1997 disclosing the year-end estimated oil and gas reserves. A similar report will be filed for 1999. The year-end estimates reported to the DOE are the same as the estimates reported in the USX Consolidated Supplementary Data.

OIL AND GAS ACREAGE

The following table sets forth, by geographic area, the developed and undeveloped oil and gas acreage held as of December 31, 1999:

GROSS AND NET ACREAGE

	DEVELOPED		UNDEVELOPED		DEVELOPED & UNDEVELOPED	
	GROSS	NET	GROSS	NET	GROSS	NET
(THOUSANDS OF ACRES)						
United States.....	2,164	882	3,239	1,854	5,403	2,736
Europe.....	340	283	2,575	1,141	2,915	1,424
Other International.....	1,319	815	7,965	3,501	9,284	4,316
Total Consolidated.....	3,823	1,980	13,779	6,496	17,602	8,476
Equity affiliates (a).....	445	48	549	159	994	207
WORLDWIDE.....	4,268	2,028	14,328	6,655	18,596	8,683

(a) Represents Marathon's equity interests in CLAM and Sakhalin Energy.

OIL AND NATURAL GAS PRODUCTION

The following tables set forth daily average net production of liquid hydrocarbons and natural gas for each of the last three years:

NET LIQUID HYDROCARBONS PRODUCTION (a) (THOUSANDS OF BARRELS PER DAY)	1999 ----	1998 ----	1997 ----
United States (b).....	145	135	115
Europe (c).....	31	42	41
Other International (c) (f).....	31	19	8
	----	----	----
Total Consolidated.....	207	196	164
Equity affiliates (CLAM & Sakhalin Energy) (c).....	1	-	-
	----	----	----
WORLDWIDE.....	208	196	164
	=====	=====	=====
NET NATURAL GAS PRODUCTION (d) (MILLIONS OF CUBIC FEET PER DAY)			
United States (b).....	755	744	722
Europe (e).....	325	360	412
Other International (e) (f).....	163	81	11
	----	----	----
Total Consolidated.....	1,243	1,185	1,145
Equity affiliate (CLAM) (e).....	36	33	42
	----	----	----
WORLDWIDE.....	1,279	1,218	1,187
	=====	=====	=====

(a) Includes crude oil, condensate and natural gas liquids. (b) Amounts reflect production from leasehold and plant ownership, after royalties and interests of others. (c) Amounts reflect equity tanker liftings, truck deliveries and direct deliveries of liquid hydrocarbons before royalties, if any; excluding Canada, Gabon and Sakhalin Energy where amounts are after royalties. The amounts correspond with the basis for fiscal settlements with governments. Crude oil purchases, if any, from host governments are not included. (d) Amounts reflect sales of equity production, only. It excludes volumes purchased from third parties for resale of 16 mmcf in 1999 and 23 and 32 mmcf in 1998 and 1997, respectively. (e) Amounts reflect production before royalties, excluding Canada where amounts are after royalties. (f) Includes Canada for 1999 and 1998.

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At year-end 1999, Marathon was producing crude oil and/or natural gas in eight countries, including the United States. Marathon's worldwide liquid hydrocarbon production, including Marathon's share of equity affiliates production, increased 12,000 bpd, or approximately 6 percent, from 1998. Marathon's 2000 worldwide liquid hydrocarbon production is expected to increase from 1999, to average approximately 210,000 bpd. Most of the increase is anticipated in the second half of the year. This primarily reflects projected new production from the start-up of Petronius in the Gulf of Mexico in the third quarter of 2000 and one full ice-free

season of production from the P-A field in Russia, partially offset by natural production declines of mature fields. In 2001, worldwide liquid hydrocarbon production is expected to increase further to approximately 230,000 bpd.

Marathon's 1999 worldwide sales of equity natural gas production, including Marathon's share of CLAM's production, remained consistent with 1998. In addition to sales of 525 net mmcf/d of international equity natural gas production, Marathon sold 16 net mmcf/d of natural gas acquired for injection and resale during 1999. In 2000 and 2001, Marathon's worldwide natural gas volumes are projected to be 1.3 billion cubic feet per day ("bcfd") and 1.4 bcfd, respectively.

The above projections of 2000 and 2001 liquid hydrocarbon production and natural gas volumes are forward-looking statements. They are based on known discoveries and do not include any additions from potential or future acquisitions/dispositions or future wildcat drilling. They are also based on certain assumptions, including (among others) prices, amount of capital available for exploration and development, worldwide supply and demand for petroleum products, regulatory constraints, reserve estimates, production decline rates of mature fields, timing of commencing production from new wells, drilling rig availability, reserve replacement rates and other geological, operating and economical considerations. If these assumptions prove to be incorrect, actual results could be materially different than present expectations.

UNITED STATES

Approximately 70 percent of Marathon's 1999 worldwide liquid hydrocarbon production and equity affiliate liftings and 59 percent of worldwide natural gas production (including CLAM volumes) were from domestic operations. The principal domestic producing areas are located in the U.S. Gulf of Mexico and the states of Alaska, New Mexico, Oklahoma, Texas and Wyoming. Marathon's ongoing domestic growth strategy is to apply its technical expertise in fields with undeveloped potential, to dispose of interests in non-core properties with limited upside potential and high production costs, and to acquire significant working interests in properties with high development potential.

Marathon continues to apply enhanced recovery and reservoir management programs and cost containment efforts to maximize liquid hydrocarbon recovery and profitability in mature fields such as the Yates field in Texas and the Oregon Basin field in Wyoming. Enhanced recovery efforts for the Yates field include an ongoing evaluation of thermal recovery techniques.

GULF OF MEXICO - During 1999, Marathon's Gulf production averaged 74,500 net bpd of liquid hydrocarbons and 107 net mmcf/d of natural gas, representing 52 percent and 14 percent of Marathon's total U.S. liquid hydrocarbon and natural gas production, respectively. Liquid hydrocarbon production increased by 19,800 net bpd and natural gas production increased by 23 net mmcf/d from the prior year, mainly due to increased production from Troika, Arnold and Oyster, offset by declines from mature fields. At year-end 1999, Marathon held working interests in 14 fields and 31 platforms, 20 of which Marathon operates.

In early 1999, the initial Troika subsea development project in the Green Canyon Block 244 field was completed. This field is located in the central deepwater Gulf and consists of five wells tied back to a co-venturer's platform. Production from this field averaged 31,100 net bpd and 47 net mmcf, ranking it Marathon's top domestic field in 1999. Additional drilling and reserve development activities are planned for 2000.

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Ewing Bank 873 is also an important part of Marathon's deepwater infrastructure. Marathon is the operator and holds a 66.7 percent working interest. Production averaged 35,400 net bpd and 28 net mmcf in 1999, compared with 32,100 net bpd and 24 net mmcf in 1998, primarily due to increased production from Arnold and Oyster, two Marathon operated satellite fields that produce through the Ewing Bank platform. Ewing Bank ranked as Marathon's number two domestic field in 1999.

In September 1999, production commenced from the Angus field, a three-well subsea development on Green Canyon Blocks 112 and 113. In January 2000, Marathon sold its 33.34 percent interest in the Angus development and will report a pre-tax gain of approximately \$85 million in the first quarter of 2000. Marathon's worldwide liquid hydrocarbon production forecasts discussed previously exclude estimated 2000 and 2001 production from the Angus field.

ALASKA – Marathon's production from Alaska averaged 148 net mmcf of natural gas in 1999, compared with 144 net mmcf in 1998. Marathon's primary focus in Alaska is the expansion of its natural gas business through exploration, exploitation, development and marketing.

NEW MEXICO – Production in New Mexico, primarily from the Indian Basin field, averaged 11,900 net bpd and 115 net mmcf in 1999, compared with 12,500 net bpd and 109 net mmcf in 1998. The increase in gas production was primarily due to successful development activity and completion of the plant expansion project at Indian Basin.

OKLAHOMA – Gas production for 1999 averaged 127 net mmcf, representing 17 percent of Marathon's total U.S. gas production, compared with 107 net mmcf in 1998. The increase in gas production was primarily due to the successful development program in the Anadarko Basin.

TEXAS – Onshore production for 1999 averaged 27,400 net bpd of liquid hydrocarbons and 166 net mmcf of natural gas, representing 19 percent and 22 percent of Marathon's total U.S. liquid hydrocarbon and natural gas production, respectively. Liquids production volumes decreased by 6,500 net bpd from 1998 levels, and gas volumes decreased by 20 net mmcf from 1998 levels. The liquid volume decrease was mainly due to natural production declines and the gas volume decrease was a result of a reduced level of successful activity in east Texas.

Within Texas, Marathon owns a 49.9 percent working interest in, and is the operator of, the Yates Field Unit, one of the largest fields in the United States on the basis of

reserves. Marathon's 17,900 net bpd of 1999 liquid hydrocarbon production from the Yates field accounted for 12 percent of Marathon's total U.S. liquids production.

WYOMING -- Liquid hydrocarbon production for 1999 averaged 22,200 net bpd, representing 15 percent of Marathon's total U.S. liquid hydrocarbon production, down from 23,700 net bpd in 1998. The decrease in 1999 from 1998 was primarily due to natural production declines. Gas production averaged 57 net mmcf in 1999, compared to 61 net mmcf in 1998, with the decrease due mainly to natural production declines.

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INTERNATIONAL

Interests in liquid hydrocarbon and/or natural gas production are held in the U.K. North Sea, Irish Celtic Sea, the Norwegian North Sea, Canada, Egypt and Gabon. In addition, Marathon has interests through equity affiliates in the Netherlands North Sea and Russia.

U.K. NORTH SEA - Marathon's production is primarily from five fields - South, North, Central, East and West Brae. Production from the Brae area averaged 31,100 net bpd of liquid hydrocarbons in 1999, compared with 40,900 net bpd in 1998. The decrease is mainly within South, North and Central Brae, reflecting the expected decline of these mature fields.

The Brae A facilities act as the host platform for the underlying South Brae field, adjacent Central Brae field and West Brae/Sedgwick fields. North Brae, which is produced via the Brae B platform, and East Brae are gas condensate fields. These fields are produced using the gas cycling technique. Although partial cycling continues, the majority of North Brae gas is being transferred to the East Brae reservoir for pressure maintenance and sales.

The strategic location of the Brae A, Brae B and East Brae platforms and pipeline infrastructure has generated significant third-party business since 1986. Currently, there are 15 agreements with third-party fields contracted to the Brae system. In addition to generating processing and pipeline tariff revenue, third-party business also has a favorable impact on Brae area operations by optimizing infrastructure usage and extending the economic life of the facilities.

Participation in the Scottish Area Gas Evacuation ("SAGE") system provides pipeline transportation and onshore processing for Brae-area gas. The Brae group owns 50 percent of SAGE, which has a total wet gas capacity of approximately 1.0 bcfd. The other 50 percent is owned by the Beryl group, which operates the system. Pipelines connect the Brae, Britannia, Beryl and Scott fields to the SAGE gas processing terminal at St. Fergus in northeast Scotland.

Marathon's total United Kingdom gas sales from all sources averaged 184 net mmcf in 1999, compared with 188 net mmcf in 1998. Sales of Brae-area gas through the SAGE pipeline system averaged 182 net mmcf for the year 1999 and 185 net mmcf in 1998.

185 net mmcf for the year 1998. Of these totals, 166 mmcf and 162 mmcf was Brae-area equity gas in 1999 and 1998, respectively, and 16 and 23 mmcf was gas acquired for injection and subsequent resale in 1999 and 1998, respectively.

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IRELAND -- Marathon holds a 100 percent working interest in the Kinsale Head and Ballycotton fields in the Irish Celtic Sea. Natural gas sales from these maturing fields were 132 net mmcf in 1999, compared with 168 net mmcf in 1998. This production decline is expected to be partially offset by compressor modifications implemented in 1999 and 2000, which are expected to improve recovery from Kinsale Head, and by the new production from the Southwest Kinsale field.

NORWAY -- In the Norwegian North Sea, Marathon holds a 23.8 percent working interest in the Heimdal field, which had 1999 sales of 26 net mmcf of natural gas and 500 net bpd of condensate, compared with 1998 sales of 27 net mmcf of natural gas and 900 net bpd of condensate. Heimdal production ceased at the end of September 1999. The Heimdal platform is now being redeveloped as a center for transportation and processing of third party business, with future third party revenue commencing in late 2001.

CANADA -- Production in Canada averaged 17,200 bpd and 150 mmcf in 1999, compared with 16,000 bpd and 166 mmcf from August 12, 1998 through year-end 1998.

EGYPT -- In September 1999, Marathon sold its interests in two fields in Egypt, effective June 1, 1999. The transaction included a 50 percent interest in the Ashrafi oilfield offshore in the southwest Gulf of Suez and a 25 percent interest in the El Qar'a natural gas and condensate field in the Nile Delta. Both fields were operated by a co-venturer.

In October 1999, Marathon agreed to sell its 100 percent interest in the Gebel El Zeit concession and the Ras El Ush field. In November 1999, Marathon agreed to sell its 60 percent interest in the El Manzala field. Marathon operated both fields. The transactions are expected to close in the first quarter of 2000. The sales are subject to final approval by the Egyptian authorities and satisfaction of customary closing conditions.

GABON -- Production in Gabon averaged 9,000 net bpd of liquid hydrocarbons in 1999, compared with 4,700 net bpd in 1998. This increase primarily reflected new production from the Tchatamba South field.

NETHERLANDS -- Marathon's 50 percent equity interest in CLAM provides a 5 percent entitlement in the production from 19 gas fields, which provided sales of 36 net mmcf of natural gas in 1999, compared with 33 net mmcf in 1998.

RUSSIA -- Production in Russia, through Marathon's 37.5 percent equity interest in Sakhalin Energy, averaged 1,000 net bpd of liquid hydrocarbons with production commencing from the Piltun-Astokhskoye field in July 1999.

commencing from the first anniversary of the field in July 1999.

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The following tables set forth productive wells and service wells for each of the last three years and drilling wells as of December 31, 1999:

GROSS AND NET WELLS

1999

	PRODUCTIVE WELLS (a)				SERVICE WELLS (b)		DRILLING WELLS (c)	
	OIL		GAS					
	GROSS	NET	GROSS	NET	GROSS	NET	GROSS	NET
United States.....	8,654	3,205	3,122	1,396	3,617	1,056	52	27
Europe	36	14	65	33	18	7	1	-
Other International (f)	1,590	754	1,746	1,214	461	133	7	5
Total Consolidated	10,280	3,973	4,933	2,643	4,096	1,196	60	32
Equity affiliates (d)	5	2	83	4	1	-	1	1
WORLDWIDE	10,285	3,975	5,016	2,647	4,097	1,196	61	33

1998

	PRODUCTIVE WELLS (a)				SERVICE WELLS (b)	
	OIL		GAS			
	GROSS	NET	GROSS	NET	GROSS	NET
United States.....	9,396	3,616	3,214	1,414	4,062	1,127
Europe	33	13	64	32	22	9
Other International (f)	1,605	826	1,459	1,068	162	111
Total Consolidated	11,034	4,455	4,737	2,514	4,246	1,247
Equity affiliate (e)	-	-	83	4	-	-
WORLDWIDE	11,034	4,455	4,820	2,518	4,246	1,247

1997

	PRODUCTIVE WELLS (a)				SERVICE WELLS (b)	
	OIL		GAS			
	GROSS	NET	GROSS	NET	GROSS	NET
United States.....	9,661	3,755	3,282	1,451	4,100	1,138
Europe	30	12	58	30	21	8
Other International	19	13	7	2	-	-
Total Consolidated	9,710	3,780	3,347	1,483	4,121	1,146
Equity affiliate (e)	-	-	78	5	-	-
WORLDWIDE	9,710	3,780	3,425	1,488	4,121	1,146

(a) Includes active wells and wells temporarily shut-in. Of the gross productive wells, gross wells with multiple completions operated by Marathon totaled 478, 518 and 335 in 1999, 1998 and 1997, respectively. Information on wells with multiple completions operated by other companies is not available to Marathon. (b) Consist of injection, water supply and disposal wells. (c) Consist of exploratory and development wells. (d) Represents CLAM and Sakhalin Energy. (e) Represents CLAM. (f) Includes Canada.

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The following tables set forth average production costs and sales prices per unit of production for each of the last three years:

AVERAGE PRODUCTION COSTS (a) (DOLLARS PER BOE)	1999 ----	1998 ----	1997 ----
United States.....	\$3.26	\$3.12	\$3.93
International -- Europe.....	4.62	4.29	4.27
-- Other International (c).....	4.66	4.73	3.40
Total Consolidated.....	\$3.73	\$3.55	\$4.01
-- Equity affiliates (d).....	10.02	3.99	5.86
WORLDWIDE	\$3.83	\$3.56	\$4.05

	1999 ----	1998 ----	1997 ----		1999 ----	1998 ----	1997 ----
AVERAGE SALES PRICES (b) (DOLLARS PER BARREL)	CRUDE OIL AND CONDENSATE -----				NATURAL GAS LIQUIDS -----		
United States.....	\$15.78	\$10.60	\$17.32		\$12.30	\$8.64	\$13.28
International -- Europe.....	17.59	12.87	19.37		13.84	11.49	17.85
-- Other International (c).....	16.77	11.31	16.62		13.49	8.38	18.12
Total Consolidated.....	\$16.21	\$11.14	\$17.79		\$12.67	\$9.32	\$14.52
-- Equity affiliates (d)...	23.43	-	-		13.22	12.65	18.40
WORLDWIDE.....	\$16.25	\$11.14	\$17.79		\$12.67	\$9.33	\$14.55

	NATURAL GAS -----		
(DOLLARS PER THOUSAND CUBIC FEET)			
United States	\$1.90	\$1.79	\$2.20
International -- Europe.....	2.03	2.07	2.00
-- Other International (c).....	1.64	1.34	2.10
Total Consolidated.....	\$1.90	\$1.85	\$2.13
-- Equity affiliate (CLAM).....	1.87	2.37	2.73
WORLDWIDE	\$1.90	\$1.86	\$2.15

(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 barrels of oil equivalent using a conversion factor of six mcf of natural gas to one barrel of oil. (b) Prices exclude gains/losses from hedging activities. (c) Includes Canada for 1999 and 1998. (d) Represents CLAM and Sakhalin Energy for 1999 and CLAM only for prior years.

REFINING, MARKETING AND TRANSPORTATION

Refining, Marketing and Transportation operations are primarily conducted by MAP and its subsidiaries, including its wholly-owned subsidiaries, Speedway SuperAmerica LLC and Marathon Ashland Pipe Line LLC. Marathon holds a 62 percent interest in MAP and Ashland Inc. holds a 38 percent interest in MAP.

Since MAP is a consolidated subsidiary of Marathon, operating statistics and financial data applicable to the Marathon Group's RM&T activities include 100 percent of MAP's operations, commencing January 1, 1998.

The following discussion of RM&T operations includes historical data for the three-year period ended December 31, 1999. Operating measures such as refined product yields and refined product sales in 1999 and 1998 include 100 percent of MAP and are not comparable to 1997.

MAP added more than \$100 million in annual, repeatable pre-tax operating efficiencies in 1999, raising its total to more than \$250 million since it began operations. MAP has an established goal to ultimately achieve \$400 million in annual, repeatable operating efficiencies. While MAP will continue to work toward this goal, because of the increasing difficulty in quantifying additional efficiencies, it will no longer report progress toward attaining this goal.

REFINING

MAP owns and operates seven refineries with an aggregate refining capacity of 935,000 barrels of crude oil per calendar day. The table below sets forth the location and daily throughput capacity of each of MAP's refineries as of December 31, 1999:

IN-USE REFINING CAPACITY (BARRELS PER DAY)	
Garyville, LA.....	232,000
Catlettsburg, KY.....	222,000
Robinson, IL.....	192,000
Detroit, MI.....	74,000
Canton, OH.....	73,000
Texas City, TX.....	72,000
St. Paul Park, MN.....	70,000
TOTAL.....	935,000

MAP's refineries include crude oil atmospheric and vacuum distillation, fluid catalytic cracking, catalytic reforming, desulfurization and sulfur recovery units. The refineries have the capability to process a wide variety of crude oils and to produce typical refinery products, including reformulated gasoline. MAP's refineries are integrated via pipelines and barges to maximize operating efficiency. The transportation links that connect the refineries allow the movement of intermediate products to optimize operations and the production of higher margin products. For example, naphtha is moved from Texas City and Catlettsburg to Robinson where excess reforming capacity is available. Gas oil is moved from Robinson to Detroit and Catlettsburg where excess fluid catalytic cracking unit capacity is available. Light cycle oil is moved from Texas City to Robinson where excess desulfurization capacity is available.

MAP also produces asphalt cements, polymerized asphalt, asphalt emulsions and industrial asphalts. MAP manufactures petroleum pitch, primarily used in the graphite electrode, clay target and refractory industries. Additionally, MAP manufactures aromatics, aliphatic hydrocarbons, cumene, base oil and slack wax.

Marathon's 50,000 bpd Indianapolis refinery, which was not contributed to MAP, has remained idled since October 1993. In 1999, the Indianapolis refinery was closed.

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During 1999, MAP's refineries processed 888,000 bpd of crude oil and 139,000 bpd of other charge and blend stocks. The following table sets forth MAP's refinery production by product group for 1999 and 1998 and Marathon's refinery production by product group for 1997:

REFINED PRODUCT YIELDS (THOUSANDS OF BARRELS PER DAY)	1999 ----	1998 ----	1997 ----
Gasoline.....	566	545	353
Distillates.....	261	270	154
Propane.....	22	21	13
Feedstocks & Special Products.....	66	64	36
Heavy Fuel Oil.....	43	49	35
Asphalt.....	69	68	39
	---	---	---
TOTAL.....	1,027	1,017	630
	=====	=====	=====

Planned maintenance activities requiring temporary shutdown of certain refinery operating units ("turnarounds") are periodically performed at each refinery. MAP completed major turnarounds at the St. Paul Park and Catlettsburg refineries in 1999.

MAP and a third party have developed facilities to produce 800 million pounds per year of polymer grade propylene and polypropylene at the Garyville refinery. MAP owns and operates facilities to produce polymer grade propylene, which began production in June 1999. The third party owns and operates the polypropylene facilities and markets its output.

MAP is constructing a delayed coker unit at its Garyville, LA refinery. This unit will allow for the use of heavier, lower cost crude and eliminate 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 Maya crude oil. This is a multi-year contract, which will begin upon completion of the delayed coker unit which is scheduled in the fourth quarter of 2001. In addition, a project to increase crude throughput and light product output is being undertaken at MAP's Robinson, IL refinery and is also expected to be completed in the fourth quarter of 2001.

MARKETING

In 1999, MAP's refined product sales volumes (excluding matching buy/sell transactions) totaled 18.5 billion gallons (1,206,000 bpd). Excluding sales related to matching buy/sell transactions, the wholesale distribution of petroleum products to private brand marketers and to large commercial and industrial consumers, primarily located in the Midwest, the upper Great Plains and the Southeast, accounted for about 65 percent of MAP's refined product sales volumes in 1999. Approximately 48 percent of MAP's gasoline volumes and 78 percent of its distillate volumes were sold on a wholesale basis to independent unbranded customers in 1999.

The following table sets forth the volume of MAP's consolidated refined product sales by product group for 1999 and 1998 and Marathon's consolidated refined product sales by product group for 1997:

REFINED PRODUCT SALES (THOUSANDS OF BARRELS PER DAY)	1999 ----	1998 ----	1997 ----
Gasoline.....	714	671	452
Distillates.....	331	318	198
Propane.....	23	21	12
Feedstocks & Special Products.....	66	67	40
Heavy Fuel Oil.....	43	49	34
Asphalt.....	74	72	39
	----	----	----
TOTAL.....	1,251	1,198	775
	=====	=====	=====
Matching Buy/Sell Volumes included in above.....	45	39	51

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As of December 31, 1999, MAP supplied petroleum products to 3,482 Marathon and Ashland branded retail outlets located primarily in Michigan, Ohio, Indiana, Kentucky and Illinois. Branded retail outlets are also located in West Virginia, Wisconsin, Georgia, Florida, Virginia, Tennessee, Minnesota, Pennsylvania, North Carolina, South Carolina and Alabama.

In 1999, MAP began selling gasoline and diesel fuel under the Marathon brand in Georgia, Florida and Minnesota. MAP plans to develop a significant brand presence

Georgia, Florida and Minnesota. It plans to develop a significant retail presence in these states where it already has the logistical assets in place to support these jobber owned retail outlets.

In 1999, retail sales of gasoline and diesel fuel were also made through limited service and self-service stations and truck stops operated in 21 states by a wholly owned MAP subsidiary, Speedway SuperAmerica LLC ("SSA"). As of December 31, 1999, this subsidiary had 2,433 retail outlets which sold petroleum products and convenience-store merchandise, primarily under the brand names "Speedway" and "SuperAmerica". SSA's revenues from the sale of convenience-store merchandise totaled \$2,056 million in 1999, compared with \$1,827 million in 1998. Profits generated from these sales tend to moderate the margin volatility experienced in the retail sale of gasoline and diesel fuel. The selection of merchandise varies among outlets - 2,182 of SSA's 2,433 outlets at December 31, 1999, had convenience stores which sold a variety of food and merchandise, and the remaining outlets sold selected convenience-store items such as cigarettes, candy and beverages.

On December 10, 1999, MAP finalized the transaction with Ultramar Diamond Shamrock ("UDS") to purchase 178 UDS owned-and-operated convenience stores and 5 product terminals. In addition, MAP was assigned supply contracts with UDS branded jobbers who supply 242 branded jobber stations in Michigan.

MAP plans to sell 284 SSA gasoline stations located in the Midwest and Southeast. These non-core marginal assets comprise less than 12 percent of MAP's owned and operated SSA retail network.

SUPPLY AND TRANSPORTATION

The crude oil processed in MAP's refineries is obtained from negotiated lease, contract and spot purchases or exchanges. In 1999, MAP's negotiated lease, contract and spot purchases of U.S. crude oil for refinery input averaged 349,000 bpd including 23,000 bpd acquired from Marathon. In 1999, 61 percent or 539,000 bpd of the crude oil processed by MAP's refineries was from foreign sources and acquired primarily from various foreign national oil companies, producing companies and traders, of which approximately 319,000 bpd was acquired from the Middle East.

During the second quarter of 1999, MAP sold Scurlock Permian LLC, its crude oil gathering business to Plains Marketing, L.P. Scurlock Permian's crude oil gathering operations were conducted in an area reaching from the Rocky Mountains to the Gulf Coast. In addition, Scurlock Permian LLC was engaged in purchasing, selling and trading crude oil, principally at Midland, Texas; Cushing, Oklahoma and St. James, Louisiana, three of the major distribution points for United States crude oil. MAP retained the western Canadian operations of Scurlock Permian LLC.

MAP operates a system of pipelines and terminals to provide crude oil to its refineries and refined products to its marketing areas. Ninety-three light product and asphalt terminals are strategically located throughout the Midwest, upper Great Plains and Southeast. These facilities are supplied by a combination of pipelines, barges, rail cars and trucks.

At December 31, 1999, MAP owned, leased or had an ownership interest in approximately 383 miles of crude oil gathering lines; 4,091 miles of crude oil trunk lines; and 2,856 miles of products trunk lines. In addition, MAP owned a 46.7 percent interest in LOOP LLC ("LOOP"), which is the owner and operator of the only U.S. deepwater oil port, located 18 miles off the coast of Louisiana; a 49.9 percent interest in LOCAP Inc. ("LOCAP"), which is the owner and operator of a crude oil pipeline connecting LOOP and the Capline system; and a 37.2 percent interest in the Capline system, a large diameter crude oil pipeline extending from St. James, Louisiana to Patoka, Illinois.

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MAP also has a 33.3 percent ownership interest in Minnesota Pipe Line Company, which operates a crude oil pipeline in Minnesota. Minnesota Pipe Line Company provides MAP with access to crude oil common carrier transportation from Clearbrook, Minnesota to Cottage Grove, Minnesota, which is in the vicinity of MAP's St. Paul Park, Minnesota, refinery.

MAP's 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. Construction is currently expected to begin in late 2000. However, the construction schedule is largely dependent on obtaining the necessary rights-of-way, of which over 86 percent have been obtained to date, and final regulatory approvals.

MAP's marine transportation operations include towboats and barges that transport refined products on the Ohio, Mississippi and Illinois rivers, their tributaries, and the Intercoastal Waterway. In early 2000, MAP exercised contract provisions to terminate the long term charters on two single-hulled 80,000-deadweight-ton tankers, which had been "bare boat sub-chartered" to a third party operator. The initial term of these charters was scheduled to expire in 2001 and 2002, subject to certain renewal options. In January 2000, the vessels were returned to the owners.

MAP leases and owns rail cars in various sizes and capacities for movement and storage of petroleum products. MAP also owns and leases a large number of tractors, tank trailers and general service trucks.

The above RM&T discussions include forward-looking statements concerning anticipated operating efficiencies, refinery and pipeline improvement projects and expected sale of assets. Some factors that could potentially cause actual results to differ materially from present expectations include (among others) unanticipated cost or delay associated with implementing shared technology, completing logistical infrastructure projects, leveraging procurement strategies, 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 and regulatory approval constraints. With respect to the expected sale of assets, certain assumptions include (among others)

negotiations with a buyer or buyers, receipt of government approvals, consent of third parties, satisfaction of customary closing conditions and other factors. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those presently anticipated.

OTHER ENERGY RELATED BUSINESSES

NATURAL GAS AND CRUDE OIL MARKETING AND TRANSPORTATION

Marathon owns and operates, as a common carrier, approximately 174 miles of crude oil gathering lines and 187 miles of crude oil trunk lines that were not contributed to MAP. Marathon also owns an interest in the following pipeline systems that were not contributed to MAP. Marathon has a 29 percent interest in Odyssey Pipeline LLC and a 28 percent interest in Poseidon Oil Pipeline Company, LLC, both Gulf of Mexico crude oil pipeline systems. Marathon has a 24 percent interest in Nautilus Pipeline Company, LLC and a 24 percent interest in Manta Ray Offshore Gathering Company, LLC, both Gulf of Mexico natural gas pipeline systems. Marathon has a 17 percent interest in Explorer Pipeline Company and a 2.5 percent interest in Colonial Pipeline Company, both light product pipeline systems extending from the Gulf of Mexico to the Midwest and East Coast, respectively.

Marathon has a 30 percent ownership in a Kenai, Alaska, natural gas liquefaction plant and two 87,500 cubic meter tankers used to transport liquefied natural gas ("LNG") to customers in Japan. Feedstock for the plant is supplied from a portion of Marathon's equity natural gas production in the Cook Inlet. LNG is sold under a long-term contract with two of Japan's largest utility companies which calls for the sale of more than 900 gross bcf over the term of the contract. Marathon has a 30 percent participation in this contract which is effective through

March 31, 2004, and provides an option for a five-year extension. During 1999, LNG deliveries totaled 64 gross bcf (19 net bcf), down from 66 gross bcf (20 net bcf) in 1998.

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In addition to the sale of North American equity oil and natural gas production, Marathon purchases oil and gas from third-party producers and marketers for resale. This activity helps to maximize the value of Marathon's equity production, while meeting customers' needs for secure and source-flexible supplies.

On December 15, 1999, Marathon sold Carnegie Natural Gas Company and its affiliated subsidiaries. The Carnegie companies were engaged in natural gas production, transmission, distribution, sales and storage activities in Pennsylvania and West Virginia.

POWER GENERATION

Marathon, through its wholly owned subsidiary, Marathon Power Company, Ltd.

("Marathon Power"), pursues development, construction, ownership and operation of independent electric power projects in the global electrical power market.

COMPETITION AND MARKET CONDITIONS

The oil and gas industry is characterized by a large number of companies, none of which is dominant within the industry, but a number of which have greater resources than Marathon. Marathon must compete with these companies for the rights to explore for oil and gas. Acquiring the more attractive exploration opportunities frequently requires competitive bids involving substantial front-end bonus payments or commitments to work programs. Based on industry sources, Marathon believes it currently ranks 10th among U.S. based petroleum corporations on the basis of 1998 worldwide liquid hydrocarbon and natural gas production.

Marathon through MAP must also compete with a large number of other companies to acquire crude oil for refinery processing and in the distribution and marketing of a full array of petroleum products. MAP believes it ranks fourth among U.S. petroleum companies on the basis of crude oil refining capacity as of January 1, 2000. MAP competes in three distinct markets -- wholesale, branded and retail distribution -- for the sale of refined products, and believes it competes with about 50 companies in the wholesale distribution of petroleum products to private brand marketers and large commercial and industrial consumers; 11 refiner/marketers in the supply of branded petroleum products to dealers and jobbers; and over 800 petroleum product retailers in the retail sale of petroleum products. Marathon also competes in the convenience store industry through MAP's retail outlets.

The Marathon Group's operating results are affected by price changes in crude oil, natural gas and petroleum products as well as changes in competitive conditions in the markets it serves. Generally, operating results from production operations benefit from higher crude oil and natural gas prices while refining and marketing margins may be adversely affected by crude oil price increases. Market conditions in the oil industry are cyclical and subject to global economic and political events.

EMPLOYEES

The Marathon Group had 32,103 active employees as of December 31, 1999, which included 28,217 MAP employees. Of the MAP total, 21,939 were employees of Speedway SuperAmerica, LLC, primarily representing employees at retail marketing outlets.

Certain hourly employees at the Catlettsburg and Canton refineries are represented by the Paper, Allied-Industrial, Chemical and Energy Workers International Union under labor agreements which expire on January 31, 2002, while certain hourly employees at the Texas City refinery are represented by the same union under a labor agreement which expires on March 31, 2002. Certain hourly employees at the St. Paul Park and Detroit refineries are represented by the International Brotherhood of Teamsters under labor agreements which expire on May 31, 2002 and January 31, 2003, respectively.

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PROPERTY, PLANT AND EQUIPMENT ADDITIONS

For property, plant and equipment additions, see "Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity - Capital Expenditures" for the Marathon Group on page M-30.

ENVIRONMENTAL MATTERS

The Marathon Group maintains a comprehensive environmental policy overseen by the Public Policy Committee of the USX Board of Directors. The Health, Environment and Safety organization has the responsibility to ensure that the Marathon Group's operating organizations maintain environmental compliance systems that are in accordance with applicable laws and regulations. The Health, Environment and Safety Management Committee, which is comprised of officers of the group, is charged with reviewing its overall performance with various environmental compliance programs. Also, the Marathon Group has formed an Emergency Management Team, composed of senior management, which will oversee the response to any major emergency environmental incident throughout the group.

The businesses of the Marathon Group are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations include the Clean Air Act ("CAA") with respect to air emissions, the Clean Water Act ("CWA") with respect to water discharges, the Resource Conservation and Recovery Act ("RCRA") with respect to solid and hazardous waste treatment, storage and disposal, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") with respect to releases and remediation of hazardous substances, and the Oil Pollution Act of 1990 ("OPA-90") with respect to oil pollution and response. In addition, many states where the Marathon Group operates have similar laws dealing with the same matters. These laws and their associated regulations are constantly evolving and many of them have become more stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for laws such as RCRA and the CAA have not yet been finalized or in certain instances are undergoing revision. These environmental laws and regulations, particularly the 1990 Amendments to the CAA, new water quality standards and stricter fuel regulations could result in increased capital, operating and compliance costs.

For a discussion of environmental capital expenditures and costs of compliance for air, water, solid waste and remediation, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies" on page M-31 and "Legal Proceedings" for the Marathon Group on page 37.

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 or the marine transportation of crude oil or refined products.

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AIR

The CAA imposes stringent limits on air emissions, establishes a federally mandated operating permit program and allows for civil and criminal enforcement sanctions. The principal impact of the CAA on the Marathon Group is on its RM&T operations. The CAA also establishes attainment deadlines and control requirements based on the severity of air pollution in a geographical area. It is estimated that, from 2000 to 2003, the Marathon Group, which includes all seven MAP refineries, may spend approximately \$90 million in order to comply with the proposed Maximum Achievable Control Technology ("MACT") Phase II standards under the CAA. These standards require new control equipment on Fluid Catalytic Cracking Units and other units. In addition, the standards for RFG became even more stringent in the year 2000, when Phase II Complex Model RFG was required. New Tier II Fuels regulations were proposed in late 1999 and the Environmental Protection Agency ("EPA") has stated that it will finalize these rules early in 2000. These rules are expected to require reduced sulfur levels in gasoline. These proposed regulations, as ultimately adopted, would not take effect until sometime after 2002. It is anticipated that if final regulations are adopted, consistent with the published proposed regulations then, the compliance cost for these regulations could amount to a total of several hundred million dollars spread over a period of several years.

In July 1997, the EPA promulgated more stringent revisions to the National Ambient Air Quality Standards ("NAAQS") for ozone and particulate matter. These revisions have been vacated by the Court of Appeals for the District of Columbia and remanded to the EPA for further action. The EPA has sought review of the matter by the United States Supreme Court. Additionally, in 1998, the EPA published a nitrogen oxide ("NOx") State Implementation Plan ("SIP") call, which would require some 22 states, including many states where the Marathon Group has operations, to revise their SIPs to reduce NOx emissions. This SIP has been stayed pending judicial review. If the new SIP is upheld by the courts, the effective date for any additional NOx control mechanisms to be installed should not be until after May 2003. In December 1999, the EPA granted a petition from several northeastern states requesting that stricter NOx standards be adopted by midwestern states, including several states where the Marathon Group has refineries. It is expected that this recent EPA action may be challenged in court. The impact of the revised NAAQS and NOx standards could be significant to Marathon, but the potential financial effects cannot be reasonably estimated until any necessary judicial review

is concluded and the states, as necessary, develop and implement revised SIPs in response to revised NAAQS and NOx standards.

WATER

The Marathon Group maintains numerous discharge permits as required under the National Pollutant Discharge Elimination System program of the CWA, and has implemented systems to oversee its compliance efforts. In addition, the Marathon Group is regulated under OPA-90 which amended the CWA. Among other requirements, OPA-90 requires the owner or operator of a tank vessel or a facility to maintain an emergency plan to respond to releases of oil or hazardous substances. Also, in case of such releases, OPA-90 requires responsible companies to pay resulting removal costs and damages, provides for substantial civil penalties, and imposes criminal sanctions for violations of this law.

Additionally, OPA-90 requires that new tank vessels entering or operating in domestic waters be double-hulled, and that existing tank vessels that are not double-hulled be retrofitted or removed from domestic service, according to a phase-out schedule. In early 2000, MAP exercised contract provisions to terminate the long term charters on two single-hulled, 80,000-deadweight-ton tankers, which had been "bare boat sub-chartered" to a third party operator. The initial term of these charters was scheduled to expire in 2001 and 2002, subject to certain renewal options. In January 2000, the vessels were returned to the owners. The Coast Guard National Pollution Funds Center has granted permission to Marathon and Ashland to self-insure the financial responsibility amount for liability purposes for MAP's tankers, as provided in OPA-90. In addition, most of the barges, which are used in MAP's river transportation operations, meet the double-hulled requirements of OPA-90. Single-hulled barges owned and operated by MAP are in the process of being phased out. Displaced single-hulled barges will be divested or recycled into docks or floats within MAP's system.

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The Marathon Group operates facilities at which spills of oil and hazardous substances could occur. Several coastal states in which Marathon operates have passed state laws similar to OPA-90, but with expanded liability provisions, including provisions for cargo owner responsibility as well as ship owner and operator responsibility. Marathon has implemented emergency oil response plans for all of its components and facilities covered by OPA-90.

SOLID WASTE

The Marathon Group continues to seek methods to minimize the generation of hazardous wastes in its operations. 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 underground storage tanks ("USTs") containing regulated substances. Since the EPA has not yet promulgated implementing regulations for all provisions of RCRA

EPA has not yet promulgated implementing regulations for all provisions of RCRA and has not yet made clear the practical application of all the implementing regulations it has promulgated, the ultimate cost of compliance cannot be accurately estimated. In addition, new laws are being enacted and regulations are being adopted by various regulatory agencies on a continuing basis, and the costs of compliance with these new rules can only be broadly appraised until their implementation becomes more accurately defined.

REMEDATION

The Marathon Group operates certain retail outlets where, during the normal course of operations, releases of petroleum products from USTs have occurred. Federal and state laws require that contamination caused by such releases at these sites be assessed and remediated to meet applicable standards. The enforcement of the UST regulations under RCRA has been delegated to the states which administer their own UST programs. The Marathon Group's obligation to remediate such contamination varies, depending upon the extent of the releases and the stringency of the laws and regulations of the states in which it operates. A portion of these remediation costs may be recoverable from the appropriate state UST reimbursement fund once the applicable deductible has been satisfied. Accruals for remediation expenses and associated reimbursements are established for sites where contamination has been determined to exist and the amount of associated costs is reasonably determinable.

As a general rule, Marathon and Ashland retained responsibility for certain costs of remediation arising out of the prior ownership and operation of those businesses transferred to MAP. Such continuing responsibility, in certain situations, may be subject to threshold or sunset agreements which gradually diminish this responsibility over time.

USX is also involved in a number of remedial actions under RCRA, CERCLA and similar state statutes related to the Marathon Group. It is possible that additional matters relating to the Marathon Group may come to USX's attention which may require remediation.

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U. S. STEEL GROUP

The U. S. Steel Group includes U. S. Steel, the largest steel producer in the United States, which is engaged in the production and sale of steel mill products, coke, and taconite pellets; the management of mineral resources; domestic coal mining; real estate development; and engineering and consulting services. 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, VSZ U. S. Steel, s. r.o., Republic Technologies International, LLC ("Republic"), and until March 31, 1999, RTI International Metals, Inc. ("RTI"). U. S. Steel Group revenues as a percentage of total USX consolidated revenues were approximately 18 percent in 1999, 22 percent in 1998 and 31 percent in 1997.

The following table sets forth the total revenues of the U. S. Steel Group for each of the last three years.

REVENUES (MILLIONS)	1999 -----	1998 -----	1997 -----
Sales by product:			
Sheet and Semi-finished Steel Products.....	\$ 3,345	\$ 3,501	\$ 3,820
Tubular, Plate, and Tin Mill Products	1,118	1,513	1,754
Raw Materials (Coal, Coke and Iron Ore).....	505	679	724
Other (a).....	414	490	517
Income (loss) from affiliates.....	(89)	46	69
Gain on disposal of assets.....	21	54	57
TOTAL U. S. STEEL GROUP REVENUES	<u>\$ 5,314</u>	<u>\$ 6,283</u>	<u>\$ 6,941</u>

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

For additional financial information about USX's industry segments, see "Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - 9. Group and Segment Information" on page U -13.

The total number of active U. S. Steel Group employees at year-end 1999 was 18,666. Most hourly and certain salaried employees are represented by the United Steelworkers of America ("USWA"). In August, members of the USWA ratified a new five-year labor contract, effective August 1, 1999, covering approximately 14,500 employees. The new labor contract, which includes \$2.00 in hourly wage increases phased in over the term of the agreement beginning in 2000 as well as pension and other benefit improvements for active and retired employees and spouses, will result in higher labor and benefit costs for the U. S. Steel Group each year throughout the term of the contract. Management believes that this agreement is competitive with labor agreements reached by U. S. Steel's major domestic integrated competitors and thus does not believe that U. S. Steel's competitive position with regard to such competitors will be materially affected.

U. S. Steel Mining Company, LLC ("U. S. Steel Mining") entered into a five-year contract with the United Mine Workers of America ("UMWA"), effective January 1, 1998, covering approximately 1,000 employees. This agreement follows that of other major mining companies.

RECENT DEVELOPMENT

U. S. Steel announced on February 24, 2000, that it entered into a strategic alliance with e-STEEL Corporation, a leading online exchange for the global steel industry. e-STEEL provides an easy-to-use, secure web site where both steel buyers and sellers can initiate, describe, specifically target, negotiate in real time, and conclude transactions online. U. S. Steel plans to use the e-STEEL exchange for prime and non-prime transactions. As part of the agreement, U. S. Steel has taken a minority

stake in e-STEEL. e-STEEL also entered into agreements with USX Engineers and Consultants, Inc., a wholly owned subsidiary of USX, for joint marketing and implementation of system integration services.

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STEEL INDUSTRY BACKGROUND AND COMPETITION

The domestic steel industry is cyclical and highly competitive and is affected by excess world capacity, which has restricted price increases during periods of economic growth and led to price decreases during economic contraction. In addition, the domestic steel industry, including U. S. Steel, faces competition from producers of materials such as aluminum, cement, composites, glass, plastics and wood in many markets.

U. S. Steel is the largest steel producer in the United States and competes with many domestic and foreign steel producers. Domestic competitors include integrated producers which, like U. S. Steel, use iron ore and coke as primary raw materials for steel production, and mini-mills which primarily use steel scrap and, increasingly, iron bearing feedstocks as raw materials. Mini-mills generally produce a narrower range of steel products than integrated producers, but typically enjoy certain competitive advantages such as lower capital expenditures for construction of facilities and non-unionized work forces with lower employment costs and more flexible work rules. An increasing number of mini-mills utilize thin slab casting technology to produce flat-rolled products. Through the use of thin slab casting, mini-mill competitors are increasingly able to compete directly with integrated producers of flat-rolled products. Depending on market conditions, the additional production generated by flat-rolled mini-mills could have an adverse effect on U. S. Steel's selling prices and shipment levels.

Steel imports to the United States accounted for an estimated 26%, 30% and 24% of the domestic steel market for the years 1999, 1998 and 1997, respectively. Steel imports of hot rolled and cold rolled steel decreased 34% in 1999, compared to 1998. Steel imports of plates decreased 52% compared to 1998. Foreign competitors typically have lower labor costs and are often owned, controlled or subsidized by their governments, allowing their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions. While international trade litigation that was commenced in 1998 and 1999 has provided some relief from dumped and subsidized steel imports, high levels of imported steel are expected to continue to have an adverse affect on future market prices and demand levels for domestic steel.

On September 30, 1998, U. S. Steel joined with 11 other producers, the USWA and the Independent Steelworkers Union ("ISU") to file trade cases against hot-rolled carbon steel products from Japan, Russia, and Brazil. A final antidumping ("AD") order against Japan was issued on June 23, 1999. In the cases against Brazil, on July 7, 1999, the U. S. Department of Commerce ("Commerce") announced final countervailing ("CVD") and AD duty determinations and, contemporaneously, announced that it had entered into agreements with Brazil to suspend the

investigations. In the case against Russia, on July 13, 1999, Commerce announced final AD duty determinations and, contemporaneously, announced that it had entered into an agreement with Russia to suspend the investigation. In addition, Commerce announced that it had also entered into a comprehensive agreement concerning all steel product imports from Russia except for plate products and hot-rolled products. Plate products from Russia are subject to a suspension agreement signed in 1997. On August 16, 1999, U. S. Steel, along with four other integrated domestic producers, filed appeals with the U.S. Court of International Trade challenging the hot-rolled carbon steel suspension agreements with Brazil and Russia.

On February 16, 1999, U. S. Steel joined with four other producers and the USWA to file trade cases against eight countries (Japan, South Korea, India, Indonesia, Macedonia, the Czech Republic, France, and Italy) concerning imports of cut-to-length plate products. AD cases were filed against all the countries and CVD duty cases were filed against all of the countries except Japan and the Czech Republic. On April 2, 1999, the U. S. International Trade Commission ("ITC") determined that the volume of imports from Macedonia and the Czech Republic were negligible, thereby terminating the investigations as to those countries. On February 11, 2000, final AD orders were issued against all the remaining countries, and final CVD orders were issued in all of the remaining CVD cases.

On June 2, 1999, U. S. Steel joined with eight other producers, the USWA and the ISU to file trade cases against twelve countries (Argentina, Brazil, China, Indonesia, Japan, Russia, South Africa, Slovakia, Taiwan, Thailand, Turkey, and Venezuela) concerning imports of cold-rolled sheet products. AD cases were filed against all the countries and CVD duty cases were filed against Brazil, Indonesia, Thailand, and Venezuela. On July 19, 1999, the ITC issued its preliminary determination that the domestic industry was being injured or threatened with injury as the result of imports from all of the countries. It decided, however, to discontinue the investigations of subsidies on imports from Indonesia, Thailand, and Venezuela. After having found preliminary margins against each of the countries in each of the remaining cases, Commerce has announced final AD

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margins against Argentina, Brazil, Japan, Russia, South Africa, and Thailand, and final CVD margins against Brazil. Final decisions from Commerce as to the remaining countries are expected in the first half of 2000. Commerce has announced that it has entered into an agreement with Russia to suspend the investigation. After a final injury hearing, on March 3, 2000, the ITC determined that the imports from Argentina, Brazil, Japan, Russia, South Africa, and Thailand were not causing material injury to the domestic industry, terminating the cases against these countries. The ITC's final injury determination for the remaining six countries is still pending. Cold-rolled sheet represents a significant portion of U.S. Steel shipments and any increase in imports could adversely affect operating results.

On June 30, 1999, U. S. Steel joined with four other producers and the USWA to file trade cases against five countries (the Czech Republic, Japan, Mexico, Romania, and South Africa) concerning imports of large and small diameter carbon and alloy

and certain other, concerning imports of large and small diameter carbon and alloy standard, line, and pressure pipe. On August 13, 1999, the ITC issued its preliminary determination that the domestic industry was being injured or threatened with injury as the result of imports from all of the countries and Commerce has announced preliminary duty determinations in each of the cases. These cases are subject to further investigation by both the ITC and Commerce.

U. S. Steel intends to file additional antidumping and countervailing duty petitions if unfairly traded imports adversely impact, or threaten to adversely impact, the results of the U. S. Steel Group.

On September 1, 1999, Commerce and the ITC published public notices announcing the initiation of the mandatory five-year "sunset reviews" of antidumping and countervailing duty orders issued as a result of the cold-rolled, corrosion-resistant, and cut-to-length plate cases filed by the domestic industry in 1992. Under the "sunset review" procedure, an order must be revoked after five years unless Commerce and the ITC determine that dumping or a countervailable subsidy is likely to continue or recur and that material injury to the domestic industry is likely to continue or recur. Of the 34 orders issued concerning the various products imported from various countries, 28 will be 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 six of the orders (corrosion-resistant, cold-rolled, and cut-to-length plate from Germany; corrosion-resistant from Japan; cold-rolled from the Netherlands; and cut-to-length plate from Romania) will be the subject of a full review. The ITC has indicated that it will conduct full reviews in all 34 of the cases, despite the fact that responses by some of the respondent countries were inadequate.

On October 28, 1999, Weirton Steel, along with the USWA and the ISU, filed a trade case against tin- and chromium-coated steel sheet imports from Japan. In December 1999, the ITC issued its preliminary determination that the domestic industry is being injured as a result of the imports from Japan. Commerce is expected to make an announcement concerning preliminary duty margins by the end of March 2000. This case is subject to further investigation by both the ITC and Commerce.

The U. S. Steel Group's businesses are subject to numerous federal, state and local laws and regulations relating to the storage, handling, emission and discharge of environmentally sensitive materials. U. S. Steel believes that its major domestic integrated steel competitors are confronted by substantially similar conditions and thus does not believe that its relative position with regard to such other competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. For further information, see Environmental Proceedings on page 41, Legal Proceedings on page 40, and Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies on page S-30.

BUSINESS STRATEGY

U. S. Steel produces raw steel at Gary Works in Indiana, Mon Valley Works in Pennsylvania and Fairfield Works in Alabama.

U. S. Steel has responded to competition resulting from excess steel industry capability by eliminating less efficient facilities, modernizing those that remain and entering into joint ventures, all with the objective of focusing production on higher value-added products, where superior quality and special characteristics are of critical importance. These products include bake hardenable steels and coated sheets for the automobile and appliance industries, laminated sheets for the manufacture of motors and electrical equipment, improved tin mill products for the container industry and oil country tubular goods. Several recent modernization projects further support U. S. Steel's objectives of providing value-added products including the dualine coating lines at Fairfield Works and Mon Valley Works for the construction market; the cold mill upgrades at Gary Works and Mon Valley Works; the second hot-dip galvanized sheet line at PRO-TEC and the Fairless Works galvanizing line upgrade for the automotive market. In 1999, U. S. Steel completed the conversion of the Fairfield Works bloom caster and pipemill to use round semifinished steel for tubular production, enhancing U. S. Steel's ability to serve the tubular goods markets. Additional modernization projects in 1999 included the final upgrade of the hot dip galvanizing line at Fairless, the start-up of the 64" pickle line at Mon Valley Works, allowing for the shutdown of older, less productive and higher cost lines, the upgrade of the hot strip mill coilers at Gary Works and the basic oxygen furnace emissions project at Fairfield Works. These projects support U. S. Steel's objective of providing quality value-added products and services to customers.

In addition to the modernization of its production facilities, USX has entered into a number of joint ventures with domestic and foreign partners to take advantage of market or manufacturing opportunities in the sheet, tin mill, tubular, bar and plate consuming industries.

U. S. Steel continues to pursue lower manufacturing cost objectives through continuing cost improvement programs. These initiatives include, but are not limited to, reduced production cycle time, improved yields, increased customer orientation and improved process control.

U. S. STEEL SEGMENT OPERATIONS

U. S. Steel operates plants which produce steel products in a variety of forms and grades. Raw steel production was 12.0 million tons in 1999, compared with 11.2 million tons in 1998 and 12.3 million tons in 1997. Raw steel produced was nearly 100% continuous cast in 1999, 1998 and 1997. Raw steel production averaged 94% of capability in 1999, compared with 88% of capability in 1998 and 97% of capability in 1997. U.S. Steel's stated annual raw steel production capability was 12.8 millions tons for 1999 (7.7 million at Gary Works, 2.8 million at Mon Valley Works and 2.3

million at Fairfield Works).

Steel shipments were 10.6 million tons in 1999, 10.7 million tons in 1998 and 11.6 million tons in 1997. U. S. Steel Group shipments comprised approximately 10.1% of domestic steel shipments in 1999. Exports accounted for approximately 3% of U. S. Steel Group shipments in 1999 and 4% in both 1998 and 1997.

The following tables set forth significant U. S. Steel shipment data by major markets and products for each of the last three years. Such data does not include shipments by joint ventures and other affiliates of USX accounted for by the equity method.

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STEEL SHIPMENTS BY MARKET AND PRODUCT

MAJOR MARKET - 1999 (Thousands of Net Tons)	SHEETS & SEMI-FINISHED STEEL	TUBULAR, PLATE & TIN MILL PRODUCTS	TOTAL
Steel Service Centers.....	1,867	589	2,456
Further Conversion:			
Trade Customers.....	1,257	376	1,633
Joint Ventures.....	1,818	-	1,818
Transportation (Including Automotive).....	1,280	225	1,505
Containers.....	167	571	738
Construction and Construction Products.....	660	184	844
Oil, Gas and Petrochemicals.....	-	363	363
Export.....	246	75	321
All Other.....	819	132	951
TOTAL.....	8,114	2,515	10,629
MAJOR MARKET - 1998 (Thousands of Net Tons)			
Steel Service Centers.....	1,867	696	2,563
Further Conversion:			
Trade Customers.....	706	434	1,140
Joint Ventures.....	1,473	-	1,473
Transportation (Including Automotive).....	1,438	347	1,785
Containers.....	222	572	794
Construction and Construction Products.....	809	178	987
Oil, Gas and Petrochemicals.....	-	509	509
Export.....	226	156	382
All Other.....	867	186	1,053
TOTAL.....	7,608	3,078	10,686
MAJOR MARKET - 1997 (Thousands of Net Tons)			
Steel Service Centers.....	2,020	726	2,746
Further Conversion:			
Trade Customers.....	859	519	1,378
Joint Ventures.....	1,568	-	1,568
Transportation (Including Automotive).....	1,503	255	1,758
Containers.....	216	640	856
Construction and Construction Products.....	889	105	994
Oil, Gas and Petrochemicals.....	-	810	810
Export.....	236	217	453
All Other.....	879	201	1,080
TOTAL.....	8,170	3,473	11,643

The following table lists products and services by facility or business unit:

Gary.....	Sheets; Tin Mill; Plates; Coke
Fairfield.....	Sheets; Tubular
Mon Valley.....	Sheets
Fairless.....	Sheets; Tin Mill
USS-POSCO(a).....	Sheets; Tin Mill
Lorain Tubular Company, LLC.....	Tubular
Republic Technologies International, LLC.(a)	Bar
PRO-TEC(a).....	Galvanized Sheet
VSZ U. S. Steel s. r.o.(a).....	Tin Mill
Clairton.....	Coke
Clairton 1314B Partnership(a).....	Coke
Transtar(a).....	Transportation
Minntac.....	Taconite Pellets
U. S. Steel Mining.....	Coal
Resource Management.....	Administration of Mineral, Coal and Timber Proper
USX Realty Development.....	Real estate sales, leasing and management
USX Engineers and Consultants.....	Engineering and Consulting Services

(a) Equity affiliate

USX and its wholly owned entity, U. S. Steel Mining, have domestic coal properties with demonstrated bituminous coal reserves of approximately 787 million net tons at year-end 1999 compared with approximately 790 million net tons at year-end 1998. The reserves are of metallurgical and steam quality in approximately equal proportions. They are located in Alabama, Illinois, Indiana, Pennsylvania, Tennessee and West Virginia. Approximately 93% of the reserves are owned, and the rest are leased. The leased properties are covered by leases which expire in 2005 and 2012. U. S. Steel Mining's coal production was 6.6 million tons in 1999, compared with 8.2 million tons in 1998 and 7.5 million tons in 1997. Coal shipments were 6.9 million tons in 1999, compared with 7.7 million tons in 1998 and 7.8 million tons in 1997.

USX controls domestic iron ore properties having demonstrated iron ore reserves in grades subject to beneficiation processes in commercial use by U. S. Steel of approximately 726 million tons at year-end 1999, substantially all of which are iron ore concentrate equivalents available from low-grade iron-bearing materials. All demonstrated reserves are located in Minnesota. Approximately 32% of these reserves are owned and the remaining 68% are leased. Most of the leased reserves are covered by a lease expiring in 2058 and the remaining leases have expiration dates ranging from 2021 to 2026. U. S. Steel's iron ore operations at Mt. Iron, Minnesota ("Minntac") produced 14.3 million net tons of taconite pellets in 1999, 15.8 million net tons in 1998 and 16.3 million net tons in 1997. Taconite pellet shipments were 15.0 million tons in 1999, compared with 15.4 million tons in 1998 and 16.4 million tons in 1997.

USX's Resource Management administers the remaining mineral lands and timber lands of U. S. Steel and is responsible for the lease or sale of these lands and their associated resources, which encompass approximately 300,000 acres of surface rights and 1,500,000 acres of mineral rights in 13 states.

USX Engineers and Consultants, Inc. sells technical services worldwide to the steel, mining, chemical and related industries. Together with its subsidiary companies, it provides engineering and consulting services for facility expansions and modernizations, operating improvement projects, integrated computer systems, coal and lubrication testing and environmental projects.

USX Realty Development develops real estate for sale or lease and manages retail and office space, business and industrial parks and residential and recreational properties.

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For significant operating data for U. S. Steel Operations for each of the last five years, see "USX Consolidation Financial Statements and Supplementary Data - Five-Year Operating Summary - U. S. Steel Group" on page U-37.

USX participates directly and through subsidiaries in a number of joint ventures included in the U. S. Steel segment operations. All of the joint ventures are accounted for under the equity method. Certain of the joint ventures and other investments are described below, all of which are at least 50% owned except Transtar, Republic, Acero Prime and the Clairton 1314B Partnership. For financial information regarding joint ventures and other investments, see "Financial Statements and Supplementary Data - Notes to Financial Statements - 15. Investments and Long-term Receivables" for the U. S. Steel Group on page S-15.

USX and Pohang Iron & Steel Co., Ltd. ("POSCO") of South Korea participate in a joint venture, USS-POSCO, which owns and operates the former U.S. Steel Pittsburgh, California Plant. The joint venture markets high quality sheet and tin products, principally in the western United States market area. USS-POSCO produces cold-rolled sheets, galvanized sheets, tin plate and tin-free steel, with hot bands principally provided by U. S. Steel and POSCO. Total shipments by USS-POSCO were approximately 1.6 million tons in 1999.

In August of 1999, USX and Kobe Steel, Ltd. ("Kobe") of Japan completed a transaction that combined the steelmaking and bar producing assets of USS/Kobe Steel Company ("USS/Kobe"), a joint venture which owned and operated the former U. S. Steel Lorain, Ohio Works, with companies controlled by Blackstone Capital Partners II - those companies being Republic Technologies International, Inc., Republic Engineered Steels, Inc. and Bar Technologies, Inc. The new company is known as Republic Technologies International, LLC ("Republic"). In addition, USX made a \$15 million equity investment in Republic. USX owned 50% of USS/Kobe and now owns approximately 16% of Republic, which produces raw steel, semi-finished steel products and bar products. The seamless pipe business of USS/Kobe was excluded from the transaction and reformed as Lorain Tubular Company, LLC, a joint venture between USX and Kobe. At the close of business on December 31, 1999, USX completed the purchase of Kobe's 50% interest in Lorain Tubular Company, LLC which will be included in the U. S. Steel Group.

USX and Kobe also participate in another joint venture, PRO-TEC, which owns and operates two hot-dip galvanizing lines in Leipsic, Ohio. The first galvanizing line commenced operations in early 1993. In November 1998, operations commenced on a second hot-dip galvanized sheet line which expanded PRO-TEC's capacity nearly 400,000 tons a year to 1.0 million tons annually. Total shipments by PRO-TEC were approximately 925,000 tons in 1999.

USX and Worthington Industries Inc. participate in a joint venture known as Worthington Specialty Processing which operates a steel processing facility in Jackson, Michigan. The plant is operated by Worthington Industries, Inc. The facility contains state-of-the-art technology capable of processing master steel coils into both slit coils and sheared first operation blanks including rectangles, trapezoids, parallelograms and chevrons. It is designed to meet specifications for the automotive, appliance, furniture and metal door industries. In 1999, Worthington Specialty Processing processed approximately 397,000 tons.

USX and Rouge Steel Company participate in Double Eagle Steel Coating Company ("DESCO"), a joint venture which operates an electrogalvanizing facility located in Dearborn, Michigan. This facility enables U. S. Steel to further supply the automotive demand for steel with corrosion resistant properties. The facility can coat both sides of sheet steel with zinc or alloy coatings and has the capability to coat one side with zinc and the other side with alloy. Capacity is 870,000 tons of electrogalvanized steel annually, with availability of the facility shared equally by the partners. In 1999, DESCO produced approximately 790,000 tons of electrogalvanized steel.

USX and Olympic Steel, Inc. formed a 50-50 joint venture in 1997 to process laser welded sheet steel blanks at a facility in Van Buren, Michigan. The joint venture conducts business as Olympic Laser Processing. Startup began in 1998. Effective capacity is approximately 2.4 million parts annually. Laser welded blanks are used in the automotive industry for an increasing number of body fabrication applications. U. S. Steel is the venture's primary customer and is responsible for marketing the laser-welded blanks.

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USX owns a 46% interest in Transtar, which in 1988 purchased the former domestic transportation businesses of USX including railroads, a dock company, USS Great Lakes Fleet, Inc. and Warrior & Gulf Navigation Company. Blackstone Transportation Partners, L.P. and Blackstone Capital Partners L.P., both affiliated with The Blackstone Group, together own 53% of Transtar, and the senior management of Transtar owns the remaining 1%.

USX and VSZ a.s., formed a 50-50 joint venture in Kosice, Slovak Republic, for the production and marketing of tin mill products to serve an emerging Central European market. In February 1998, the joint venture, doing business as VSZ U. S. Steel, s. r.o., took over ownership and commenced operation of an existing tin mill facility (VSZ's Ocel plant in Kosice) with an annual production capacity of 140 000

metric tons. In 1999, shipments from the joint venture were approximately 124,000 metric tons. In 2000, VSZ U. S. Steel, s. r.o. will resume its planned tin mill expansion of 200,000 metric tons of capacity.

In 1997, USX entered into the Clairton 1314B Partnership, a strategic partnership with two limited partners to acquire an interest in three coke batteries at Clairton Works. The partnership has an annual coke production capability of 1.5 million tons. In 1999, production of coke totaled 1.4 million tons. U. S. Steel, the general partner, owns a 9.78% interest in the Clairton 1314B Partnership.

In 1997, USX, through its subsidiary, United States Steel Export Company de Mexico, along with Feralloy Mexico, S.R.L. de C.V., and Intacero de Mexico, S.A. de C.V., formed a joint venture for a slitting and warehousing facility in San Luis Potosí, Mexico. In 1999, the joint venture completed its first full year of operations, processing approximately 45,000 tons.

On March 31, 1999, USX irrevocably deposited with a trustee the entire 5.5 million common shares it owned in RTI International Metals, Inc., terminating its ownership interest in RTI. The deposit of the shares also resulted in the satisfaction of USX's obligation under its 6-3/4% Exchangeable Notes 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.

PROPERTY, PLANT AND EQUIPMENT ADDITIONS

For property, plant and equipment additions, including capital leases, see "Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity - Capital Expenditures" for the U. S. Steel Group on page S-29.

ENVIRONMENTAL MATTERS

The U. S. Steel Group maintains a comprehensive environmental policy overseen by the Public Policy Committee of the USX Board of Directors. The Environmental Affairs organization has the responsibility to ensure that the U. S. Steel Group's operating organizations maintain environmental compliance systems that are in accordance with applicable laws and regulations. The Executive Environmental Committee, which is comprised of officers of the U. S. Steel Group, is charged with reviewing its overall performance with various environmental compliance programs. Also, the U. S. Steel Group, largely through the American Iron and Steel Institute, continues its involvement in the negotiation of various air, water, and waste regulations with federal, state and local governments to assure the implementation of cost effective pollution reduction strategies.

The businesses of the U. S. Steel Group are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations include the Clean Air Act ("CAA") with respect to air emissions; the Clean Water Act ("CWA") with respect to water discharges; the Resource Conservation and Recovery Act ("RCRA") with respect to solid and

hazardous waste treatment, storage and disposal; and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") with respect to releases and remediation of hazardous substances. In addition, all states where the U. S. Steel Group operates have similar laws dealing with the same matters. These laws are constantly evolving and becoming increasingly stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for laws such as RCRA and the CAA have not yet been promulgated or in certain instances are undergoing revision. These environmental laws and regulations, particularly the CAA, could result in substantially increased capital, operating and compliance costs.

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For a discussion of environmental capital expenditures and the cost of compliance for air, water, solid waste and remediation, see "Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies" on page S-30 and "Legal Proceedings" for the U. S. Steel Group on page 40.

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 CAA 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. U. S. Steel believes that its major domestic integrated steel competitors are confronted by substantially similar conditions and thus does not believe that its relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods. For further information, see "Legal Proceedings" on page 40, and "Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies" on page S-30.

The 1997 Kyoto Global Climate Change Agreement ("Kyoto Protocol") produced by the United Nations convention on climate change, if ratified by the U. S. Senate, would require restrictions on greenhouse gas emissions in the United States. Options that could be considered by federal regulators to force the reductions necessary to meet these restrictions could escalate energy costs and thereby increase steel production costs. Until action is taken by the U. S. Senate to ratify or reject the Kyoto Protocol, it is not possible to estimate the effect of regulations that may be considered for implementation of emissions restrictions in the United States.

AIR

The CAA imposed more stringent limits on air emissions, established a federally mandated operating permit program and allowed for enhanced civil and criminal enforcement sanctions. The principal impact of the CAA on the U. S. Steel Group is on the coke-making and primary steel-making operations of U. S. Steel, as described in this section. The coal mining operations and sales of U. S. Steel Mining may also be affected.

The CAA requires the regulation of hazardous air pollutants and development and promulgation of Maximum Achievable Control Technology ("MACT") Standards. The amendment to the Chrome Electroplating MACT to include the chrome processes at Gary and Fairless is expected in 2000. The EPA is required to promulgate MACT standards for integrated iron and steel plants and taconite iron ore processing by November 15, 2000. The impact of these new standards could be significant to U. S. Steel, but the cost cannot be reasonably estimated until the rules are finalized.

The CAA specifically addressed the regulation and control of coke oven batteries. The National Emission Standard for Hazardous Air Pollutants for coke oven batteries was finalized in October 1993, setting forth the MACT standard and, as an alternative, a Lowest Achievable Emission Rate ("LAER") standard. Effective January 1998, U. S. Steel elected to comply with the LAER standards. U. S. Steel believes it will be able to meet the current LAER standards. The LAER standards will be further revised in 2010 and additional health risk-based standards are expected to be adopted in 2020. EPA is in the process of developing the Phase II Coke MACT for pushing, quenching and battery stacks which is scheduled to be finalized in 2000. This MACT will impact U. S. Steel, but the cost cannot be reasonably estimated at this time.

The CAA also mandates the nationwide reduction of emissions of acid rain precursors (sulfur dioxide and nitrogen oxides) from fossil fuel-fired electrical utility plants. Specified emission reductions are to be achieved by 2000. Phase I began on January 1, 1995, and applies to 110 utility plants specifically listed in the law. Phase II, which begins on January 1, 2000, will apply to other utility plants which may be regulated under the law. U. S. Steel, like all other electricity consumers, will be impacted by increased electrical energy costs that are expected as electric utilities seek rate increases to comply with the acid rain requirements.

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In September 1997, the EPA adopted revisions to the National Ambient Air Quality Standards for ozone and particulate matter which are significantly more stringent than prior standards. EPA has issued a Nitrogen Oxide ("NOx") State Implementation Plan ("SIP") Call to require certain states to develop plans to reduce NOx emissions focusing on large utility and industrial boilers. The impact of these revised standards could be significant to U. S. Steel, but the cost cannot be reasonably estimated until the final revised standards and the NOx SIP Call are issued and, more importantly, the states implement their State Implementation Plans covering their standards.

In 1999, all of the coal production of U. S. Steel Mining was metallurgical coal, which is primarily used in coke production. While USX believes that the new environmental requirements for coke ovens will not have an immediate effect on U. S. Steel Mining, the requirements may encourage development of steelmaking processes that reduce the usage of coke. The new ozone and particulate matter standards could be significant to U. S. Steel Mining, but the cost is not capable of being reasonably estimated until rules are proposed or finalized.

WATER

The U. S. Steel Group maintains the necessary discharge permits as required under the National Pollutant Discharge Elimination System program of the CWA, and it is in compliance with such permits. In 1998, USX entered into a consent decree with the Environmental Protection Agency ("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 \$30 million over the next six years. Estimated remediation and monitoring costs for this project have been accrued.

SOLID WASTE

The U. S. Steel Group continues to seek methods to minimize the generation of hazardous wastes in its operations. 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. Corrective action under RCRA related to past waste disposal activities is discussed below under "Remediation."

REMEDIATION

A significant portion of the U. S. Steel Group's currently identified environmental remediation projects relate to the remediation of former and present operating locations. These projects include the remediation of the Grand Calumet River (discussed above), and the closure and remediation of permitted hazardous and non-hazardous waste landfills.

The U. S. Steel Group is also involved in a number of remedial actions under

... CERCLA, RCRA and other federal and state statutes, and it is possible that additional matters may come to its attention which may require remediation. For a discussion of remedial actions related to the U. S. Steel Group, see "Legal Proceedings - U. S. Steel Group Environmental Proceedings."

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ITEM 2. PROPERTIES

The location and general character of the principal oil and gas properties, plants, mines, pipeline systems and other important physical properties of USX are described in the Item 1. Business section of this document. Except for oil and gas producing properties, which generally are leased, or as otherwise stated, such properties are held in fee. The plants and facilities have been constructed or acquired over a period of years and vary in age and operating efficiency. At the date of acquisition of important properties, titles were examined and opinions of counsel obtained, but no title examination has been made specifically for the purpose of this document. The properties classified as owned in fee generally have been held for many years without any material unfavorably adjudicated claim.

Several steel production facilities and interests in two liquefied natural gas tankers are leased. See "Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - 11. Leases" on page U-17.

The basis for estimating oil and gas reserves is set forth in "Consolidated Financial Statements and Supplementary Data - Supplementary Information on Oil and Gas Producing Activities - Estimated Quantities of Proved Oil and Gas Reserves" on pages U-32 and U-33.

USX believes that its surface and mineral rights covering reserves are adequate to assure the basic legal right to extract the minerals, but may not yet have obtained all governmental permits necessary to do so.

Unless otherwise indicated, all reserves shown are as of December 31, 1999.

ITEM 3. LEGAL PROCEEDINGS

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

MARATHON GROUP

ENVIRONMENTAL PROCEEDINGS

The following is a summary of proceedings attributable to the Marathon Group that were pending or contemplated as of December 31, 1999, under federal and state environmental laws. Except as described herein, it is not possible to predict accurately the ultimate outcome of these matters; however, management's belief set forth in the first paragraph under Item 3. "Legal Proceedings" above takes such matters into account.

Claims under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and related state acts have been raised with respect to the cleanup of various waste disposal and other sites. CERCLA is intended to expedite the cleanup of hazardous substances without regard to fault. Potentially responsible parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several. Because of various factors including the ambiguity of the regulations, the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques and the amount of damages and cleanup costs and the time period during which such costs may be incurred, USX is unable to reasonably estimate its ultimate cost of compliance with CERCLA.

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Projections, provided in the following paragraphs, of spending for and/or timing of completion of specific projects are forward-looking statements. These forward-looking statements are based on certain assumptions including, but not limited to, the factors provided in the preceding paragraph. To the extent that these assumptions prove to be inaccurate, future spending for, or timing of completion of environmental projects may differ materially from those stated in forward-looking statements.

At December 31, 1999, USX had been identified as a PRP at a total of 15 CERCLA waste sites related to the Marathon Group. Based on currently available information, which is in many cases preliminary and incomplete, USX believes that its liability for cleanup and remediation costs in connection with each of these sites will be under \$1 million per site, and most will be under \$100,000.

In addition, there are 8 waste 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 110 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, 17 were associated with properties conveyed to MAP by Ashland which has retained liability for all costs associated with remediation. Based on currently available information, which is in many cases

preliminary and incomplete, the Marathon Group believes that its liability for cleanup and remediation costs in connection with 16 of these sites will be under \$100,000 per site, 33 sites have potential costs between \$100,000 and \$1 million per site, 10 sites may involve remediation costs between \$1 million and \$5 million per site. In addition, future costs for cleanup and remediation at one site, described in the following paragraph is expected to cost more than \$5 million. There are 33 sites with insufficient information to estimate any remediation costs.

There is one site that involves a remediation program in cooperation with the Michigan Department of Environmental Quality at a closed and dismantled refinery site located near Muskegon, Michigan. During the next 5 to 10 years, the Marathon Group anticipates spending between \$5 million and \$10 million at this site. Expenditures for 2000 are expected to be approximately \$1.8 million, most of which will be devoted to the implementation of key, interim remedial measures which will be the cornerstone of a risk-based corrective action plan. The risk based corrective action plan is presently under development, and will be submitted to the Michigan Department of Environmental Quality in 2000.

As discussed in Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies, on page U-46, in October 1998, the National Enforcement Investigations Center and Region V of the United States Environmental Protection Agency ("EPA") conducted a multi-media inspection of MAP's Detroit refinery. Subsequently, in November 1998, Region V and Illinois Environmental Protection Agency conducted a multi-media inspection of MAP's Robinson refinery. These inspections covered compliance with the Clean Air Act (the Act, as amended by the 1990 Amendments, the "CAA") including 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. Although MAP has been advised as to certain compliance issues regarding MAP's Detroit refinery, it is not known when complete findings on the results of the inspections will be issued. Thus far, MAP has been served with two Notices of Violation and three Findings of Violation in connection with the multi-media inspection at its Detroit refinery and one Finding of Violation at its Robinson 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. The Robinson notice alleges noncompliance with a general conduct provision as a result of acid-gas flaring since 1994. The Robinson Refinery is alleged to have routine acid gas flaring arising from a failure to properly operate and maintain the sulfur recovery plant and amine units. MAP can contest the factual and legal basis for the allegations prior to the EPA taking enforcement action. At this time, it is not known when complete findings on the results of these multi-media inspections will be issued.

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In January 1997, a Notice of Violation ("NOV") was served by the Illinois Environmental Protection Agency on the Marathon Group, including Marathon Oil Company (Robinson Refinery and Brand Marketing, now operating organizations

Company (Robinson Refinery and Brand Marketing, now operating organizations within MAP), Marathon Pipe Line Company (now Marathon Ashland Pipe Line LLC) and Emro Marketing Company (now Speedway SuperAmerica LLC), consolidating various alleged violations of federal and state environmental laws and regulations relating to air, water and soil contamination. Based on the ongoing negotiations with Illinois Environmental Protection Agency, a penalty in excess of \$100,000 may be assessed against each of these companies. Negotiations continue with the State Attorney General's office and the Illinois Environmental Protection Agency to resolve these alleged violations. In two of the matters, the State Attorney General's office has instituted civil actions against Speedway SuperAmerica LLC with regards to a UST site in Chicago, Illinois and violations of the CAA dealing with the installation, testing and reporting of Stage II Vapor Recovery Systems in certain station sites in Illinois.

In October 1996, EPA Region 5 issued a Finding of Violation against the Robinson refinery alleging that it does not qualify for an exemption under the National Emission Standards for Benzene Waste Operations pursuant to the CAA, because the refinery's Total Annual Benzene releases exceed the limitation of 10 megagrams per year, and as a result, the refinery is in violation of the emission control, record keeping, and reports requirements. The Marathon Group contends that it does qualify for the exemption. However, in February 1999, the U.S. Department of Justice ("DOJ") in Chicago, Illinois, filed a civil complaint in the U.S. District Court for the Southern District of Illinois alleging six counts of violations of the CAA with respect to the benzene releases.

In connection with the formation of MAP all three of the refineries owned by Ashland Inc. ("Ashland") were conveyed effective January 1, 1998, to MAP or its subsidiaries. Ashland reported in its 1997 Form 10-K, that during 1997, the EPA completed comprehensive inspections of these three refineries, prior to formation of MAP. These inspections evaluated Ashland's compliance with federal environmental laws and regulations at those facilities. Ashland reported in its 1998 Form 10-K, that during 1998, the EPA and Ashland reached an agreement with respect to the alleged violations discovered during those inspections. Ashland reported that it agreed to pay \$5.864 million in civil penalties. Ashland also reported that it would undertake specific remedial projects and improvements at the refinery sites, as well as a number of supplemental environmental projects involving improvements to the facilities' operations. Ashland reported that the total cost of these projects is expected to be \$26 million. Under the terms of its agreements with MAP, Ashland has retained responsibility for matters arising out of these inspections, including commencement of work as soon as practical on certain enumerated projects.

POSTED PRICE LITIGATION

The Marathon Group, alone or with other energy companies, was named in a number of lawsuits in State and Federal courts alleging various causes of action related to crude oil royalty payments. The plaintiff's allegations included underpayment of royalties and severance taxes, antitrust violations, and violation of the Texas common purchaser statute. Governmental entities, individuals and private entities were among the plaintiffs.

A settlement agreement which addressed all private claims (subject to opt-outs) for a period from January 1, 1986 to September 30, 1998 was approved by the U. S. District Court for the Southern District of Texas in April 1999. However, the approval of the settlement has been appealed to the 5th Circuit Court of Appeals.

Marathon and approximately 20 other oil companies have settled a claim by the state of Texas that the oil companies allegedly violated Texas' common purchaser statute and underpaid royalties on oil produced from state lands. Under the settlement the companies paid a total of \$12.6 million.

Marathon was named by relators as a defendant, along with 17 other energy companies, in a lawsuit under the False Claims Act in the U.S. District Court of Texas (Eastern District). This case is scheduled for trial in September 2000. Marathon has recently reached an agreement in principle to settle the case, but finalization of a settlement is expected to take until the fall.

The Marathon Group intends to vigorously defend the remaining cases.

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MANTEO On July 18, 1997, the United States Court of Federal Claims, Case No. 92-331C, entered a judgment in the amount of \$78 million in favor of Marathon Oil Company and against the United States of America. The U. S. government was effectively ordered to return lease bonuses that Marathon paid in 1981 for interest in five oil and gas leases offshore North Carolina. The lawsuit filed in May 1992 alleged, inter alia, that the federal government breached the leases through passage of legislation which disputed the company's rights to explore, develop, and produce hydrocarbons from the leases. The Department of Justice appealed the trial court's decision to the U. S. Court of Appeals for Federal Claims which reversed the trial court. During the fourth quarter of 1999, Marathon's request for Writ of Certiorari to the U.S. Supreme Court was granted. Oral argument is scheduled for March 22, 2000.

U. S. STEEL GROUP

LEGAL PROCEEDINGS

INLAND STEEL PATENT LITIGATION

In July 1991, Inland Steel Company ("Inland") filed an action against USX and another domestic steel producer in the U. S. District Court for the Northern District of Illinois, Eastern Division, alleging defendants had infringed two of Inland's steel-related patents. Inland seeks monetary damages of up to approximately \$50 million and an injunction against future infringement. USX in its answer and counterclaim alleges the patents are invalid and not infringed and seeks a declaratory judgment to such effect. In May 1993, a jury found USX to have infringed the patents. The District Court has yet to rule on the validity of the patents. In July 1993, the U. S. Patent Office rejected the claims of the two Inland patents upon a reexamination of

Patent Office rejected the claims of the two inland patents upon a reexamination at the request of USX and the other steel producer. A further request was submitted by USX to the Patent Office in October 1993, presenting additional questions as to patentability which was granted and consolidated for consideration with the original request. In 1994, the Patent Office issued a decision rejecting all claims of the Inland patents. On September 21, 1999, the Patent Office Board of Appeals affirmed the decision of the Patent Office. Inland filed a notice of appeal with the Court of Appeals for the Federal Circuit on November 17, 1999.

ASBESTOS LITIGATION

USX has been and is a defendant in a large number of cases in which plaintiffs allege injury resulting from exposure to asbestos. Many of these cases involve multiple plaintiffs and most have multiple defendants. These claims fall into three major groups: (1) claims made under the Jones Act and general maritime law by employees of the Great Lakes or Intercoastal Fleets, former operations of USX; (2) claims made by persons who did work at U. S. Steel Group facilities; and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by USX. To date all actions resolved have been either dismissed or settled for immaterial amounts. It is not possible to predict with certainty the outcome of these matters; however, based upon present knowledge, USX believes that the remaining actions will be similarly resolved. This statement of belief is a forward-looking statement. Predictions as to the outcome of pending litigation are subject to substantial uncertainties with respect to (among other things) factual and judicial determinations, and actual results could differ materially from those expressed in the forward-looking statements.

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ENVIRONMENTAL PROCEEDINGS

The following is a summary of the proceedings attributable to the U. S. Steel Group that were pending or contemplated as of December 31, 1999, under federal and state environmental laws. Except as described herein, it is not possible to accurately predict the ultimate outcome of these matters; however, management's belief set forth in the first paragraph under "Item 3. Legal Proceedings" above takes such matters into account.

Claims under CERCLA and related state acts have been raised with respect to the cleanup of various waste disposal and other sites. CERCLA is intended to expedite the cleanup of hazardous substances without regard to fault. PRPs for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several. Because of various factors including the ambiguity of the regulations, the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques and the amount of damages and cleanup costs and the time period during which such costs may be incurred, USX is unable to reasonably estimate its ultimate cost of compliance with CERCLA.

Projections, provided in the following paragraphs, of spending for and/or timing of completion of specific projects are forward-looking statements. These forward-looking statements are based on certain assumptions including, but not limited to, the factors provided in the preceding paragraph. To the extent that these assumptions prove to be inaccurate, future spending for, or timing of completion of environmental projects may differ materially from those stated in forward-looking statements.

At December 31, 1999, USX had been identified as a PRP at a total of 26 CERCLA sites related to the U. S. Steel Group. Based on currently available information, which is in many cases preliminary and incomplete, USX believes that its liability for cleanup and remediation costs in connection with 12 of these sites will be between \$100,000 and \$1 million per site and 7 will be under **\$100,000**.

At the remaining 7 sites, USX presently expects that its share in the remaining cleanup costs at any single site will not exceed \$5 million, although it is not possible to accurately predict the amount of USX's share in any final allocation of such costs. Following is a summary of the status of these sites:

1. At USX's former Duluth, Minnesota Works, USX spent a total of approximately \$11.2 million through 1999. The Duluth Works was listed by the Minnesota Pollution Control Agency under the Minnesota Environmental Response and Liability Act on its Permanent List of Priorities. The EPA has consolidated and included the Duluth Works site with the St. Louis River and Interlake sites on the EPA's National Priorities List. The Duluth Works cleanup has proceeded since 1989. USX is conducting an engineering study of the estuary sediments and the construction of a breakwater in the estuary. Depending upon the method and extent of remediation at this site, future costs are presently unknown and indeterminable.

2. The Buckeye Reclamation Landfill, near St. Clairsville, Ohio, has been used at various times as a disposal site for coal mine refuse and municipal and industrial waste. USX is one of 15 PRPs that have indicated a willingness to enter into an agreed order with the EPA to perform a remediation of the site. Implementation of the remedial design plan, resulting in a long-term cleanup of the site, is estimated to cost approximately \$28.5 million.

One of the PRPs filed suit against the EPA, the Ohio Environmental Protection Agency, and 13 PRPs including USX. The EPA, in turn, filed suit against the PRPs to recover \$1.5 million in oversight costs. In May 1996, USX entered into a final settlement agreement to resolve this litigation and the overall allocation. USX agreed to pay 4.8% of the estimated costs which would result in USX paying an additional amount of approximately \$1.1 million over a two- to three-year period. To date USX has spent \$750,000 at the site. Remediation commenced in 1999.

3. The D'Imperio/Ewan sites in New Jersey are waste disposal sites where a former USX subsidiary allegedly disposed of used paint and solvent wastes. USX has entered into a settlement agreement with the major PRPs at the sites which fixes USX's share of liability at approximately \$1.2 million, \$598,000 of which USX has already paid. The balance, which is expected to be paid over the next several years, has been accrued.

has been accrued.

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4. The Berks Associates/Douglassville Site ("Berks Site") is situated on a 50-acre parcel located on the Schuylkill River in Berks County, Pennsylvania. Used oil and solvent reprocessing operations were conducted on the Berks Site between 1941 and 1986. The EPA undertook the dismantling of the Berks Site's former processing area and instituted a cost recovery suit in July 1991 against 30 former Berks Site customers, as PRPs to recover \$8 million it expended in the process area dismantling. The 30 PRPs targeted by the EPA joined over 400 additional PRPs in the EPA's cost recovery litigation. On June 30, 1993, the EPA issued a unilateral administrative order to the original 30 PRPs ordering remediation which the EPA estimates will cost over \$70 million. In June 1996, the PRPs proposed an alternative remedy estimated to cost approximately \$20 million. USX expects its share of these costs to be approximately 7%. 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 EPA and the DOJ. Remediation will commence in the spring of 2000.

In February 1996, USX and other Berks Site PRPs were sued by the Pennsylvania Department of Environmental Resources ("PaDER") for \$6 million in past costs.

5. In 1987, the California Department of Health Services ("DHS") issued a remedial action order for the GBF/Pittsburg landfill near Pittsburg, California. Records indicate 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. The DHS recently requested that an interim remediation of one of the plumes of site contamination be carried out as soon as possible. The Generators' Cooperative Group has agreed to fund the interim remediation which is expected to cost approximately \$400,000, of which U. S. Steel paid \$43,175. Total remediation costs are estimated to be between \$18 million and \$32 million. In June, 1997, the DHS issued a Remedial Action Plan. Work on the Remedial Action Plan has been deferred while a Group application for an alternative remedy is being reviewed. The GBF Respondents Group has initiated an action against parties implicated at the site who have failed to become involved in cleanup related activities. In 1998, USX entered into an agreement that establishes USX's liability among the site transporter and the other participating waste generators at 10.2%. Liability of the site owner has yet to be established.

6. In 1988, USX and three other PRPs agreed to the issuance of an administrative order by the EPA to undertake emergency removal work at the Municipal & Industrial Disposal Co. site in Elizabeth, Pennsylvania. The cost of such removal, which has been completed, was approximately \$4.2 million, of which USX paid \$3.4 million. The EPA has indicated that further remediation of this site may be required in the future, but it has not conducted any assessment or investigation to support what remediation would be required. In October 1991, the PaDER placed the site on the Pennsylvania State Superfund list and began a Remedial Investigation ("RI") which was issued in 1997. It is not possible to estimate accurately the cost of any remediation or USX's share in any final allocation formula; however, based on

presently available information, USX may have been responsible for as much as 70% of the waste material deposited at the site. On October 10, 1995, the U.S. DOJ filed a complaint in the U.S. District Court for Western Pennsylvania against USX and other Municipal & Industrial Disposal Co. defendants to recover alleged costs incurred at the site. In June 1996, USX agreed to pay \$245,000 to settle the government's claims for costs against USX, American Recovery, and Carnegie Natural Gas. In 1996, USX filed a cost recovery action against parties who did not contribute to the cost of the removal activity at the site. USX has reached a settlement in principle with all of the parties except the site owner. The PRPs are awaiting issuance of the State's Feasibility Study ("FS").

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7. USX participated with 35 other PRPs in performing removal work at the Ekotek/Petrochem site in Salt Lake City, Utah under the terms of a 1991 administrative order negotiated with the EPA. The removal work was completed in 1992 at a cost of over \$9 million. In July 1992, the PRP Remediation Committee negotiated an administrative order on consent to perform a RI/FS of the site. The RI/FS was completed in 1995. A remediation plan estimated to cost \$16.6 million was proposed by the EPA in 1995. In 1997, the EPA issued a revised Record of Decision with a remedial action estimated to cost \$12.2 million. USX has contributed approximately \$1.1 million through 1999 towards completing the removal work and performing the RI/FS. USX's proportionate share of costs presently being used by the PRP Remediation Committee is approximately 5% of the participating PRPs. The PRP Remediation Committee commenced cost recovery litigation against approximately 1,100 non-participating PRPs. Almost all of these defendants have settled their liability or joined the PRP Remediation Committee. In February 1997, the EPA issued an administrative order to USX and other PRPs to undertake the proposed remedial action and to reimburse approximately \$5 million to de minimus PRPs who had earlier settled with the EPA on the basis of a substantially greater remedial cost estimate. On December 15, 1997, USX, along with forty other parties, signed a consent decree to clean up the site. Site cleanup commenced in 1999 and will be substantially complete in 2000.

In addition, there are 12 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.

There are also 32 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. Based on currently available information, which is in many cases preliminary and incomplete, the U. S. Steel Group believes that its liability for cleanup and remediation costs in connection with 4 of these sites will be under \$100,000 per site, another 4 sites have potential costs between \$100,000 and \$1 million per site, and 9 sites may involve remediation costs between \$1 million and \$5 million. Another of the 32 sites, the Grand Calumet River remediation at Gary Works described below, is expected to have remediation costs in excess of \$5

million. Potential costs associated with remediation at the remaining 14 sites are not presently determinable.

The following is a discussion of remediation activities at the U.S. Steel Group's major facilities:

GARY WORKS

In 1990, a consent decree was signed by USX which, among other things, required USX to study and implement a program to remediate the sediment in a portion of the Grand Calumet River. USX has developed a sediment remediation plan for the section of the Grand Calumet River that runs through Gary Works. As proposed, this project would require five to six years to complete after approval and would be followed by an environmental recovery validation. The estimated program cost, which has been accrued, is approximately \$30 million. USX has entered into a consent decree with the EPA which provides for the expanded sediment remediation program and resolves alleged violations of the prior consent decree and National Pollutant Discharge Elimination System permit since 1990. In 1999, USX paid civil penalties of \$2.9 million for alleged violations of the Clean Water Act at Gary Works. In addition, USX has entered into a consent decree with the public trustees to settle natural resource damage claims for the portion of the Grand Calumet River that runs through Gary Works. This settlement obligates USX to purchase and restore several parcels of property and pay \$1.5 million in past and future assessment and monitoring costs. In 1999, USX reimbursed past assessment costs of \$570,000 and purchased properties which were conveyed to trustees.

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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 preassessment screen pursuant to federal regulations and have determined to perform a 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. The PRP group and the trustees are working to coordinate trustee and PRP assessment activities.

On October 23, 1998, a final Administrative Order on Consent was issued by EPA addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires USX to perform a RCRA Facility Investigation ("RFI") and a Corrective Measure Study ("CMS") at Gary Works. The Current Conditions Report, USX's first deliverable, was submitted to EPA in January 1997 and was approved by EPA in 1998. The Phase I RFI work plan was submitted to the EPA in July 1999. In addition, remediation of contaminated sediments in the Gary Vessel Slip has been implemented as an interim measure under the corrective action program. The work is completed and is expected to cost \$2.5 million.

program. The work is completed and is expected to cost \$2.0 million.

IDEM issued NOVs to USS Gary Works in 1994 alleging various violations of air pollution requirements. In early 1996, USX paid a \$6 million penalty and agreed to install additional pollution control equipment and programs and implement programs costing over \$100 million over a period of several years. In 1999, USS Gary Works entered into an Agreed Order with IDEM to resolve outstanding air issues which required the payment of \$207,400 and the installation of equipment at the No. 8 Blast Furnace and the No. 1 BOP to reduce air emissions. In November 1999, IDEM issued to USS Gary Works a NOV alleging various air violations. USS and IDEM are meeting to discuss these allegations.

In February 1999, the USDOJ 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. USS is negotiating with USDOJ and EPA to settle the action.

CLAIRTON

In 1987, USX and the PaDER entered into a consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pennsylvania. That consent Order required USX to pay a penalty of \$50,000 and a monthly payment of \$2,500 for five years. In 1990, USX and the PaDER reached agreement to amend the consent Order. Under the amended Order, USX agreed to remediate the Peters Creek Lagoon (a former coke plant waste disposal site); to pay a penalty of \$300,000; and to pay a monthly penalty of up to \$1,500 each month until the former disposal site is closed. Remediation costs have amounted to \$2.2 million with another \$3.9 million presently projected to complete the project.

FAIRLESS WORKS

In January 1992, USX commenced negotiations with the EPA regarding the terms of an Administrative Order on consent, pursuant to the RCRA, under which USX would perform a RFI and a CMS at Fairless Works. A Phase I RFI report was submitted during the third quarter of 1997. A Phase II/III RFI will be submitted following EPA approval. The RFI/CMS will determine whether there is a need for, and the scope of, any remedial activities at Fairless Works.

FAIRFIELD WORKS

In December 1995, USX reached an agreement in principle with the EPA and the DOJ with respect to alleged RCRA violations at Fairfield Works. A consent decree was signed by USX and the United States and filed with the court on December 11, 1997, under which USX will pay a civil penalty of \$1 million, implement two SEPs costing a total of \$1.75 million and implement a RCRA corrective action at the facility. One SEP was completed during 1998 at a cost of \$250,000. The second SEP is underway.

MON VALLEY WORKS/EDGAR THOMSON PLANT

In September 1997, USX received a draft consent decree addressing issues raised in a NOV issued by the EPA in January 1997. The NOV alleged air quality violations at U. S. Steel's Edgar Thomson Plant, which is part of Mon Valley Works. The draft consent decree addressed these issues, including various operational requirements, which EPA believes are necessary to bring the plant into compliance. USX has begun implementing some of the compliance requirements identified by EPA. USX paid a cash penalty of \$550,000 and agreed to implement five SEPs valued at approximately \$1.5 million in settlement of the government's allegations. On October 28, 1999, the government lodged the consent decree in federal court and the decree became effective February 1, 2000.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The principal market on which Marathon Stock and Steel Stock are traded is the New York Stock Exchange. Information concerning the high and low sales prices for the common stocks as reported in the consolidated transaction reporting system and the frequency and amount of dividends paid during the last two years is set forth in "Consolidated Financial Statements and Supplementary Data - Selected Quarterly Financial Data (Unaudited)" on page U-29.

As of January 31, 2000, there were 70,803 registered holders of Marathon Stock and 55,034 registered holders of Steel Stock.

The Board of Directors intends to declare and pay dividends on Marathon Stock and Steel Stock based on the financial condition and results of operations of the Marathon Group and the U. S. Steel Group respectively, although it has no obligation under Delaware law or the USX Restated Certificate of Incorporation to do so. In determining its dividend policy with respect to Marathon Stock and Steel Stock, the Board will rely on the separate financial statements of the Marathon Group and the U. S. Steel Group, respectively. The method of calculating earnings per share for Marathon Stock and Steel Stock reflects the Board's intent that separately reported earnings and the surplus the Marathon Group and the U. S. Steel Group would have if separately calculated, as determined consistent with the USX Restated Certificate of Incorporation, are available for payment of dividends to the respective classes of stock, although the amount of funds legally available under Delaware law for the payment of dividends on these classes of stock do not

necessarily correspond with these amounts. Dividends on all classes of preferred stock and USX common stock are limited to legally available funds of USX, which are determined on the basis of the entire Corporation. Distributions on Marathon Stock and Steel Stock would be precluded by a failure to pay dividends on any series of preferred stock of USX. In addition, net losses of either group, as well as dividends or distributions on either class of USX common stock or series of preferred stock and repurchases of any class of USX common stock or preferred stock at prices in excess of par or stated value will reduce the funds of USX legally available for payment of dividends on the two classes of USX common stock as well as any preferred stock.

Dividends on Steel Stock are further limited to the Available Steel Dividend Amount. Net losses of the Marathon Group and distributions on Marathon Stock, and on any preferred stock attributed to the Marathon Group will not reduce the funds available for declaration and payment of dividends on Steel Stock unless the legally available funds of USX are less than the Available Steel Dividend Amount.

See "Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - 20. Dividends" on page U-23.

The Board has adopted certain policies with respect to the Marathon Group and the U. S. Steel Group, including, without limitation, the intention to: (i) limit capital expenditures of the U. S. Steel Group over the long term to an amount equal to the internally generated cash flow of the U. S. Steel Group, including funds generated by sales of assets of the U. S. Steel Group, (ii) sell assets and provide services between the Marathon Group and the U. S. Steel Group only on an arm's-length basis and (iii) treat funds generated by sales of Marathon Stock or Steel Stock and securities convertible into such stock as assets of the Marathon Group or the U. S. Steel Group, as the case may be, and apply such funds to acquire assets or reduce liabilities of the Marathon Group or the U. S. Steel Group, respectively. These policies may be modified or rescinded by action of the Board, or the Board may adopt additional policies, without the approval of holders of the two classes of USX common stock, although the Board has no present intention to do so.

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FIDUCIARY DUTIES OF THE BOARD; RESOLUTION OF CONFLICTS

Under Delaware law, the Board must act with due care and in the best interest of all the stockholders, including the holders of the shares of each class of USX common stock. The interests of the holders of any class of USX common stock may, under some circumstances, diverge or appear to diverge. Examples include the optional exchange of Steel Stock for Marathon Stock at the 10% premium, the determination of the record date of any such exchange or for the redemption of any Steel Stock; the establishing of the date for public announcement of the liquidation of USX and the commitment of capital among the Marathon Group and the U. S. Steel Group.

Because the Board owes an equal duty to all common stockholders regardless of class, the Board is the appropriate body to deal with these matters. In order to

assist the Board in this regard, the Board has adopted policies to serve as guidelines for the resolution of matters involving a conflict or a potential conflict, including policies dealing with the payment of dividends, limiting capital investment in the U. S. Steel Group over the long term to its internally generated cash flow and allocation of corporate expenses and other matters. The Board has been advised concerning the applicable law relating to the discharge of its fiduciary duties to the common stockholders in the context of the separate classes of USX common stock and has delegated to the Audit Committee of the Board the responsibility to review matters which relate to this subject and report to the Board. Under principles of Delaware law and the "business judgement rule," absent abuse of discretion, a good faith determination made by a disinterested and adequately informed Board with respect to any matter having disparate impacts upon holders of Marathon and Steel Stock would be a defense to any challenge to such determination made by or on behalf of the holders of either class of USX common stock.

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ITEM 6. SELECTED FINANCIAL DATA USX - CONSOLIDATED

	DOLLARS IN MILLIONS (EXCEPT PER SHARE DATA)				
	1999	1998	1997	1996	1995
	----	----	----	----	----
STATEMENT OF OPERATIONS DATA:					
Revenues(a) (b).....	\$ 29,583	\$ 28,237	\$ 22,680	\$ 22,872	\$ 20,293
Income from operations(b)	1,863	1,517	1,705	1,779	726
Includes:					
Inventory market valuation					
charges (credits).....	(551)	267	284	(209)	(70)
Gain on ownership change in MAP.	(17)	(245)	-	-	-
Impairment of long-lived assets.	-	-	-	-	675
Income from continuing operations..	\$ 705	\$ 674	\$ 908	\$ 946	\$ 217
Income (loss) from					
discontinued operations.....	-	-	80	6	4
Extraordinary losses.....	(7)	-	-	(9)	(7)
Net income	\$ 698	\$ 674	\$ 988	\$ 943	\$ 214
Noncash credit from exchange of					
preferred stock (c).....	-	-	10	-	-
Dividends on preferred stock.....	(9)	(9)	(13)	(22)	(28)
Net income applicable to					
common stocks.....	\$ 689	\$ 665	\$ 985	\$ 921	\$ 186

(a) Consists of sales, dividend and affiliate income, gain on ownership change in MAP, net gains on disposal of assets, gain on affiliate stock offering and other income. (b) Excludes amounts for the Delhi Companies (sold in 1997), which have been reclassified as discontinued operations. See Note 5 to the USX Consolidated Financial Statements, on page U-11. (c) See Note 23 to the USX Consolidated Financial Statements, on page U-25.

COMMON SHARE DATA
MARATHON STOCK:

Income (loss) before extraordinary losses applicable to Marathon Stock....	\$ 654	\$ 310	\$ 456	\$ 671	\$
Per share-basic (in dollars).....	2.11	1.06	1.59	2.33	(
-Diluted (in dollars).....	2.11	1.05	1.58	2.31	(
Net income (loss) applicable to Marathon Stock.....	654	310	456	664	
Per share-basic (in dollars)	2.11	1.06	1.59	2.31	(
-Diluted (in dollars).....	2.11	1.05	1.58	2.29	(
Dividends paid per share (in dollars)	.84	.84	.76	.70	
Common Stockholders' Equity per share (in dollars).....	15.38	13.95	12.53	11.62	9

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SELECTED FINANCIAL DATA (CONTD.) USX - CONSOLIDATED (CONTD.)

	DOLLARS IN MILLIONS (EXCEPT PER SHARE DATA)				
	1999	1998	1997	1996	1995
STEEL STOCK:					
Income before extraordinary losses applicable to Steel Stock.....	\$ 42	\$ 355	\$ 449	\$ 253	\$ 279
Per share-basic (in dollars)	.48	4.05	5.24	3.00	3.53
-Diluted (in dollars).....	.48	3.92	4.88	2.97	3.43
Net income applicable to Steel Stock.....	35	355	449	251	277
Per share-basic (in dollars)	.40	4.05	5.24	2.98	3.51
-Diluted (in dollars).....	.40	3.92	4.88	2.95	3.41
Dividends paid per share (in dollars)	1.00	1.00	1.00	1.00	1.00
Common Stockholders' Equity per share (in dollars).....	23.23	23.66	20.56	18.37	16.10
BALANCE SHEET DATA-DECEMBER 31:					
Capital expenditures-for year.....	\$ 1,665	\$ 1,580	\$ 1,373	\$ 1,168	\$ 1,016
Total assets.....	22,962	21,133	17,284	16,980	16,743
Capitalization:					
Notes payable.....	\$ -	\$ 145	\$ 121	\$ 81	\$ 40
Total long-term debt.....	4,283	3,991	3,403	4,212	4,937
Preferred stock of subsidiary(a)...	250	250	250	250	250
Trust preferred securities(a)...	183	182	182	-	-
Minority interest in MAP.....	1,753	1,590	-	-	-
Redeemable Delhi Stock(b).....	-	-	195	-	-
Preferred stock.....	3	3	3	7	7
Common stockholders' equity.....	6,853	6,402	5,397	5,015	4,321
Total capitalization.....	\$ 13,325	\$ 12,563	\$ 9,551	\$ 9,565	\$ 9,555
Ratio of earnings to fixed charges(c)	4.32	3.56	3.79	3.65	1.58
Ratio of earnings to combined fixed charges and preferred stock dividends(c).....	4.20	3.45	3.63	3.41	1.46

(a) See Note 23 to the USX Consolidated Financial Statements, on page U-25.

(b) On January 26, 1998, USX redeemed all of the outstanding shares of Delhi Stock. For additional information regarding Delhi Stock, see Income Per Common Share on page U-3, and Note 5 to the USX Consolidated Financial Statements, on page U-11.

(c) Amounts represent combined fixed charges and earnings from continuing operations.

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SELECTED FINANCIAL DATA (CONTD.) USX - MARATHON GROUP

		DOLLARS IN MILLIONS (EXCEPT PER SHARE DATA)				
	1999	1998	1997	1996	1995	
	----	----	----	----	----	
STATEMENT OF OPERATIONS DATA:						
Revenues(a).....	\$ 24,327	\$ 21,977	\$ 15,846	\$ 16,289	\$ 13,793	
Income from operations.....	1,713	938	932	1,296	147	
Includes:						
Inventory market valuation						
charges (credits).....	(551)	267	284	(209)	(70)	
Gain on ownership change in MAP.	(17)	(245)	-	-	-	
Impairment of long-lived assets.	-	-	-	-	659	
Income (loss) before extraordinary						
losses.....	654	310	456	671	(83)	
Net income (loss).....	\$ 654	\$ 310	\$ 456	\$ 664	\$ (88)	
Dividends on preferred stock.....	-	-	-	-	(4)	
	-----	-----	-----	-----	-----	
Net income (loss) applicable to						
Marathon Stock.....	\$ 654	\$ 310	\$ 456	\$ 664	\$ (92)	

PER COMMON SHARE DATA						
Income (loss) before extraordinary						
losses						
- basic	\$ 2.11	\$ 1.06	\$ 1.59	\$ 2.33	\$ (.31)	
- diluted.....	2.11	1.05	1.58	2.31	(.31)	
Net income (loss)-basic.....	2.11	1.06	1.59	2.31	(.33)	
- diluted.....	2.11	1.05	1.58	2.29	(.33)	
Dividends paid.....	.84	.84	.76	.70	.68	
Common stockholders' equity.....	15.38	13.95	12.53	11.62	9.99	

BALANCE SHEET DATA-DECEMBER 31:						
Capital expenditures-for year.....	\$ 1,378	\$ 1,270	\$ 1,038	\$ 751	\$ 642	
Total assets.....	15,705	14,544	10,565	10,151	10,109	
Capitalization:						
Notes payable.....	\$ -	\$ 132	\$ 108	\$ 59	\$ 31	
Total long-term debt.....	3,368	3,515	2,893	2,906	3,720	
Preferred stock of subsidiary...	184	184	184	182	182	
Minority interest in MAP.....	1,753	1,590	-	-	-	
Common stockholders' equity.....	4,800	4,312	3,618	3,340	2,872	
	-----	-----	-----	-----	-----	
Total capitalization.....	\$ 10,105	\$ 9,733	\$ 6,803	\$ 6,487	\$ 6,805	

(a) Consists of sales, dividend and affiliate income, gain on ownership change in MAP, net gains on disposal of assets and other income.

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SELECTED FINANCIAL DATA (CONTD.) USX - U. S. STEEL GROUP

	DOLLARS IN MILLIONS (EXCEPT PER SHARE DATA)				
	1999	1998	1997	1996	1995
STATEMENT OF OPERATIONS DATA:					
Revenues(a).....	\$ 5,314	\$ 6,283	\$ 6,941	\$ 6,670	\$ 6,557
Income from operations.....	150	579	773	483	582
Includes:					
Impairment of long-lived assets	-	-	-	-	16
Income before extraordinary					
losses.....	51	364	452	275	303
Net income.....	\$ 44	\$ 364	\$ 452	\$ 273	\$ 301
Noncash credit from exchange					
of preferred stock(b).....	-	-	10	-	-
Dividends on preferred stock.....	(9)	(9)	(13)	(22)	(24)
Net income applicable to					
Steel Stock.....	\$ 35	\$ 355	\$ 449	\$ 251	\$ 277
PER COMMON SHARE DATA					
Income before extraordinary					
losses					
-basic.....	\$.48	\$ 4.05	\$ 5.24	\$ 3.00	\$ 3.53
-diluted.....	.48	3.92	4.88	2.97	3.43
Net income -basic.....	.40	4.05	5.24	2.98	3.51
-diluted.....	.40	3.92	4.88	2.95	3.41
Dividends paid.....	1.00	1.00	1.00	1.00	1.00
Common stockholders' equity.....	23.23	23.66	20.56	18.37	16.10
BALANCE SHEET DATA-DECEMBER 31:					
Capital expenditures-for year....	\$ 287	\$ 310	\$ 261	\$ 337	\$ 324
Total assets.....	7,525	6,749	6,694	6,580	6,521
Capitalization:					
Notes payable.....	\$ -	\$ 13	\$ 13	\$ 18	\$ 8
Total long-term debt.....	915	476	510	1,087	1,016
Preferred stock of subsidiary..	66	66	66	64	64
Trust Preferred Securities.....	183	182	182	-	-
Preferred stock.....	3	3	3	7	7
Common stockholders' equity....	2,053	2,090	1,779	1,559	1,337
Total capitalization.....	\$ 3,220	\$ 2,830	\$ 2,553	\$ 2,735	\$ 2,432

(a) Consists of sales, dividend and affiliate income, net gains on disposal of assets, gain on affiliate stock offering and other income.

(b) See Note 23 to the USX Consolidated Financial Statements, on page U-25.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not applicable.

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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.....	
Consolidated Statement of Cash Flows.....	
Consolidated Statement of Stockholders' Equity.....	
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Five-Year Operating Summary -- Marathon Group.....	
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MANAGEMENT'S REPORT

The accompanying consolidated financial statements of USX Corporation and Subsidiary Companies (USX) are the responsibility of and have been prepared by USX in conformity with accounting principles generally accepted in the United States. They necessarily include some amounts that are based on best judgments and estimates. The consolidated financial information displayed in other sections of this report is consistent with these consolidated financial statements. USX seeks to assure the objectivity and integrity of its financial records by careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communications programs aimed at assuring that its policies and methods are understood throughout the organization. USX has a comprehensive formalized system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that financial records are reliable. Appropriate management monitors the system for compliance, and the internal auditors independently measure its effectiveness and recommend possible improvements thereto. In addition, as part of their audit of the consolidated financial statements, USX's independent accountants, who are elected by the stockholders, review and test the internal accounting controls selectively to establish a basis of reliance thereon in determining the nature, extent and timing of audit tests to be applied. The Board of Directors pursues its oversight role in the area of financial reporting and internal accounting control through its Audit Committee. This Committee, composed solely of nonmanagement directors, regularly meets (jointly and separately) with the independent accountants, management and internal auditors to monitor the proper discharge by each of its responsibilities relative to internal accounting controls and the consolidated financial statements.

Thomas J. Usher
CHAIRMAN, BOARD OF DIRECTORS
& CHIEF EXECUTIVE OFFICER

Robert M. Hernandez
VICE CHAIRMAN
& CHIEF FINANCIAL OFFICER

Kenneth L. Mathe:
VICE PRESIDENT
& COMPTROLLER

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-28 present fairly, in all material respects, the financial position of USX Corporation and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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, 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

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 the opinion expressed above.

PricewaterhouseCoopers LLP 600 GRANT STREET, PITTSBURGH,
PENNSYLVANIA 15219-2794 FEBRUARY 8, 2000

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CONSOLIDATED STATEMENT OF OPERATIONS

(DOLLARS IN MILLIONS)

1999

REVENUES:

Sales (NOTE 6)	\$ 29,534	\$ 2
Dividend and affiliate income (loss)	(20)	
Net gains on disposal of assets	21	
Gain on ownership change in Marathon Ashland Petroleum LLC (NOTE 3)	17	
Other income	31	
Total revenues	29,583	2

COSTS AND EXPENSES:

Cost of sales (excludes items shown below)	22,143	2
Selling, general and administrative expenses	203	
Depreciation, depletion and amortization	1,254	
Taxes other than income taxes	4,433	
Exploration expenses	238	
Inventory market valuation charges (credits) (NOTE 17)	(551)	
Total costs and expenses	27,720	2

INCOME FROM OPERATIONS

Net interest and other financial costs (NOTE 7)	1,863	
Minority interest in income of Marathon Ashland Petroleum LLC (NOTE 3)	362	
	447	

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

Provision for estimated income taxes (NOTE 12)	1,054	
	349	
INCOME FROM CONTINUING OPERATIONS	705	

DISCONTINUED OPERATIONS (NOTE 5):

Loss from operations (net of income tax)	-	
Gain on disposal (net of income tax)	-	

INCOME FROM DISCONTINUED OPERATIONS

Extraordinary losses (NOTE 8)	-	
	7	

NET INCOME

Noncash credit from exchange of preferred stock (NOTE 23)	698	
Dividends on preferred stock	-	
	(9)	

NET INCOME APPLICABLE TO COMMON STOCKS	\$ 689	\$
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**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)

1999

CONTINUING OPERATIONS
APPLICABLE TO MARATHON STOCK:

Net income	\$	654	\$
PER SHARE DATA:			
Basic		2.11	
Diluted		2.11	

APPLICABLE TO STEEL STOCK:

Income before extraordinary losses	\$	42	\$
Extraordinary losses		7	

Net income	\$	35	\$
------------	----	----	----

PER SHARE DATA

BASIC:			
Income before extraordinary losses	\$	.48	\$
Extraordinary losses		.08	

Net income	\$	.40	\$
------------	----	-----	----

DILUTED:			
Income before extraordinary losses	\$	.48	\$
Extraordinary losses		.08	

Net income	\$	.40	\$
------------	----	-----	----

DISCONTINUED OPERATIONS

APPLICABLE TO DELHI STOCK:

Net income

PER SHARE DATA:

Basic
Diluted

See Note 22, 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 (NOTE 4)	\$
Receivables, less allowance for doubtful accounts of \$12 and \$12 (NOTE 16)	
Inventories (NOTE 17)	
Deferred income tax benefits (NOTE 12)	
Other current assets	

Total current assets

Investments and long-term receivables, less reserves of

\$3 and \$10 (NOTE 14)	
Property, plant and equipment - net (NOTE 13)	1.
Prepaid pensions (NOTE 10)	

Other noncurrent assets	
Total assets	\$ 2.
LIABILITIES	
Current liabilities:	
Notes payable	\$
Accounts payable	
Distribution payable to minority shareholder of Marathon Ashland Petroleum LLC (NOTE 4)	
Payroll and benefits payable	
Accrued taxes	
Accrued interest	
Long-term debt due within one year (NOTE 16)	
Total current liabilities	
Long-term debt (NOTE 16)	
Deferred income taxes (NOTE 12)	
Employee benefits (NOTE 10)	
Deferred credits and other liabilities	
Preferred stock of subsidiary (NOTE 23)	
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust holding solely junior subordinated convertible debentures of USX (NOTE 23)	
Minority interest in Marathon Ashland Petroleum LLC (NOTE 3)	
STOCKHOLDERS' EQUITY (Details on pages U-6 and U-7)	
Preferred stock (NOTE 24) -	
6.50% Cumulative Convertible issued - 2,715,287 shares and 2,767,787 shares (\$136 and \$138 liquidation preference, respectively)	
Common stocks:	
Marathon Stock issued - 311,767,181 shares and 308,458,835 shares (par value \$1 per share, authorized 550,000,000 shares)	
Steel Stock issued - 88,397,714 shares and 88,336,439 shares (par value \$1 per share, authorized 200,000,000 shares)	
Securities exchangeable solely into Marathon Stock - issued - 288,621 shares and 507,324 shares (NOTE 3)	
Additional paid-in capital	
Deferred compensation	
Retained earnings	
Accumulated other comprehensive income (loss)	
Total stockholders' equity	
Total liabilities and stockholders' equity	\$ 2.

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS.**

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CONSOLIDATED STATEMENT OF CASH FLOWS

(DOLLARS IN MILLIONS)

1999

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
OPERATING ACTIVITIES:**

Net income	\$	698	\$
Adjustments to reconcile to net cash provided from operating activities:			
Extraordinary losses		7	
Minority interest in income of Marathon Ashland Petroleum LLC		447	
Depreciation, depletion and amortization		1,254	
Exploratory dry well costs		109	
Inventory market valuation charges (credits)		(551)	
Pensions and other postretirement benefits		(220)	
Deferred income taxes		212	
Gain on disposal of the Delhi Companies		-	
Gain on ownership change in Marathon Ashland Petroleum LLC		(17)	
Net gains on disposal of assets		(21)	

Changes in: Current receivables - sold	(320)	
- operating turnover	(977)	
Inventories	(77)	
Current accounts payable and accrued expenses	1,240	
All other - net	152	
Net cash provided from operating activities	1,936	
INVESTING ACTIVITIES:		
Capital expenditures	(1,665)	(
Acquisition of Tarragon Oil and Gas Limited	-	
Proceeds from sale of the Delhi Companies	-	
Disposal of assets	366	
Restricted cash - withdrawals	60	
- deposits	(61)	
Affiliates- investments	(74)	
- loans and advances	(70)	
- returns and repayments	1	
All other - net	(25)	
Net cash used in investing activities	(1,468)	(
FINANCING ACTIVITIES:		
Commercial paper and revolving credit arrangements - net	(381)	
Other debt - borrowings	810	
- repayments	(242)	(
Common stock - issued	89	
- repurchased	-	
Preferred stock repurchased	(2)	
Dividends paid	(354)	
Distributions to minority shareholder of Marathon Ashland Petroleum LLC	(400)	
Net cash provided from (used in) financing activities	(480)	
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	146	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 133	\$

See Note 18, for supplemental cash flow information. **THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.**

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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

After the redemption of the USX - Delhi Group Common Stock (Delhi Stock) on January 26, 1998 (Note 5), 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 9, 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 a Canadian company. (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

or all or substantially all the properties and assets of the U. S. Steel Group, USA 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			Shares in thousands		
	1999	1998	1997	1999	1998	1997
PREFERRED STOCK (NOTE 24) -						
6.50% Cumulative Convertible:						
Outstanding at beginning of year	\$ 3	\$ 3	\$ 7	2,768	2,962	6,900
Repurchased	-	-	-	(53)	(194)	-
Exchanged for trust preferred securities	-	-	(4)	-	-	(3,938)
Outstanding at end of year	\$ 3	\$ 3	\$ 3	2,715	2,768	2,962
COMMON STOCKS:						
Marathon Stock:						
Outstanding at beginning of year	\$ 308	\$ 289	\$ 288	308,459	288,786	287,525
Issued in public offering	-	17	-	67	17,000	-
Issued for:						
Employee stock plans	3	2	1	2,903	2,236	1,209
Dividend Reinvestment and	-	-	-	120	66	52
Direct Stock Purchase Plan	-	-	-	218	371	-
Exchangeable Shares	1	-	-	-	-	-
Outstanding at end of year	\$ 312	\$ 308	\$ 289	311,767	308,459	288,786
Steel Stock:						
Outstanding at beginning of year	\$ 88	\$ 86	\$ 85	88,336	86,578	84,885
Issued for:						
Employee stock plans	-	2	1	62	1,733	1,416
Dividend Reinvestment and	-	-	-	-	25	277
Direct Stock Purchase Plan	-	-	-	-	-	-
Outstanding at end of year	\$ 88	\$ 88	\$ 86	88,398	88,336	86,578
Delhi Stock:						
Outstanding at beginning of year	\$ -	\$ -	\$ 9	-	-	9,448
Canceled - employee stock plans	-	-	-	-	-	(3)
Reclassified to redeemable Delhi Stock	-	-	(9)	-	-	(9,445)
Outstanding at end of year	\$ -	\$ -	\$ -	-	-	-
Securities exchangeable solely into						
Marathon Stock:						
Outstanding at beginning of year	\$ 1	\$ -	\$ -	507	-	-
Issued to acquire Tarragon stock	-	1	-	-	878	-
Exchanged for Marathon Stock	(1)	-	-	(218)	(371)	-
Outstanding at end of year	\$ -	\$ 1	\$ -	289	507	-

(Table continued on next page) **U-6**

(DOLLARS IN MILLIONS)	STOCKHOLDERS' EQUITY			COMPREHENSIVE INCOME		
	1999	1998	1997	1999	1998	1997

ADDITIONAL PAID-IN CAPITAL:							
Balance at beginning of year	\$4,587	\$3,924	\$ 4,150				
Marathon Stock issued	92	598	38				
Steel Stock issued	2	57	52				
Exchangeable Shares:							
Issued	-	28	-				
Exchanged for Marathon Stock	(6)	(12)	-				
6.50% preferred stock:							
Repurchased	(2)	(8)	-				
Exchanged for trust preferred securities	-	-	(188)				
Reclassified to redeemable Delhi Stock	-	-	(128)				
Balance at end of year	\$4,673	\$4,587	\$ 3,924				
DEFERRED COMPENSATION (NOTE 19)							
	\$ -	\$ (1)	\$ (3)				
RETAINED EARNINGS:							
Balance at beginning of year	\$1,467	\$1,138	\$ 517				
Net income	698	674	988	\$ 698	\$ 674	\$ 988	
Dividends on preferred stock	(9)	(9)	(13)				
Dividends on Marathon Stock (per share: \$.84 in 1999 and 1998 and \$.76 in 1997)	(261)	(248)	(219)				
Dividends on Steel Stock (per share \$1.00)	(88)	(88)	(86)				
Dividends on Delhi Stock (per share \$.15)	-	-	(1)				
Reclassified to redeemable Delhi Stock	-	-	(58)				
Noncash credit from exchange of preferred stock	-	-	10				
Balance at end of year	\$1,807	\$1,467	\$ 1,138				
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):							
Minimum pension liability adjustments:							
Balance at beginning of year	\$ (37)	\$ (32)	\$ (22)				
Changes during year, net of taxes(a)	27	(5)	(10)	27	(5)	(10)	
Balance at end of year	(10)	(37)	(32)				
Foreign currency translation adjustments:							
Balance at beginning of year	\$ (11)	\$ (8)	\$ (8)				
Changes during year, net of taxes(a)	(6)	(3)	-	(6)	(3)	-	
Balance at end of year	(17)	(11)	(8)				
Unrealized holding gains on investments:							
Balance at beginning of year	\$ -	\$ 3	\$ -				
Changes during year, net of taxes(a)	(1)	2	3	(1)	2	3	
Reclassification adjustment included in net income	1	(5)	-	1	(5)	-	
Balance at end of year	-	-	3				
Total balances at end of year	\$ (27)	\$ (48)	\$ (37)				
TOTAL COMPREHENSIVE INCOME (b)				\$ 719	\$ 663	\$ 981	
TOTAL STOCKHOLDERS' EQUITY							
	\$6,856	\$6,405	\$ 5,400				
(a) Related income tax provision (credit):	1999	1998	1997				
Minimum pension liability adjustments	\$ (13)	\$ 3	\$ 5				
Foreign currency translation adjustments	3	4	-				
Unrealized holding gains on investments	-	2	(1)				
(b) Total comprehensive income by Group:							
Marathon Group	\$ 660	\$ 306	\$ 457				
U. S. Steel Group	59	357	444				
Delhi Group	-	-	80				
Total	\$ 719	\$ 663	\$ 981				

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS. U-7**

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 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.

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 principally include sales, dividend and affiliate income, gains or losses on the disposal of assets and gains or losses from changes in ownership interests.

SALES - Sales are recognized when products are shipped or services are provided to customers. Consumer excise taxes on petroleum products and merchandise and matching crude oil and refined products buy/sell transactions settled in cash are included in both revenues and costs and expenses, with no effect on income.

DIVIDEND AND AFFILIATE INCOME - Dividend and affiliate 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.

DISPOSAL OF ASSETS - When long-lived assets 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 long-lived assets are reclassified as assets held for sale. Proceeds from disposal of long-lived assets depreciated on a group basis are credited to accumulated depreciation, depletion and amortization with no immediate effect on income.

GAS BALANCING - 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.

CHANGES IN OWNERSHIP INTEREST - Gains or losses from a change in ownership of a consolidated subsidiary or an unconsolidated affiliate are recognized in revenues in the period of change.

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.

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COMMODITY-BASED HEDGING TRANSACTIONS - For transactions that qualify for hedge accounting, the resulting gains or losses are deferred and subsequently recognized in income from operations, as a component of sales or cost of sales, 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

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 sales, cost of sales, interest income or expense, or other income, as appropriate. Forward exchange contracts are recorded as receivables or payables, as appropriate.

EXPLORATION AND DEVELOPMENT - USX follows the successful efforts method of accounting for oil and gas exploration and development.

LONG-LIVED ASSETS - Except for oil and gas producing properties, depreciation is generally computed on the straight-line method based upon estimated lives of assets. USX's method of computing depreciation for 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, considered the normal long-range level.

Depreciation and depletion of oil and gas producing properties are computed using predetermined rates based upon estimated proved oil and gas reserves applied on a units-of-production method.

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

USX evaluates impairment of its oil and gas producing assets primarily on a field-by-field basis using undiscounted cash flows based on total proved reserves. Other assets are evaluated 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.

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 1999 classifications.

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2. NEW ACCOUNTING STANDARDS

Effective January 1, 1997, USX adopted American Institute of Certified Public Accountants Statement of Position No. 96-1, "Environmental Remediation Liabilities" (SOP 96-1), which provides additional interpretation of existing accounting standards related to recognition, measurement and disclosure of environmental remediation liabilities. As a result of adopting SOP 96-1, USX identified additional environmental remediation liabilities of \$46 million, of which \$28 million was discounted to a present value of \$13 million and \$18 million was not discounted. Assumptions used in the calculation of the present value amount included an inflation factor of 2% and an interest rate of 7% over a range of 22 to 30 years. Estimated receivables for recoverable costs related to adoption of SOP 96-1 were \$4 million. The net unfavorable effect of adoption on income from operations at January 1, 1997, was \$27 million. 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). This new Standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle. Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment. This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings. USX cannot reasonably estimate the effect of adoption on either the financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

3. BUSINESS COMBINATIONS

In August 1998, Marathon Oil Company (Marathon) acquired Tarragon Oil and Gas

On August 1, 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, which is included in 1998 revenues. In accordance with MAP closing agreements, Marathon and Ashland 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 \$17 million in 1999.

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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.

The following unaudited pro forma data for USX includes the results of operations of Tarragon for 1998 and 1997, and the Ashland RM&T net assets for 1997, giving effect to the acquisitions as if they 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 MILLIONS, EXCEPT PER SHARE AMOUNTS)	1998	1997
Revenues	\$ 28,331	\$30,259
Net income	643 (a)	989 (a)
Net income per common share of Marathon Stock - Basic and diluted	.95	1.58

(a)Excluding the pro forma inventory market valuation adjustment, pro forma net income would have been \$747 million in 1998 and \$1,151 million in 1997. Reported net income, excluding the reported inventory market valuation adjustment, would have been \$778 million in 1998 and \$1,167 million in 1997.

4. TRANSACTIONS BETWEEN MAP AND ASHLAND

At December 31, 1999 and 1998, MAP had current receivables from Ashland of \$26 million and \$22 million, respectively, and current payables to Ashland of \$2 million at December 31, 1999, and at December 31, 1998, \$106 million, including distributions payable. At December 31, 1998, MAP's cash and cash equivalents included a \$103 million demand note invested with Ashland, which was repaid in January 1999. MAP has a \$190 million short-term revolving credit agreement with Ashland. Interest on borrowings is based on the Federal Funds Rate in effect each day during the period plus 0.30 of 1%. At December 31, 1999, there were no borrowings against this facility. During 1999 and 1998, MAP's sales to Ashland consisting primarily of petroleum products, were \$198 million and \$185 million, respectively, and MAP's purchases of products and services from Ashland were \$25 million and \$45 million, respectively. These transactions were conducted under terms comparable to those with unrelated parties.

5. DISCONTINUED OPERATIONS

Effective October 31, 1997, USX sold its stock in Delhi Gas Pipeline Corporation and other subsidiaries of USX that comprised all of the Delhi Group (Delhi Companies). The transaction involved a gross purchase price of \$762 million. Under the USX Restated Certificate of Incorporation (USX Certificate), USX was required to elect one of three options to return the value of the net proceeds received in the transaction to the holders of shares in Delhi Stock (Delhi shareholders). Of the three options, 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. The sale of the Delhi Companies resulted in a gain on disposal of \$81 million, net of \$206 million income taxes. The financial results of the Delhi Group have been reclassified as discontinued

operations for 1997 as presented in the Consolidated Statement of Operations and are summarized as follows:

(IN MILLIONS)	1997 (a)
Revenues	\$ 1,205
Costs and expenses	1,190
Income from operations	15
Net interest and other financial costs	23
Loss before income taxes	(8)
Credit for estimated income taxes	(7)
Net loss	\$ (1)

(a) Represents ten months of operations.

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6. REVENUES

The items below are included in revenues and costs and expenses, with no effect on income (IN MILLIONS)

	1999	1998
Consumer excise taxes on petroleum products and merchandise	\$ 3,973	\$ 3,821
Matching crude oil and refined product buy/sell transactions settled in cash	3,539	3,941

7. OTHER ITEMS

(IN MILLIONS)

	1999	1998
NET INTEREST AND OTHER FINANCIAL COSTS FROM CONTINUING OPERATIONS		
INTEREST AND OTHER FINANCIAL INCOME:		
Interest income	\$ 16	\$ 3
Other	(13)	.
Total	3	3
INTEREST AND OTHER FINANCIAL COSTS:		
Interest incurred	326	32
Less interest capitalized	26	4
Net interest	300	27
Interest on tax issues	20	2
Financial costs on trust preferred securities	13	1
Financial costs on preferred stock of subsidiary	22	2
Amortization of discounts	3	.
Expenses on sales of accounts receivable	15	2
Adjustment to settlement value of indexed debt	(13)	(4)
Other	5	.
Total	365	31
NET INTEREST AND OTHER FINANCIAL COSTS	\$ 362	\$ 27

FOREIGN CURRENCY TRANSACTIONS For 1999, 1998 and 1997, the aggregate foreign currency transaction gains (losses) included in determining income from continuing operations were \$(12) million, \$13 million and \$4 million, respectively.

8. 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 6 3/4% 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. In December 1996, USX had issued \$117 million of notes indexed to the common share price of RTI. At maturity, USX would have been required to exchange the notes for shares of RTI common stock, or redeem the notes for the equivalent amount of cash. 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. USX had a 26% investment in RTI and accounted for its investment using the equity method of accounting. Republic Technologies International, LLC, an equity method affiliate of USX, recorded in 1999 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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9. GROUP AND SEGMENT INFORMATION

After the redemption of the Delhi Stock on January 26, 1998, 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 82% in 1999, 78% in 1998 and 69% in 1997.

U. S. STEEL GROUP - The U. S. Steel Group consists of U. S. Steel, the largest domestic integrated steel producer. U. S. Steel Group revenues as a percentage of total consolidated USX revenues were 18% in 1999, 22% in 1998 and 31% in 1997.

GROUP OPERATIONS:

(IN MILLIONS)	Year	Revenues	Income From Operations	Net Income	Capital Expenditures
Marathon Group	1999	\$ 24,327	\$ 1,713	\$ 654	\$ 1,378
	1998	21,977	938	310	1,270
	1997	15,846	932	456	1,038
U. S. Steel Group	1999	5,314	150	44	287
	1998	6,283	579	364	310
	1997	6,941	773	452	261
Adjustments for Discontinued Operations and Eliminations	1999	(58)	-	-	-
	1998	(23)	-	-	-
	1997	(107)	-	80	74
Total USX Corporation	1999	\$ 29,583	\$ 1,863	\$ 698	\$ 1,665
	1998	28,237	1,517	674	1,580
	1997	22,680	1,705	988	1,373

SALES BY PRODUCT:
(IN MILLIONS)

	1999	1998
Marathon Group		
Refined products	\$ 10,873	\$ 8,750
Merchandise	2,088	1,873
Liquid hydrocarbons	2,159	1,818
Natural gas	1,381	1,144
Transportation and other products	199	271
U. S. Steel Group		
Sheet and semi-finished steel products	\$ 3,345	\$ 3,501
Tubular, plate and tin mill products	1,118	1,513
Raw materials (coal, coke and iron ore)	505	679
Other(a)	414	490

(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 - Pension credits associated with pension plan assets and liabilities allocated to pre-1987 retirees and former businesses - Certain costs related to former U. S. Steel Group business activities - Certain general and administrative costs related to all Marathon Group operating segments in excess of amounts billed to MAP under service contracts and amounts charged out to operating segments under Marathon's shared services procedures - USX corporate general and administrative costs. These costs primarily consist of employment costs including pension effects, professional services, facilities and other related costs associated with corporate activities. - Inventory market valuation adjustments - Certain other items not allocated to operating segments for business performance

reporting purposes (see (a) in reconciliation table on page U-15)

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The Marathon Group's operations consist of three reportable operating segments: 1) Exploration and Production - 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. The U. S. Steel Group consists of a single operating segment, U. S. Steel. U. S. Steel is engaged in the production and sale of steel mill products, coke and taconite pellets; the management of mineral resources; domestic coal mining; engineering and consulting services; and real estate development and management.

(IN MILLIONS)	Exploration and Production	Refining, Marketing and Transportation	Other Energy Related Businesses	Total Marathon Segments	U.
1999					
Revenues:					
Customer	\$ 3,230	\$ 20,210	\$ 731	\$ 24,171	\$
Intersegment(a)	202	47	40	289	
Intergroup(a)	19	-	22	41	
Equity in earnings (losses) of unconsolidated affiliates	(2)	17	26	41	
Other	30	48	15	93	
Total revenues	\$ 3,479	\$ 20,322	\$ 834	\$ 24,635	\$
Segment income (loss)	\$ 618	\$ 611	\$ 61	\$ 1,290	\$
Significant noncash items included in segment income:					
Depreciation, depletion and amortization(b)	638	280	5	923	
Pension expenses(c)	3	32	2	37	
Capital expenditures(d)	744	612	4	1,360	
Affiliates - investments	56	-	3	59	
1998					
Revenues:					
Customer	\$ 2,085	\$ 19,192	\$ 306	\$ 21,583	\$
Intersegment(a)	144	10	17	171	
Intergroup(a)	13	-	7	20	
Equity in earnings of unconsolidated affiliates	2	12	14	28	
Other	26	40	11	77	
Total revenues	\$ 2,270	\$ 19,254	\$ 355	\$ 21,879	\$
Segment income	\$ 278	\$ 896	\$ 33	\$ 1,207	\$
Significant noncash items included in segment income:					
Depreciation, depletion and amortization(b)	581	272	6	859	
Pension expenses(c)	3	16	2	21	
Capital expenditures(d)	839	410	8	1,257	
Affiliates - investments(e)	-	22	17	39	
1997					
Revenues:					
Customer	\$ 1,575	\$ 13,698	\$ 381	\$ 15,654	\$
Intersegment(a)	619	-	-	619	
Intergroup(a)	99	-	6	105	
Equity in earnings of					

unconsolidated affiliates	14	4	7	25	
Other	7	20	30	57	
Total revenues	\$ 2,314	\$ 13,722	\$ 424	\$ 16,460	\$
Segment income	\$ 773	\$ 563	\$ 48	\$ 1,384	\$
Significant noncash items included in segment income:					
Depreciation, depletion and amortization(b)	469	173	7	649	
Pension expenses(c)	3	8	1	12	
Capital expenditures(d)	810	205	6	1,021	
Affiliates - investments(e)	114	-	73	187	

(a) Intersegment and intergroup sales 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 and, in 1999 and 1998, certain international and domestic exploration and production property impairments. (c) Differences between segment totals and consolidated totals represent unallocated pension credits and amounts included in administrative expenses. (d) Differences between segment totals and consolidated totals represent amounts related to corporate administrative activities and, in 1997, discontinued operations. (e) Differences between segment totals and consolidated totals represent amounts related to corporate administrative activities.

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The following reconciles segment revenues and income to amounts reported in the Groups' financial statements:

(IN MILLIONS)	Marathon Group			U. S. .	
	1999	1998	1997	1999	
REVENUES:					
Revenues of reportable segments	\$ 24,635	\$ 21,879	\$ 16,460	\$ 5,383	\$
Items not allocated to segments:					
Gain on ownership change in MAP	17	245	-	-	
Losses related to investments in equity affiliates	-	-	-	(69)	
Other	(36)	24	-	-	
Elimination of intersegment revenues	(289)	(171)	(619)	-	
Administrative revenues	-	-	5	-	
Total Group revenues	\$ 24,327	\$ 21,977	\$ 15,846	\$ 5,314	\$
INCOME:					
Income (loss) for reportable segments	\$ 1,290	\$ 1,207	\$ 1,384	\$ (128)	\$
Items not allocated to segments:					
Gain on ownership change in MAP	17	245	-	-	
Administrative expenses	(108)	(106)	(168)	(17)	
Pension credits	-	-	-	447	
Costs related to former business activities	-	-	-	(83)	
Inventory market valuation adjustments	551	(267)	(284)	-	
Other(a)	(37)	(141)	-	(69)	
Total Group income from operations	\$ 1,713	\$ 938	\$ 932	\$ 150	\$

(a) Represents in 1999, for the Marathon Group, primarily certain domestic exploration and production 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 method affiliates. Represents in 1998 certain international exploration and production 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.

(IN MILLIONS)	Year	Revenues		
		Within Geographic Areas	Between Geographic Areas	Total
Marathon Group:				
United States	1999	\$ 23,337	\$ -	\$ 23,337
	1998	21,191	-	21,191
	1997	15,123	-	15,123
Canada	1999	425	521	946
	1998	209	368	577
United Kingdom	1999	459	-	459
	1998	462	-	462
	1997	593	-	593
Other Foreign Countries	1999	106	88	194
	1998	115	52	167
	1997	130	39	169
Eliminations	1999	-	(609)	(609)
	1998	-	(420)	(420)
	1997	-	(39)	(39)
Total Marathon Group	1999	\$ 24,327	\$ -	\$ 24,327
	1998	21,977	-	21,977
	1997	15,846	-	15,846
U. S. Steel Group:				
United States	1999	\$ 5,296	\$ -	\$ 5,296
	1998	6,266	-	6,266
	1997	6,926	-	6,926
Foreign Countries	1999	18	-	18
	1998	17	-	17
	1997	15	-	15
Total U. S. Steel Group	1999	\$ 5,314	\$ -	\$ 5,314
	1998	6,283	-	6,283
	1997	6,941	-	6,941
Adjustments for Discontinued Operations and Eliminations				
	1999	\$ (58)	\$ -	\$ (58)
	1998	(23)	-	(23)
	1997	(107)	-	(107)
Total USX Corporation				
	1999	\$ 29,583	\$ -	\$ 29,583
	1998	28,237	-	28,237
	1997	22,680	-	22,680

(a) Includes property, plant and equipment and investments in affiliates.

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10. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

USX has noncontributory defined benefit pension plans covering substantially all 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 and life insurance plans (other benefits) covering most employees upon their retirement. Health 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 union retirees, benefits are provided for the most part based on fixed amounts negotiated in labor contracts with the appropriate unions. Except for certain life insurance benefits paid from reserves held by insurance carriers and benefits required to be funded by union contracts, most other benefits have not been prefunded.

	Pension Benefits		
(IN MILLIONS)	1999	1998	
CHANGE IN BENEFIT OBLIGATIONS			
Benefit obligations at January 1	\$ 8,629	\$ 8,085	\$
Service cost	152	119	
Interest cost	540	544	
Plan amendments	399 (a)	14	
Actuarial (gains) losses	(1,019)	637	
Plan mergers and acquisitions	56	145	
Settlements, curtailments and termination benefits	(329)	10	
Benefits paid	(844)	(925)	
Benefit obligations at December 31	\$ 7,584	\$ 8,629	\$
CHANGE IN PLAN ASSETS			
Fair value of plan assets at January 1	\$11,574	\$10,925	\$
Actual return on plan assets	865	1,507	
Plan merger and acquisitions	38	55	
Employer contributions	2	8	
Trustee distributions(b)	(30)	(14)	
Settlements paid	(306)	-	
Benefits paid from plan assets	(838)	(907)	
Fair value of plan assets at December 31	\$11,305	\$11,574	\$
FUNDED STATUS OF PLANS AT DECEMBER 31			
Unrecognized net gain from transition	\$ 3,721 (c)	\$ 2,945 (c)	\$
Unrecognized prior service costs (credits)	(95)	(175)	
Unrecognized net actuarial gains	880	566	
Additional minimum liability(d)	(1,945)	(993)	
Prepaid (accrued) benefit cost	\$ 2,537	\$ 2,268	\$

(a) Results primarily from a new five-year labor contract with the United Steelworkers of America ratified in August 1999. (b) Represents transfers of excess pension assets to fund retiree health care benefits accounts under Section 420 of the Internal Revenue Code.

(c) Includes several plans that have accumulated benefit obligations in excess of plan assets:		
Aggregate accumulated benefit obligations	\$ (53)	\$ (98)
Aggregate projected benefit obligations	(76)	(120)
Aggregate plan assets	-	-
(d) Additional minimum liability recorded was offset by the following:		
Intangible asset	\$ 9	\$ 18
Accumulated other comprehensive income (losses):		
Beginning of year	\$ (37)	\$ (32)
Change during year (net of tax)	27	(5)
Balance at end of year	\$ (10)	\$ (37)

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(IN MILLIONS)	Pension Benefits			Othe.	
	1999	1998	1997	1999	
COMPONENTS OF NET PERIODIC BENEFIT COST (CREDIT)					
Service cost	\$ 152	\$ 119	\$ 96	\$ 32	\$
Interest cost	540	544	562	169	
Expected return on plan assets	(895)	(876)	(828)	(21)	
Amortization --net transition gain	(72)	(74)	(74)	-	
--prior service costs (credits)	87	75	73	(4)	
--actuarial (gains) losses	7	6	4	(5)	
Multiemployer and other USX plans	5	6	6	7 (a)	
Settlement and termination (gains) losses	(42) (b)	10 (b)	4	-	
Net periodic benefit cost (credit)	\$ (218)	\$ (190)	\$ (157)	\$ 178	\$

(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 \$90 million, including the effects of future medical inflation, and this amount could increase if additional beneficiaries are assigned. (b) Relates primarily to the 1999 Marathon Group and 1998 U. S. Steel Group voluntary early retirement programs.

	Pension Benefits	
	1999	1998
WEIGHTED AVERAGE ACTUARIAL ASSUMPTIONS		
AT DECEMBER 31:		
Discount rate	8.0%	6.5%
Expected annual return on plan assets	8.6%	9.1%
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 2000. The rate was assumed to decrease gradually to 5% until 2005 for the U. S. Steel Group and until 2006 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-Percentage- Point Increase
Effect on total of service and interest cost components	\$ 22
Effect on other postretirement benefit obligations	207

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)	C: L:
2000	\$
2001	
2002	
2003	
2004	
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 from continuing operations:

(IN MILLIONS)	1999
Minimum rental	\$ 266 \$
Contingent rental	29
Sublease rentals	(12)
Net rental expense	----- \$ 283 \$

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 \$105 million may be declared immediately due and payable.

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12. INCOME TAXES Provisions (credits) for estimated income taxes on income from continuing operations were:

(IN MILLIONS)	1999			1998			Current
	CURRENT	DEFERRED	TOTAL	Current	Deferred	Total	
Federal	\$ 107	\$ 257	\$ 364	\$ 102	\$ 168	\$ 270	\$ 208
State and local	4	1	5	33	18	51	7
Foreign	26	(46)	(20)	(4)	(2)	(6)	12
Total	\$ 137	\$ 212	\$ 349	\$ 131	\$ 184	\$ 315	\$ 227

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

(IN MILLIONS)	1999	19
Statutory rate applied to income from continuing operations before income taxes	\$ 369	\$
Effects of foreign operations, including foreign tax credits	(20)	
State and local income taxes after federal income tax effects	3	
Credits other than foreign tax credits	(10)	
Excess percentage depletion	(7)	
Effects of partially owned companies	(5)	
Dispositions of subsidiary investments	7	
Adjustment of prior years' federal income taxes	4	
Adjustment of valuation allowances	-	
Other	8	
Total provisions on income from continuing operations	\$ 349	\$

Deferred tax assets and liabilities resulted from the following:

(IN MILLIONS)	December 31	19
---------------	-------------	----

Deferred tax assets:	
Minimum tax credit carryforwards	\$
State tax loss carryforwards (expiring in 2000 through 2019)	
Foreign tax loss carryforwards (portion of which expire in 2000 through 2014)	
Employee benefits	1
Expected federal benefit for:	
Crediting certain foreign deferred income taxes	
Deducting state and other foreign 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)	2

Deferred tax liabilities:	
Property, plant and equipment	2
Prepaid pensions	1
Inventory	
Investments in subsidiaries and affiliates	
Other	

Total deferred tax liabilities	3

Net deferred tax liabilities	\$ 1

(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.

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) from continuing operations included \$63 million, \$(75) million and \$250 million attributable to foreign sources in 1999, 1998 and 1997, respectively. Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 1999, amounted to \$150 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 \$53 million would have been required.

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13. PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS)

December 31

Marathon Group	\$ 2
U. S. Steel Group	:

Total	2
Less accumulated depreciation, depletion and amortization	1

Net	\$ 1

Property, plant and equipment includes gross assets acquired under capital leases (including sale-leasebacks accounted for as financings) of \$125 million at December 31, 1999, and \$108 million at December 31, 1998; related amounts in accumulated depreciation, depletion and amortization were \$81 million and \$77 million, respectively.

14. 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 affiliates accounted for by the equity method of accounting follows:

(IN MILLIONS)	1999

Income data - year:	
Revenues	\$ 3,449 \$.
Operating income	95
Net income (loss)	(74)

Balance sheet data - December 31:	
Current assets	\$ 1,382 \$.
Noncurrent assets	5,008
Current liabilities	1,481
Noncurrent liabilities	2,317

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 (Republic). 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. Dividend and affiliate income (loss) in 1999 includes \$47 million in charges related to the impairment of the carrying value of USX's investment in USS/Kobe and costs related to the formation of Republic. 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 affiliates were \$46 million in 1999, \$42 million in 1998 and \$34 million in 1997. USX purchases from equity affiliates totaled \$411 million, \$395 million and \$461 million in 1999, 1998 and 1997, respectively. USX sales to equity affiliates totaled \$853 million, \$747 million and \$838 million in 1999, 1998 and 1997, respectively.

15. SHORT-TERM CREDIT AGREEMENT

USX has a short-term credit agreement totaling \$125 million at December 31, 1999. Interest is based on the bank's prime rate or London Interbank Offered Rate (LIBOR), and carries a facility fee of .15%. 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, 1999, there were no borrowings against these facilities.

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16. LONG-TERM DEBT

(IN MILLIONS)	Interest Rates - %	Maturity	
USX Corporation:			
Revolving credit facility(a)		2001	\$
Commercial paper(a)	6.71		
Notes payable	613/20 - 94/5	2000 - 2023	
Obligations relating to Industrial Development and Environmental Improvement Bonds and Notes(b)	39/20 - 67/8	2009 - 2033	
Receivables facility(a) (c)		2004	
Indexed debt (NOTE 8)	63/4		
All other obligations, including sale-leaseback financing and capital leases		2000 - 2012	
Consolidated subsidiaries:			
Revolving credit facilities(d)		2000 - 2003	
Guaranteed Notes	7	2002	
Guaranteed Loan(e)	91/20	2000 - 2006	
Notes payable	81/2	2000 - 2001	
All other obligations, including capital leases		2000 - 2011	
Total (f) (g)			-
Less unamortized discount			-
Less amount due within one year			-
Long-term debt due after one year			\$-

(a)An amended agreement which terminates in August 2001, provides for borrowing under a \$2,350 million revolving credit facility. Interest is based on defined short-term market rates. During the term of this agreement, USX is obligated to pay a variable facility fee on total commitments, which was .15 % at December 31, 1999. If the receivables facility discussed in (c) is not renewed annually, the balance outstanding of such facility could be refinanced by the revolving credit facility, or another long-term debt source; and therefore, is classified as long-term debt. The commercial paper is supported by the \$2,050 million in unused and available credit and, accordingly, is classified as long-term debt. (b)At December 31, 1999, USX had outstanding obligations relating to Environmental Improvement Bonds in the amount of \$141 million, which were supported by letter of credit arrangements that

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. The amounts sold under the previous receivables' programs averaged \$291 million, \$347 million and \$705 million for the years 1999, 1998 and 1997, respectively. (The Marathon and Delhi Groups had a separate accounts receivable program that was terminated in late 1997.) (d) MAP has a revolving credit facility for \$100 million that terminates in July 2000 and a \$400 million revolving credit facility that terminates in July 2003. Interest is based on defined short-term market rates for both facilities. During the terms of the agreements, MAP is obligated to pay a variable facility fee on total commitments. At December 31, 1999, the facility fee was .11% for the \$100 million facility and .125% for the \$400 million facility. At December 31, 1999, the unused and available credit was \$429 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) 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. (f) Required payments of long-term debt for the years 2001-2004 are \$747 million, \$210 million, \$187 million and \$690 million, respectively. (g) In the event of a change in control of USX, as defined in the related agreements, debt obligations totaling \$3,332 million may be declared immediately due and payable. The principal obligations subject to such a provision are Notes payable - \$2,525 million; and Guaranteed Loan - \$223 million. In such event, USX may also be required to either repurchase the leased Fairfield slab caster for \$104 million or provide a letter of credit to secure the remaining obligation.

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17. 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, 1999 and 1998, the LIFO method accounted for 91% and 90%, respectively, of total inventory value. Current acquisition costs were estimated to exceed the above inventory values at December 31 by approximately \$570 million and \$310 million in 1999 and 1998, respectively. 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.

18. SUPPLEMENTAL CASH FLOW INFORMATION

(IN MILLIONS)	1999	
CASH USED IN OPERATING ACTIVITIES INCLUDED:		
Interest and other financial costs paid (net of amount capitalized)	\$ (366)	\$
Income taxes paid	(98)	
COMMERCIAL PAPER AND REVOLVING CREDIT ARRANGEMENTS -NET:		
Commercial paper - issued	\$ 6,282	\$
- repayments	(6,117)	
Credit agreements - borrowings	5,529	1
- repayments	(5,980)	(1)
Other credit arrangements - net	(95)	
Total	\$ (381)	\$
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for dividend reinvestment and employee stock plans	\$ 6	\$
Marathon Stock issued for Exchangeable Shares	7	
Trust preferred securities exchanged for preferred stock	-	
Affiliate preferred stock received in conversion of affiliate loan	142	
Disposal of assets:		
Deposit of RTI common shares in satisfaction of indexed debt	56	
Interest in USS/Kobe contributed to Republic	40	
Other disposals of assets:		
Notes or common stock received	20	
Liabilities assumed by buyers	-	
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	42	
Affiliate liabilities consolidated in step acquisition	26	

19. 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

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during the years the 1990 Plan is in effect. As of December 31, 1999, 8,744,297 Marathon Stock shares and 2,540,519 Steel Stock shares were available for grants in 2000. The Stock-Based Compensation Plans' activity below includes the Delhi Stock prior to its January 1998 redemption (Note 5). 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			
	1999	1998	1997	1999
Number of shares granted	28,798	25,378	20,430	18,272
Weighted-average grant-date fair value per share	\$ 29.38	\$ 34.00	\$ 29.38	\$ 28.22

Stock options represent the right to purchase shares of Marathon Stock, Steel Stock or Delhi 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. Stock options vest after a one-year service period and expire 10 years from the date they are granted. The following is a summary of stock option activity:

	Marathon Stock		Steel Stock		Sh:
	Shares	Price (a)	Shares	Price (a)	
Balance December 31, 1996	5,230,570	\$ 23.78	1,345,595	\$34.85	326
Granted	756,260	29.38	457,590	32.00	94
Exercised	(2,215,665)	23.86	(158,265)	31.85	(6
Canceled	(76,300)	26.91	(11,820)	34.36	(6
Balance December 31, 1997	3,694,865	24.81	1,633,100	34.35	408
Granted	987,535	34.00	611,515	37.28	
Exercised	(594,260)	27.61	(230,805)	32.00	
Canceled	(13,200)	27.22	(21,240)	35.89	
Redeemed	-	-	-	-	(408
Balance December 31, 1998	4,074,940	26.62	1,992,570	35.50	
Granted	1,005,000	29.38	656,400	28.22	
Exercised	(176,160)	27.27	(2,580)	24.92	
Canceled	(121,055)	30.19	(20,005)	38.51	
Balance December 31, 1999	4,782,725	27.08	2,626,385	33.67	

(a) Weighted-average exercise price (b) Redemption price

The weighted-average grant-date fair value per option for the Marathon Stock was \$8.89 in 1999, \$10.43 in 1998 and \$9.01 in 1997. For the Steel Stock such amounts were \$6.95 in 1999, \$8.29 in 1998 and \$6.72 in 1997. The following table represents stock options at December 31, 1999:

	Range of Exercise Prices	Outstanding			Num of S: Un: Opt:
		Number of Shares Under Option	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	
Marathon Stock	\$ 17.00-23.44	1,679,060	4.6 years	\$ 20.60	1,67
	25.38-26.88	164,825	1.4	25.45	16
	29.08-34.00	2,938,840	7.8	30.88	1,95
	Total	4,782,725			3,80
Steel Stock	\$ 22.46-28.22	685,340	9.0 years	\$ 28.07	2
	31.69-34.44	1,073,095	6.2	32.57	1,07
	37.28-44.19	867,950	6.8	39.45	86
	Total	2,626,385			1,97

Actual stock-based compensation expense (credit) was \$(3) million in 1999 and 1998 and \$30 million in 1997. 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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Effective January 1, 1997, USX created 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 1999, 10,541 shares of Marathon Stock and 3,798 shares of Steel Stock were issued. During 1998 and 1997, no shares of common stock were distributed.

20. 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, 1999, the Available Steel Dividend Amount was at least \$3,300 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.

21. 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.

22. INCOME PER COMMON SHARE

The method of calculating net income per share for the Marathon Stock, the Steel Stock and, prior to November 1, 1997, the Delhi Stock reflects the USX Board of Directors' intent that the separately reported earnings and surplus of the Marathon Group, the U. S. Steel Group and the Delhi 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, the U. S. Steel Group and the Delhi Group, taken together, include all accounts which comprise the corresponding consolidated financial statements of USX. Basic net income per share is calculated by adjusting net income for dividend requirements of preferred stock and, in 1997, the noncash credit on exchange of preferred stock and is based on the weighted average number of common shares outstanding. Diluted net income 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.

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COMPUTATION OF INCOME PER SHARE

	1999		1998		
	Basic	Diluted	Basic	Diluted	
CONTINUING OPERATIONS					
MARATHON GROUP					

Net income (millions):					
Net income	\$ 654	\$ 654	\$ 310	\$ 310	\$
Dilutive effect of convertible debentures	-	-	-	-	-
Net income assuming conversions	\$ 654	\$ 654	\$ 310	\$ 310	\$

Shares of common stock outstanding (thousands):					
Average number of common shares outstanding	309,696	309,696	292,876	292,876	.
Effect of dilutive securities:					
Convertible debentures	-	-	-	-	-
Stock options	-	314	-	559	-
Average common shares and dilutive effect	309,696	310,010	292,876	293,435	.

Net income per share	\$ 2.11	\$ 2.11	\$ 1.06	\$ 1.05	\$

U. S. STEEL GROUP					

Net income (millions):					
Income before extraordinary losses	\$ 51	\$ 51	\$ 364	\$ 364	\$

Noncash credit from exchange of preferred stock	-	-	-	-	-
Dividends on preferred stock	(9)	(9)	(9)	-	-
Extraordinary losses	(7)	(7)	-	-	-
Net income applicable to Steel Stock	35	35	355	364	-
Effect of dilutive securities:					
Trust preferred securities	-	-	-	8	-
Convertible debentures	-	-	-	-	-
Net income assuming conversions	\$ 35	\$ 35	\$ 355	\$ 372	\$
Shares of common stock outstanding (thousands):					
Average number of common shares outstanding	88,392	88,392	87,508	87,508	-
Effect of dilutive securities:					
Trust preferred securities	-	-	-	4,256	-
Preferred stock	-	-	-	3,143	-
Convertible debentures	-	-	-	-	-
Stock options	-	4	-	36	-
Average common shares and dilutive effect	88,392	88,396	87,508	94,943	-
Per share:					
Income before extraordinary losses	\$.48	\$.48	\$ 4.05	\$ 3.92	\$
Extraordinary losses	.08	.08	-	-	-
Net income	\$.40	\$.40	\$ 4.05	\$ 3.92	\$
DISCONTINUED OPERATIONS					
DELHI GROUP					
Net income (millions)					\$
Shares of common stock outstanding (thousands):					
Average number of common shares outstanding					
Stock options					-
Average common shares and dilutive effect					-
Net income per share					\$

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23. 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

and a noncash credit to Retained Earnings of \$10 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 102.60% of the initial liquidation amount through March 31, 2000, 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.

24. 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, 1999, 2,715,287 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 \$51.30 per share beginning April 1, 1999, 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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25. DERIVATIVE INSTRUMENTS

USX remains at risk for possible changes in the market value of the derivative instrument; 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)	RECOGNIZED TRADING GAIN OR (LOSS) FOR THE YEAR	RECORD: DEFERR: GAIN (LOSS)
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(e):				
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(h):				
- receivable	\$ 52	\$ 52	\$ -	\$ -
DECEMBER 31, 1998:				
Exchange-traded commodity futures	\$ -	\$ -		\$ -
Exchange-traded commodity options	3 (d)	2		
OTC commodity swaps	(9) (f)	(9)		
OTC commodity options	3 (g)	3		
Total commodities	\$ (3)	\$ (4)		\$ -
Forward exchange contracts:				
- receivable	\$ 36	\$ 36		\$ -

(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 period ending December 31, 1999, was \$3 million. 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

notional amounts do not reflect the extent to which positions may offset one another. (d) Includes fair values as of December 31, 1999 and 1998, for assets of \$11 million and \$23 million and for liabilities of \$(17) million and \$(20) million, respectively. (e) The OTC swap arrangements vary in duration with certain contracts extending into 2008. (f) Includes fair values as of December 31, 1999 and 1998, for assets of \$11 million and \$29 million and for liabilities of \$(5) million and \$(38) million, respectively. (g) Includes fair values as of December 31, 1999 and 1998, for assets of \$5 million and for liabilities of \$(1) million and \$(2) million, respectively. (h) The forward exchange contracts relating to USX's foreign operations have various maturities ending in December 2000.

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26. 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 25, by individual balance sheet account:

		1999	
(IN MILLIONS)	December 31	FAIR VALUE	CARRYING AMOUNT
FINANCIAL ASSETS:			
Cash and cash equivalents		\$ 133	\$ 133
Receivables		2,696	2,696
Investments and long-term receivables		190	134
Total financial assets		\$ 3,019	\$ 2,963
FINANCIAL LIABILITIES:			
Notes payable		\$ -	\$ -
Accounts payable		3,397	3,397
Distribution payable to minority shareholder of MAP		-	-
Accrued interest		107	107
Long-term debt (including amounts due within one year)		4,278	4,176
Preferred stock of subsidiary and trust preferred securities		408	433
Total financial liabilities		\$ 8,190	\$ 8,113

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 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 unrecognized financial instruments consist of receivables sold in 1998 and financial guarantees. 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

instrument obligations because there are no quoted market prices for transactions which are similar in nature. For details relating to financial guarantees, see Note 27.

27. 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, 1999 and 1998, accrued liabilities for remediation totaled \$170 million and \$145 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 \$52 million at December 31, 1999, and \$41 million at December 31, 1998. 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 1999 and 1998, such capital expenditures totaled \$78 million and \$132 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, 1999 and 1998, accrued liabilities for platform abandonment and dismantlement totaled \$152 million and \$141 million, respectively.

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GUARANTEES - Guarantees of the liabilities of affiliated entities by USX and its consolidated subsidiaries totaled \$219 million at December 31, 1999, and \$212 million at December 31, 1998. In the event that any defaults of guaranteed liabilities occur, USX has access to its interest in the assets of most of the affiliates to reduce potential losses resulting from these guarantees. As of December 31, 1999, the largest guarantee for a single affiliate was \$131 million. At December 31, 1999 and 1998, USX's pro rata share of obligations of LOOP LLC and various pipeline affiliates secured by throughput and deficiency agreements totaled \$146 million and \$164 million, respectively. Under the agreements, USX is required to advance funds if the affiliates are unable to service debt. Any such advances are prepayments of future transportation charges.

COMMITMENTS - At December 31, 1999 and 1998, contract commitments to acquire property, plant and equipment and long-term investments totaled \$568 million and \$812 million, respectively. USX entered into a 15 year take or pay

million and \$0.12 million, respectively. 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 both 1999 and 1998. If USX elects to terminate the contract early, a maximum termination payment of \$102 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 a minimum annual demand charge of approximately \$5 million starting in the year 2000 and concluding in the year 2014. The payments are required even if the transportation facility is not utilized.

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SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	1999				1998		
(IN MILLIONS, EXCEPT PER SHARE DATA)	4TH Qtr.	3RD Qtr.	2ND Qtr.	1ST Qtr.	4th Qtr.	3rd Qtr.	
Revenues	\$ 8,950	\$ 7,813 (a)	\$ 6,766	\$ 6,054	\$ 6,686 (b)	\$ 7,091 (b)	\$
Income (loss) from operations	425	535	502	401	(37)	320	
Includes:							
Inventory market valuation charges (credits)	-	(136)	(66)	(349)	245	50	
Gain on ownership change in MAP	(6)	(11)	-	-	-	1	
Income (loss) before extraordinary losses	205	201 (a)	189	110	(10)	116	
Net Income (Loss)	205	199	189	105	(10)	116	
MARATHON STOCK DATA:							
Net income (loss)	\$ 171	\$ 230	\$ 134	\$ 119	\$ (86)	\$ 51	\$
- Per share: basic	.55	.74	.43	.38	(.29)	.18	
diluted	.55	.74	.43	.38	(.29)	.17	
Dividends paid per share	.21	.21	.21	.21	.21	.21	
Price range of Marathon Stock(c):							
- Low	23-5/8	28-1/2	25-13/16	19-5/8	26-11/16	25	
- High	30-5/8	33-7/8	32-3/4	31-3/8	38-1/8	37-1/8	
STEEL STOCK DATA:							
Income (loss) before extraordinary losses applicable to Steel Stock	\$ 32	\$ (31) (a)	\$ 52	\$ (11)	\$ 74	\$ 63	
- Per share: basic	.35	(.35) (a)	.60	(.13)	.83	.72	
diluted	.35	(.35) (a)	.59	(.13)	.81	.71	
Dividends paid per share	.25	.25	.25	.25	.25	.25	
Price range of Steel Stock(c):							
- Low	21-3/4	24-9/16	23-1/2	22-1/4	21-5/8	20-7/16	
- High	33	30-1/16	34-1/4	29-1/8	27-3/4	33-1/2	

(a) Restated to reflect current classifications. (b) Reclassified to conform to 1999 classifications. (c) Composite tape.

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PRINCIPAL UNCONSOLIDATED AFFILIATES (UNAUDITED)

Company	Country	December 31, 1999 Ownership	Activ:
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Clairton 1314B Partnership, L.P.	United States	10%	Coke & Coke
CLAM Petroleum B.V.	Netherlands	50%	Oil & Gas
Double Eagle Steel Coating Company	United States	50%	Steel Proce
Kenai LNG Corporation	United States	30%	Natural Ga.
LOCAP, Inc.	United States	50% (a)	Pipeline &
LOOP LLC	United States	47% (a)	Offshore O
Manta Ray Offshore Gathering Company, LLC	United States	24%	Natural Ga.
Minnesota Pipe Line Company	United States	33% (a)	Pipeline F
Nautilus Pipeline Company, LLC	United States	24%	Natural Ga.
Odyssey Pipeline LLC	United States	29%	Pipeline F
Poseidon Oil Pipeline Company, LLC	United States	28%	Crude Oil
PRO-TEC Coating Company	United States	50%	Steel Proce
Republic Technologies International, LLC	United States	16%	Steel Prod
Sakhalin Energy Investment Company Ltd.	Russia	38%	Oil & Gas
Transtar, Inc.	United States	46%	Transporta
USS-POSCO Industries	United States	50%	Steel Proce
VSZ U. S. Steel, s. r.o.	Slovak Republic	50%	Tin Mill P.
Worthington Specialty Processing	United States	50%	Steel Proce

(a) Represents the ownership of MAP.

SUPPLEMENTARY INFORMATION ON MINERAL RESERVES (UNAUDITED)

MINERAL RESERVES (OTHER THAN OIL AND GAS)

(Caption)

(MILLION TONS)	Reserves at December 31(a)			
	1999	1998	1997	1999
Iron(b)	726.1	738.6	754.8	14.3
Coal(c)	787.4	789.7	798.8	6.2

(a) Commercially recoverable reserves include demonstrated (measured and indicated) quantities which are expressed in recoverable net product tons. (b) In 1999, iron ore reserves decreased due to production, lease activity and engineering revisions. In 1998, iron ore reserves decreased due to production and engineering revisions. (c) In 1999 and 1998, coal reserves decreased due to production, lease activity and engineering revisions.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

CAPITALIZED COSTS AND ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION(a)

(IN MILLIONS)	December 31	UNITED STATES	EUROPE	OTHER INTL.	CONSOLIDATED	EQUITY AFFILIATES
---------------	-------------	---------------	--------	-------------	--------------	-------------------

1999

Capitalized costs:						
Proved properties	\$ 8,270	\$ 4,465	\$ 1,270	\$ 14,005	\$ 612	\$
Unproved properties	349	55	187	591	123	--
Total	8,619	4,520	1,457	14,596	735	--
Accumulated depreciation, depletion and amortization:						
Proved properties	5,019	2,859	136	8,014	169	--
Unproved properties	78	--	6	84	--	--
Total	5,097	2,859	142	8,098	169	--
Net capitalized costs	\$ 3,522	\$ 1,661	\$ 1,315	\$ 6,498	\$ 566	\$
1998						
Capitalized costs:						
Proved properties	\$ 8,366	\$ 4,430	\$ 1,288	\$14,084	\$ 628	\$
Unproved properties	400	43	90	533	7	--
Total	8,766	4,473	1,378	14,617	635	--
Accumulated depreciation, depletion and amortization:						
Proved properties	5,020	2,685	135	7,840	156	--
Unproved properties	91	--	5	96	--	--
Total	5,111	2,685	140	7,936	156	--
Net capitalized costs	\$ 3,655	\$ 1,788	\$ 1,238	\$ 6,681	\$ 479	\$

(a) Prior year amounts have been changed to conform with current year reporting practices.

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SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED) CONTINUED

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES, EXCLUDING CORPORATE OVERHEAD AND INTEREST COSTS(a)

(IN MILLIONS)	UNITED STATES	EUROPE	OTHER INTL.	CONSOLIDATED	EQUITY AFFILIATES	TOTAL
1999: Revenues:						
Sales(b)	\$ 474	\$ 431	\$ 198	\$ 1,103	\$ 33	\$ 1,136
Transfers	882	--	88	970	--	970
Total revenues	1,356	431	286	2,073	33	2,106
Expenses:						
Production costs	(322)	(137)	(99)	(558)	(25)	(583)
Exploration expenses	(134)	(42)	(51)	(227)	(4)	(231)
Depreciation, depletion and amortization(c)	(378)	(143)	(99)	(620)	(13)	(633)
Other expenses	(28)	(7)	(15)	(50)	--	(50)
Total expenses	(862)	(329)	(264)	(1,455)	(42)	(1,497)
Other production-related earnings(d)	1	4	4	9	1	10
Results before income taxes	495	106	26	627	(8)	619
Income taxes (credits)	168	33	(7)	194	(3)	191
Results of operations	\$ 327	\$ 73	\$ 33	\$ 433	\$ (5)	\$ 428
1998: Revenues:						
Sales(b)	\$ 518	\$ 454	\$ 71	\$ 1,043	\$ 28	\$ 1,071

Transfers	536	-	51	587	-	587
Total revenues	1,054	454	122	1,630	28	1,658
Expenses:						
Production costs	(295)	(153)	(57)	(505)	(8)	(513)
Exploration expenses(e)	(179)	(45)	(86)	(310)	(5)	(315)
Depreciation, depletion and amortization(c)	(339)	(150)	(68)	(557)	(8)	(565)
Other expenses	(37)	(3)	(11)	(51)	-	(51)
Total expenses	(850)	(351)	(222)	(1,423)	(21)	(1,444)
Other production-related earnings(d)	1	15	3	19	1	29
Results before income taxes	205	118	(97)	226	8	230
Income taxes (credits)	61	22	(28)	55	3	53
Results of operations	\$ 144	\$ 96	\$ (69)	\$ 171	\$ 5	\$ 17
1997: Revenues:						
Sales(b)	\$ 581	\$ 572	\$ 21	\$ 1,174	\$ 42	\$ 1,216
Transfers	724	-	38	762	-	762
Total revenues	1,305	572	59	1,936	42	1,978
Expenses:						
Production costs	(337)	(162)	(12)	(511)	(15)	(526)
Exploration expenses	(127)	(34)	(25)	(186)	(1)	(187)
Depreciation, depletion and amortization	(300)	(130)	(16)	(446)	(8)	(454)
Other expenses	(32)	(3)	(13)	(48)	-	(48)
Total expenses	(796)	(329)	(66)	(1,191)	(24)	(1,215)
Other production-related earnings(d)	-	28	1	29	1	30
Results before income taxes	509	271	(6)	774	19	793
Income taxes (credits)	170	79	4	253	4	257
Results of operations	\$ 339	\$ 192	\$ (10)	\$ 521	\$ 15	\$ 536

(a) Includes the results of using derivative instruments to manage commodity and foreign currency risks. (b) Includes net gains on asset dispositions and natural gas contract settlements, as of December 31, 1999, 1998 and 1997, of \$2 million, \$43 million and \$7 million respectively. (c) Includes domestic property impairments of \$16 million as of December 31, 1999 and international property impairments of \$10 million as of December 31, 1998. (d) Includes revenues, net of associated costs, from third-party activities that are an integral part of USX's production operations. Third-party activities may include the processing and/or transportation of third-party production, and the purchase and subsequent resale of gas utilized in reservoir management. (e) Includes international property impairments and suspended exploration well write-offs of \$73 million.

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SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED) CONTINUED

COSTS INCURRED FOR PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT - INCLUDING CAPITAL EXPENDITURES(a)

(IN MILLIONS)	UNITED STATES	EUROPE	OTHER INTL.	CONSOLIDATED	EQUITY AFFILIATES	TOTAL
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1999: Property acquisition:						
Proved	\$ 17	\$ -	\$ 10	\$ 27	\$ -	\$ 27
Unproved	56	12	107	175	-	175
Exploration	141	47	64	252	7	259
Development	205	34	117	356	84	440
1998: Property acquisition:						
Proved	\$ 3	\$ 3	\$ 1,051	\$ 1,057	\$ -	\$ 1,057
Unproved	82	-	57	139	-	139
Exploration	217	39	75	331	11	342
Development	431	39	46	516	165	681
1997: Property acquisition:						
Proved	\$ 16	\$ -	\$ -	\$ 16	\$ -	\$ 16
Unproved	50	-	-	50	-	50
Exploration	170	53	43	266	3	269
Development	477	67	27	571	135	706

(a) Prior year amounts have been changed to conform with current year reporting practices.

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 AFFILIATES	TOTAL
LIQUID HYDROCARBONS						
Proved developed and undeveloped reserves:						
Beginning of year - 1997(a)	570	177	26	773	-	773
Purchase of reserves in place	2	-	-	2	-	2
Revisions of previous estimates	9	(1)	3	11	-	11
Improved recovery	22	-	-	22	-	22
Extensions, discoveries and other additions	31	-	-	31	82	113
Production	(42)	(15)	(3)	(60)	-	(60)
Sales of reserves in place	(2)	-	-	(2)	-	(2)
End of year - 1997	590	161	26	777	82	859
Purchase of reserves in place	1	-	156	157	-	157
Revisions of previous estimates	(1)	(28)	1	(28)	(2)	(30)
Improved recovery	3	-	-	3	-	3
Extensions, discoveries and other additions	10	4	18	32	-	32
Production	(49)	(15)	(7)	(71)	-	(71)
Sales of reserves in place	(5)	-	-	(5)	-	(5)
End of year - 1998	549	122	194	865	80	945
Purchase of reserves in place	14	-	7	21	-	21
Revisions of previous estimates	2	(20)	-	(18)	(3)	(21)
Improved recovery	11	-	1	12	-	12
Extensions, discoveries and						

other additions	9	-	5	14	-	14
Production	(53)	(12)	(11)	(76)	-	(76)
Sales of reserves in place	(12)	-	(9)	(21)	-	(21)
End of year - 1999	520	90	187	797	77	874
Proved developed reserves:						
Beginning of year - 1997	443	163	11	617	-	617
End of year - 1997	486	161	12	659	-	659
End of year - 1998	489	119	67	675	-	675
End of year - 1999	476	90	72	638	69	707

(a) Revised to exclude reserves attributable to a pressure maintenance program for the Petronius field scheduled to commence in third quarter 2000.

(b) Represents reserves related to the acquisition of Tarragon Oil and Gas Limited in August 1998.

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SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED) CONTINUED

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES (CONTINUED)

(BILLIONS OF CUBIC FEET)	UNITED STATES	EUROPE	OTHER INTL.	CONSOLIDATED A
NATURAL GAS				
Proved developed and undeveloped reserves:				
Beginning of year - 1997(a)	2,251	1,178	21	3,450
Purchase of reserves in place	31	-	-	31
Revisions of previous estimates	(39)	9	6	(24)
Improved recovery	-	-	-	-
Extensions, discoveries and other additions	262	-	-	262
Production	(264)	(139)	(4)	(407)
Sales of reserves in place	(9)	-	-	(9)
End of year - 1997	2,232	1,048	23	3,303
Purchase of reserves in place	10	-	782 (b)	792
Revisions of previous estimates	(16)	10	(1)	(7)
Improved recovery	-	-	-	-
Extensions, discoveries and other additions	238	32	55	325
Production	(272)	(124)	(29)	(425)
Sales of reserves in place	(29)	-	-	(29)
End of year - 1998	2,163	966	830	3,959
Purchase of reserves in place	5	-	11	16
Revisions of previous estimates	(83)	(81)	(3)	(167)
Improved recovery	8	-	2	10
Extensions, discoveries and other additions	281	-	94	375
Production	(275)	(111)	(59)	(445)
Sales of reserves in place	(42)	-	(42)	(84)
End of year - 1999	2,057	774	833	3,664
Proved developed reserves:				
Beginning of year - 1997	1,720	1,133	16	2,869
End of year - 1997	1,702	1,024	19	2,745
End of year - 1998	1,678	909	534	3,121
End of year - 1999	1,550	741	497	2,788

(a) Revised to exclude reserves attributable to a pressure maintenance program for the Petronius field scheduled to commence in third quarter 2000. (b) Represents reserves related to the acquisition of Tarragon Oil and Gas Limited in August 1998.

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.

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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)(a)

(IN MILLIONS)	United States	Europe	Other Intl.	Consolidated A			
DECEMBER 31, 1999:							
Future cash inflows	\$ 15,393	\$ 4,426	\$ 5,242	\$ 25,061	\$		
Future production costs	(4,646)	(1,864)	(1,107)	(7,617)			
Future development costs	(445)	(86)	(315)	(846)			
Future income tax expenses	(3,102)	(987)	(1,581)	(5,670)			
Future net cash flows	7,200	1,489	2,239	10,928			
10% annual discount for estimated timing of cash flows	(3,371)	(374)	(862)	(4,607)			
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	\$ 3,829	\$ 1,115	\$ 1,377	\$ 6,321	\$		
DECEMBER 31, 1998:							
Future cash inflows	\$ 8,442	\$ 3,850	\$ 2,686	\$ 14,978	\$		
Future production costs	(3,731)	(2,240)	(950)	(6,921)			
Future development costs	(559)	(130)	(323)	(1,012)			
Future income tax expenses	(816)	(630)	(542)	(1,988)			
Future net cash flows	3,336	850	871	5,057			
10% annual discount for estimated timing of cash flows	(1,462)	(256)	(392)	(2,110)			
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	\$ 1,874	\$ 594	\$ 479	\$ 2,947	\$		
DECEMBER 31, 1997:							
Future cash inflows	\$ 13,589	\$ 6,189	\$ 484	\$ 20,262	\$		
Future production costs	(4,705)	(2,310)	(172)	(7,187)			
Future development costs	(700)	(162)	(18)	(880)			
Future income tax expenses	(2,316)	(1,371)	(62)	(3,749)			
Future net cash flows	5,868	2,346	232	8,446			
10% annual discount for estimated timing of cash flows	(2,623)	(1,011)	(52)	(3,686)			
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	\$ 3,245	\$ 1,335	\$ 180	\$ 4,760	\$		
SUMMARY OF CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES(a) (b)							
	Consolidated			Equity Affiliates			
(IN MILLIONS)	1999	1998	1997	1999	1998	1997	199
Sales and transfers of oil and gas produced, net of production costs							
Net changes in prices and production costs related to future production	5,891	(3,579)	(3,669)	484	(372)	(36)	6,37
Extensions, discoveries and improved recovery, less related costs	566	284	458	9	4	263	57
Development costs incurred during the period	356	516	571	84	165	135	44
Changes in estimated future development costs	(42)	(285)	(300)	(52)	(100)	(121)	(9)
Revisions of previous quantity estimates	(346)	(110)	43	(8)	(2)	(5)	(35)
Net changes in purchases and sales of minerals in place	68	637	14	-	-	-	6
Accretion of discount	382	623	1,051	18	39	13	40
Net change in income taxes	(1,995)	825	1,246	(117)	57	(29)	(2,11)
Other	10	401	(776)	(39)	102	(4)	(2)
Net change for the year	3,374	(1,813)	(2,786)	371	(127)	188	3,74
Beginning of year	2,947	4,760	7,546	145	272	84	3,09

End of year \$ 6,321 \$ 2,947 \$ 4,760 \$ 516 \$ 145 \$ 272 \$ 6,83'

(a) Revised to exclude reserves attributable to a pressure maintenance program for the Petronius field scheduled to commence in third quarter 2000. (b) Prior year amounts have been changed to conform with current year reporting practices.

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FIVE-YEAR OPERATING SUMMARY - MARATHON GROUP

	1999	1998	1997
NET LIQUID HYDROCARBON PRODUCTION (thousands of barrels per day)			
United States (by region)			
Alaska	-	-	-
Gulf Coast	74	55	29
Southern	5	6	8
Central	4	4	5
Mid-Continent - Yates	18	23	25
Mid-Continent - Other	20	21	21
Rocky Mountain	24	26	27
Total United States	145	135	115
International			
Canada	17	6	-
Egypt	5	8	8
Indonesia	-	-	-
Gabon	9	5	-
Norway	-	1	2
Tunisia	-	-	-
United Kingdom	31	41	39
Total International	62	61	49
Consolidated	207	196	164
Equity affiliate(a)	1	-	-
Total	208	196	164
Natural gas liquids included in above	19	17	17
NET NATURAL GAS PRODUCTION (millions of cubic feet per day)			
United States (by region)			
Alaska	148	144	151
Gulf Coast	107	84	78
Southern	178	208	189
Central	134	117	119
Mid-Continent	129	125	125
Rocky Mountain	59	66	60
Total United States	755	744	722
International			
Canada	150	65	-
Egypt	13	16	11
Ireland	132	168	228
Norway	26	27	54
United Kingdom - equity	168	165	130
- other(b)	16	23	32
Total International	505	464	455
Consolidated	1,260	1,208	1,177
Equity affiliate(c)	36	33	42
Total	1,296	1,241	1,219
AVERAGE SALES PRICES			
Liquid Hydrocarbons (dollars per barrel) (d) (e)			
United States	\$15.44	\$10.42	\$16.88
International	16.90	12.24	18.77
Natural Gas (dollars per thousand cubic feet) (d) (e)			

United States	\$ 1.90	\$ 1.79	\$ 2.20
International	1.90	1.94	2.00
NET PROVED RESERVES AT YEAR-END (developed and undeveloped)			
Liquid Hydrocarbons (millions of barrels)			
United States	520	549 (f)	590 (f)
International	277	316	187
Consolidated	797	865	777
Equity affiliate(a)	77	80	82
Total	874	945	859
Developed reserves as % of total net reserves	81%	71% (f)	77% (f)
Natural Gas (billions of cubic feet)			
United States	2,057	2,163 (f)	2,232 (f)
International	1,607	1,796	1,071
Consolidated	3,664	3,959	3,303
Equity affiliate(c)	123	110	111
Total	3,787	4,069	3,414
Developed reserves as % of total net reserves	75%	79%	83%

(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 affiliates and purchase/resale gas. (f) Revised to exclude reserves attributable to a pressure maintenance program for the Petronius field scheduled to commence in third quarter 2000.

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FIVE-YEAR OPERATING SUMMARY - MARATHON GROUP CONTINUED

	1999 (a)	1998 (a)	1997
U.S. REFINERY OPERATIONS (thousands of barrels per day)			
In-use crude oil capacity at year-end	935	935	575
Refinery runs - crude oil refined	888	894	525
- other charge and blend stocks	139	127	99
In-use crude oil capacity utilization rate	95%	96%	92%
SOURCE OF CRUDE PROCESSED (thousands of barrels per day)			
United States	349	317	202
Europe	7	15	10
Middle East and Africa	363	394	241
Other International	169	168	72
Total	888	894	525
REFINED PRODUCT YIELDS (thousands of barrels per day)			
Gasoline	566	545	353
Distillates	261	270	154
Propane	22	21	13
Feedstocks and special products	66	64	36
Heavy fuel oil	43	49	35
Asphalt	69	68	39
Total	1,027	1,017	630
REFINED PRODUCTS YIELDS (% breakdown)			
Gasoline	55%	54%	56%
Distillates	25	27	24
Other products	20	19	20
Total	100%	100%	100%

U.S. REFINED PRODUCT SALES (thousands of barrels per day)			
Gasoline	714	671	452
Distillates	331	318	198
Propane	23	21	12
Feedstocks and special products	66	67	40
Heavy fuel oil	43	49	34
Asphalt	74	72	39
Total	1,251	1,198	775
Matching buy/sell volumes included in above	45	39	51
REFINED PRODUCTS SALES BY CLASS OF TRADE (as a % of total sales)			
Wholesale - independent private-brand marketers and consumers	66%	65%	61%
Marathon and Ashland brand jobbers and dealers	11	11	13
Speedway SuperAmerica retail outlets	23	24	26
Total	100%	100%	100%
REFINED PRODUCTS (dollars per barrel)			
Average sales price	\$24.59	\$20.65(b)	\$26.38
Average cost of crude oil throughput	18.66	13.02	19.00
PETROLEUM INVENTORIES AT YEAR-END (thousands of barrels)			
Crude oil, raw materials and natural gas liquids	34,255	35,630	19,351
Refined products	32,853	32,334	20,598
U.S. REFINED PRODUCT MARKETING OUTLETS AT YEAR-END			
MAP operated terminals	93	88	51
Retail - Marathon and Ashland brand outlets	3,482	3,117	2,465
- Speedway SuperAmerica outlets	2,433	2,257	1,544
PIPELINES (miles of common carrier pipelines) (c)			
Crude Oil - gathering lines	557	2,827	1,003
- trunklines	4,720	4,859	2,665
Products - trunklines	2,856	2,861	2,310
Total	8,133	10,547	5,978
PIPELINE BARRELS HANDLED (millions) (d)			
Crude Oil - gathering lines	30.4	47.8	43.9
- trunklines	545.7	571.9	369.6
Products - trunklines	331.9	329.7	262.4
Total	908.0	949.4	675.9
RIVER OPERATIONS			
Barges - owned/leased	169	169	-
Boats - owned/leased	8	8	-

(a) 1999 and 1998 statistics include 100% of MAP and should be considered when compared to prior periods.

(b) Reclassified to conform to 1999 classifications.

(c) Pipelines for downstream operations also include non-common carrier, leased and equity affiliates.

(d) Pipeline barrels handled on owned common carrier pipelines, excluding equity affiliates.

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FIVE-YEAR OPERATING SUMMARY - U. S. STEEL GROUP

(THOUSANDS OF NET TONS, UNLESS OTHERWISE NOTED) 1999 1998 1997

RAW STEEL PRODUCTION			
Gary, IN	7,102	6,468	7,428
Mon Valley, PA	2,821	2,594	2,561
Fairfield, AL	2,109	2,152	2,361
Total	12,032	11,214	12,350
RAW STEEL CAPABILITY			
Continuous cast	12,800	12,800	12,800
Total production as % of total capability	94.0	87.6	96.5
HOT METAL PRODUCTION			
	10,344	9,743	10,591
COKE PRODUCTION(a)			
	4,619	4,835	5,757
IRON ORE PELLETS - MINNTAC, MN			
Shipments	15,025	15,446	16,403
COAL PRODUCTION			
	6,632	8,150	7,528
COAL SHIPMENTS			
	6,924	7,670	7,811
STEEL SHIPMENTS BY PRODUCT			
Sheet and semi-finished steel products	8,114	7,608	8,170
Tubular, plate and tin mill products	2,515	3,078	3,473
Total	10,629	10,686	11,643
Total as % of domestic steel industry	10.1	10.5	10.9
STEEL SHIPMENTS BY MARKET			
Steel service centers	2,456	2,563	2,746
Transportation	1,505	1,785	1,758
Further conversion:			
Joint ventures	1,818	1,473	1,568
Trade customers	1,633	1,140	1,378
Containers	738	794	856
Construction	844	987	994
Oil, gas and petrochemicals	363	509	810
Export	321	382	453
All other	951	1,053	1,080
Total	10,629	10,686	11,643
AVERAGE STEEL PRICE PER TON			
	\$420	\$469	\$479

(a) 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.

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FIVE-YEAR FINANCIAL SUMMARY

(DOLLARS IN MILLIONS, EXCEPT AS NOTED)	1999 (a)	1998 (a)	1997	1996
STATEMENT OF OPERATIONS				
Revenues	\$ 29,583	\$ 28,237 (b)	\$22,680 (b)	\$ 22,872 (b)
Income from operations	1,863	1,517	1,705	1,779
Includes:				
Inventory market valuation charges (credits)	(551)	267	284	(209)
Gain on ownership change in MAP	(17)	(245)	-	-
Impairment of long-lived assets	-	-	-	-
Income from continuing operations	\$ 705	\$ 674	\$ 908	\$ 946
Income from discontinued operations	-	-	80	6
Extraordinary losses	(7)	-	-	(9)
NET INCOME	\$ 698	\$ 674	\$ 988	\$ 943
APPLICABLE TO MARATHON STOCK				
Income (loss) before extraordinary loss	\$ 654	\$ 310	\$ 456	\$ 671
Income (loss) before extraordinary loss				

per share - basic (in dollars)	2.11	1.06	1.59	2.33
- diluted (in dollars)	2.11	1.05	1.58	2.31
Net income (loss)	654	310	456	664
Net income (loss) per share - basic (in dollars)	2.11	1.06	1.59	2.31
- diluted (in dollars)	2.11	1.05	1.58	2.29
Dividends paid per share (in dollars)	.84	.84	.76	.70
APPLICABLE TO STEEL STOCK				
Income before extraordinary losses	\$ 42	\$ 355	\$ 449	\$ 253
Income before extraordinary losses				
per share - basic (in dollars)	.48	4.05	5.24	3.00
- diluted (in dollars)	.48	3.92	4.88	2.97
Net income	35	355	449	251
Net income per share - basic (in dollars)	.40	4.05	5.24	2.98
- diluted (in dollars)	.40	3.92	4.88	2.95
Dividends paid per share (in dollars)	1.00	1.00	1.00	1.00
BALANCE SHEET POSITION AT YEAR-END				
Cash and cash equivalents	\$ 133	\$ 146	\$ 54	\$ 55
Total assets	22,962	21,133	17,284	16,980
Capitalization:				
Notes payable	\$ -	\$ 145	\$ 121	\$ 81
Total long-term debt	4,283	3,991	3,403	4,212
Preferred stock of subsidiary and				
trust preferred securities	433	432	432	250
Minority interest in MAP	1,753	1,590	-	-
Redeemable Delhi Stock	-	-	195	-
Preferred stock	3	3	3	7
Common stockholders' equity	6,853	6,402	5,397	5,015
Total capitalization	\$ 13,325	\$ 12,563	\$ 9,551	\$ 9,565
% of total debt to capitalization(c)	35.4	36.4	41.4	47.5
CASH FLOW DATA				
Net cash from operating activities	\$ 1,936	\$ 2,022 (b)	\$ 1,464 (b)	\$ 1,655 (b)
Capital expenditures	1,665	1,580	1,373	1,168
Disposal of assets	366	86	481	443
Dividends paid	354	342	316	307
EMPLOYEE DATA				
Total employment costs(d) (e)	\$ 2,582	\$ 2,372	\$ 2,289	\$ 2,179
Average number of employees(d) (e)	52,596	44,860	41,620	41,553
Number of pensioners at year-end	100,504 (f)	95,429	97,051	99,713

(a) 1999 and 1998 statistics, other than employee data, include 100% of MAP, which should be considered when making comparisons to prior periods. (b) Reclassified to conform to 1999 classifications. (c) Total debt represents the sum of notes payable, total long-term debt and preferred stock of subsidiary and trust preferred securities. (d) Excludes the Delhi Companies sold in 1997. (e) 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. (f) 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

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

Companies). On January 20, 1998, USX used the \$193 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.

During 1997, Marathon Oil Company ("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 percent interest in MAP. Financial measures such as revenues, income from operations and capital expenditures in 1999 and 1998 include 100 percent of MAP and are not comparable to prior period amounts. Income from continuing operations, net income and related per share amounts for 1999 and 1998 are net of the minority interest. For further discussion of MAP and pro forma information, 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 in 1999 and 1998 include operations of Marathon Canada Limited, formerly known as Tarragon, commencing August 12, 1998. For further discussion of Tarragon and pro forma information, 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 1999 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 1999 Form 10-K.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF INCOME

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

(DOLLARS IN MILLIONS)	1999	1998
Revenues (a) (b)		
Marathon Group	\$ 24,327	\$ 21,977
U. S. Steel Group	5,314	6,283
Eliminations	(58)	(23)
Total USX Corporation revenues	29,583	28,237
Less:		
Matching crude oil and refined product buy/sell transactions (c)	3,539	3,948
Consumer excise taxes on petroleum products and merchandise (c)	3,973	3,824
Revenues adjusted to exclude above items	\$ 22,071	\$ 20,465

(a) Consists of sales, dividend and affiliate income, gain on ownership change in MAP, net gains on disposal of assets and other income. (b) Effective October 31, 1997, USX sold the Delhi Companies. Excludes revenues of the Delhi Companies, which have been classified as discontinued operations for 1997. (c) Included in both revenues and costs and expenses for the Marathon Group and USX Consolidated, resulting in no effect on income.

Adjusted revenues increased by \$1,606 million in 1999 compared with 1998, reflecting an 18 percent increase for the Marathon Group, partially offset by a 15 percent decrease for the U. S. Steel Group. Adjusted revenues increased by \$3,049 million in 1998 compared with 1997, reflecting a 34 percent increase for the Marathon Group, partially offset by a 9 percent decrease for 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)	1999	1998
Reportable segments		
Marathon Group		
Exploration & production	\$ 618	\$ 278
Refining, marketing & transportation	611	896
Other energy related businesses	61	33
Income for reportable segments - Marathon Group	1,290	1,207
U. S. Steel Group		
U. S. Steel Operations	(128)	330
Income for reportable segments - USX Corporation	1,162	1,537
Items not allocated to reportable segments:		
Marathon Group	423	(269)

U. S. Steel Group	278	249
Total income from operations - USX Corporation	\$ 1,863	\$ 1,517

Income from operations increased \$346 million in 1999 compared with 1998 and decreased \$188 million in 1998 compared with 1997. The increase in 1999 was mainly attributable to higher income for the Marathon Group mainly due to higher worldwide liquid hydrocarbon prices. Income from operations for the U. S. Steel Group declined in 1999 due primarily to a \$49 per ton decrease in average realized prices related to the high levels of imports and weak tubular markets that continued in 1999. For further discussion, see Management's Discussion and Analysis of Operations by Group, herein.

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NET INTEREST AND OTHER FINANCIAL COSTS for each of the last three years are summarized in the following table:

(DOLLARS IN MILLIONS)	1999	1998
Interest and other financial income	\$ 3	\$ 39
Interest and other financial costs	365	318
Net interest and other financial costs	362	279
Less:		
Favorable adjustment to carrying value of indexed debt (a)	(13)	(44)
Net interest and other financial costs adjusted to exclude above item	\$ 375	\$ 323

(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 8 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 increased by \$52 million in 1999 compared with 1998, and decreased by \$34 million in 1998 compared with 1997. The increase in 1999 was primarily due to lower interest income and increased financial costs as a result of higher average debt levels. The decrease in 1998 was primarily due to increased interest income levels and increased capitalized interest on exploration and production projects, partially offset by increased interest costs resulting from higher average debt levels. For additional information, see Note 7 to the USX Consolidated Financial Statements

Consolidated Financial Statements.

The **PROVISION FOR ESTIMATED INCOME TAXES** was \$349 million in 1999, compared with \$315 million in 1998 and \$450 million in 1997. 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 12 to the USX Consolidated Financial Statements.

INCOME FROM DISCONTINUED OPERATIONS in 1997 reflects after tax income of the Delhi Group. Income in 1997 included an \$81 million gain on disposal of the Delhi Companies (net of income taxes). For additional discussion, see Note 5 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 that was USX's share of Republic Technologies International, LLC's extraordinary loss related to the early extinguishment of debt. For additional information, see Note 8 to the USX Consolidated Financial Statements.

NET INCOME was \$698 million in 1999, \$674 million in 1998 and \$988 million in 1997. Excluding the gain on change of ownership in MAP in 1999 and 1998, the effects of the \$81 million gain on disposal related to discontinued operations in 1997, and adjustments to the inventory market valuation reserve in each of 1999, 1998 and 1997, net income decreased by \$152 million in 1999 compared with 1998, and decreased by \$462 million in 1998 compared with 1997.

NONCASH CREDIT FROM EXCHANGE OF PREFERRED STOCK was \$10 million, or 12 cents per share of Steel Stock, in 1997. In May 1997, USX exchanged 3.9 million 6.75% Convertible Quarterly Income Preferred Securities ("Trust Preferred Securities") of USX Capital Trust I for an equivalent number of

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shares of its outstanding 6.50% Cumulative Convertible Preferred Stock ("6.50% Preferred Stock"). The \$10 million noncash credit reflects the difference between the carrying value of the 6.50% Preferred Stock and the fair value of the Trust Preferred Securities at the date of the exchange. For additional information, see Note 23 to the USX Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

CURRENT ASSETS increased by \$1,771 million from year-end 1998, primarily reflecting increased receivables as the result of higher commodity prices and the expiration of the U. S. Steel Group's accounts receivable program. Inventories increased by \$619 million largely due to the reversal of the market valuation reserve

for oil inventories. For further discussion of the inventory market valuation reserve, see Note 17 to the USX Consolidated Financial Statements.

CURRENT LIABILITIES increased by \$697 million from year-end 1998, primarily due to an increase in accounts payable reflecting higher year-end commodity prices for the Marathon Group and the impact of costs associated with higher production levels in the latter part of 1999 compared with the same 1998 period for the U. S. Steel Group, partially offset by a decrease in notes payable.

NET PROPERTY, PLANT AND EQUIPMENT decreased by \$120 million from year-end 1998, primarily due to depreciation, reclassifications to assets held for disposal and asset sales, including Scurlock Permian LLC and Carnegie Natural Gas Company and affiliated subsidiaries, partially offset by the acquisition of certain Ultramar Diamond Shamrock ("UDS") assets and the purchase of Kobe Steel, Ltd.'s 50% membership interest in Lorain Tubular Company LLC.

TOTAL LONG-TERM DEBT AND NOTES PAYABLE increased by \$147 million from year-end 1998, mainly reflecting borrowings for the U. S. Steel Group accounts receivables facility, the addition of the 6.65% Notes due 2006 and an increase in commercial paper borrowings partially offset by a decrease in revolving credit agreements and notes payable. For further discussion of the U. S. Steel Group accounts receivable facility, see Note 16 to the USX Consolidated Financial Statements.

STOCKHOLDERS' EQUITY increased by \$451 million from year-end 1998 mainly reflecting net income of \$698 million, partially offset by dividends paid.

NET CASH PROVIDED FROM OPERATING ACTIVITIES was \$1,936 million in 1999, \$2,022 million in 1998 and \$1,464 million in 1997. Cash provided from operating activities in 1999 included a \$320 million payment resulting from the expiration of the U. S. Steel Group's accounts receivable program and a \$20 million payment to fund the Voluntary Employee Benefit Association Trust ("VEBA"). 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. Cash provided from operating activities in 1997 included a payment of \$390 million resulting from termination of a Marathon Group and Delhi Group accounts receivable sales program, payments of \$199 million to fund employee benefit plans related to the U. S. Steel Group, and insurance recoveries of \$40 million related to a 1996 hearth breakout at the Gary Works No. 13 blast furnace. Excluding the effects of these adjustments, cash provided from operating activities increased by \$292 million in 1999 compared with 1998 primarily due to favorable working capital changes. Cash provided from operating activities decreased by \$29 million in 1998 compared with 1997, primarily due to lower net income and unfavorable working capital changes.

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CAPITAL EXPENDITURES for each of the last three years are summarized in the

following table:

(DOLLARS IN MILLIONS)	1999	1998
Marathon Group		
Exploration & production		
Domestic	\$ 356	\$ 652
International	388	187
Refining, marketing & transportation	612	410
Other	22	21
Subtotal Marathon Group	1,378	1,270
U. S. Steel Group	287	310
Discontinued operations	-	-
Total USX Corporation capital expenditures	\$ 1,665	\$ 1,580

Marathon Group's domestic exploration and production capital expenditures in 1999 mainly included the completion of Green Canyon Blocks 112 and 113 ("Angus") and additional development at South Pass 89 in the Gulf of Mexico 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 South development located offshore Gabon and oil and natural gas developments in Canada. Refining, marketing and transportation capital expenditures by MAP consisted of the acquisition of certain UDS assets in Michigan, upgrades and expansions of retail marketing outlets, refinery modifications and expansion and enhancement of logistic systems.

U. S. Steel Group's capital expenditures in 1999 included the completion of the new 64" pickle line at Mon Valley Works; the replacement of three coilers at the Gary hot strip mill; an upgrade to the Mon Valley cold rolling mill; replacement of coke battery thruwalls at Gary Works; several projects at Gary Works allowing for production of high strength steel, primarily for the automotive market; and completion of the conversion of the Fairfield pipemill to use rounds instead of square blooms.

CAPITAL EXPENDITURES IN 2000 are expected to be approximately \$1.6 billion. Expenditures for the Marathon Group are expected to be approximately \$1.4 billion. Domestic exploration and development projects planned for 2000 include completion of the Petronius development in the Gulf of Mexico, various producing property acquisitions and continued natural gas developments in East Texas and other gas basins throughout the western United States. International exploration and development projects include the Tchatamba West development, located offshore Gabon and continued oil and natural gas developments in Canada. Refining, marketing and transportation spending by MAP will primarily consist of upgrades and expansions of retail marketing outlets, refinery improvements, including the delayed coker unit project at the Garyville refinery, and expansion and enhancement of logistic systems.

Capital expenditures for the U. S. Steel Group in 2000 are expected to be approximately \$230 million. Planned projects include continued coke battery thruwall repairs at Gary Works, installation of the remaining two coilers at Gary's hot strip mill, a blast furnace stove replacement at Gary Works and a Mon Valley cold

mill upgrade.

INVESTMENTS IN AFFILIATES of \$74 million in 1999 mainly reflected development spending for the Sakhalin II project in Russia and the investment in Republic Technologies International, Inc.

In 2000, net investments in affiliates are expected to be approximately \$100 million. Projected investments include continued development of the Sakhalin II project.

Contract commitments to acquire property, plant and equipment and long-term investments at December 31, 1999, totaled \$568 million compared with \$812 million at December 31, 1998.

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The above statements with respect to 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 expenditures and investments could differ materially from those included in the forward-looking statements. Factors that could cause future capital expenditures and investments 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, or by delays in obtaining government or partner approval. In addition, levels of investments may be affected by the ability of equity affiliates to obtain third-party financing.

PROCEEDS FROM DISPOSAL OF ASSETS were \$366 million in 1999, compared with \$86 million in 1998 and \$481 million in 1997. Proceeds in 1999 primarily reflected the Marathon Group's sales of Scurlock Permian LLC, over 150 non-strategic domestic and international production properties and Carnegie Natural Gas Company and affiliated subsidiaries. Proceeds in 1997 included \$361 million resulting from USX's entry into a strategic partnership with two limited partners to acquire an interest in three coke batteries at its U. S. Steel Group's Clairton Works and \$15 million from the sale of the plate mill at the U. S. Steel Group's former Texas Works.

The net change in **RESTRICTED CASH** was a net deposit of \$1 million in 1999, compared with a net withdrawal of \$174 million in 1998 and a net deposit of \$97 million in 1997. 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 that had been classified as restricted cash in 1997. The net deposit of \$97 million in 1997 mainly represents the deposit of the \$195 million of net proceeds from the sale of the Delhi Companies, partially offset by cash withdrawn from an interest-bearing escrow account established in 1996 in connection with the disposal of oil production properties in Alaska.

properties in Alaska.

REPAYMENTS OF LOANS AND ADVANCES TO AFFILIATES were \$1 million in 1999 compared with \$71 million in 1998 and \$10 million in 1997. In 1998, Sakhalin Energy Investment Company Ltd. repaid advances made by Marathon in connection with the Sakhalin II project.

FINANCIAL OBLIGATIONS (the net of commercial paper and revolving credit arrangements, debt borrowings and repayments on the Consolidated Statement of Cash Flows) increased \$187 million in 1999, compared with an increase of \$315 million in 1998 and a decrease of \$734 million in 1997. 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. The decrease in financial obligations in 1997 primarily reflected cash flows provided from operating activities and asset sales in excess of cash used for capital expenditures and dividend payments (and with respect to 1997, in excess of \$219 million of cash used for investments in affiliates).

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Additions to long-term debt and the issuance of Trust Preferred Securities for each of the last three years is summarized in the following table:

(DOLLARS IN MILLIONS)	1999	1998
Aggregate principal amounts of:		
6.65% Notes due 2006	\$ 300	\$ -
6.85% Notes due 2008	-	400
U. S. Steel Receivables facility	350	-
Trust preferred securities(a)	-	-
Environmental bonds and capital leases(b)	37	280
Total	\$ 687	\$ 680

(a) In 1997, USX exchanged 3.9 million 6.75% Convertible Quarterly Income Preferred Securities ("Trust Preferred Securities") of USX Capital Trust I for an equivalent number of shares of USX's 6.50% Cumulative Convertible Preferred Stock. This was a noncash transaction. For additional discussion, see Note 23 to the USX Consolidated Financial Statements. (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 \$3,541 million at year-end 1999 may be declared immediately due and payable or required to be collateralized. See Notes 11 and 16 to the USX Consolidated Financial Statements.

DIVIDENDS PAID increased \$12 million in 1999 compared with 1998 and increased

\$26 million in 1998 compared with 1997. The increase in 1998 was due primarily to a two-cents-per-share increase in the quarterly Marathon Stock dividend rate effective January 1998.

BENEFIT PLAN ACTIVITY

In 1999, USX contributed \$20 million to the United Steelworkers of America ("USWA") VEBA. USX contributed \$49 million in 1997 to fund the U. S. Steel Group's principal pension plan for the 1996 plan year. Also in 1997, USX contributed \$80 million for elective funding of retiree life insurance of union and nonunion participants, and \$70 million to the VEBA. A total of \$40 million of the \$70 million VEBA contribution represented prefunding for the years 1998 and 1999.

DEBT AND PREFERRED STOCK RATINGS

Standard & Poor's Corp. currently rates USX and Marathon senior debt as investment grade at BBB-. USX's subordinated debt and preferred stock are rated at BB+. Moody's Investors Services, Inc., following upgrades in June 1998, currently rates USX's and Marathon's senior debt as investment grade at Baa2, USX's subordinated debt at Baa3 and USX's preferred stock as Ba1. Duff & Phelps Credit Rating Co. currently rates USX's senior notes as investment grade at BBB and USX's subordinated debt as BBB-.

DERIVATIVE INSTRUMENTS

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

LIQUIDITY

At December 31, 1999, USX had \$300 million of borrowings against its \$2,350 million long-term revolving credit agreements and commercial paper borrowings of \$165 million. There were no borrowings against MAP revolving credit agreements at December 31, 1999.

USX filed with the Securities and Exchange Commission a shelf registration statement, which became effective October 20, 1999, that allows USX to offer and issue unsecured debt securities, common and preferred stock and warrants in an aggregate principal amount of up to \$1 billion in one

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or more separate offerings on terms to be determined at the time of sale. Including this shelf registration statement, USX had a total of \$1.678 billion available under existing shelf registration statements at December 31, 1999.

USX management believes that its short-term and long-term liquidity is adequate to satisfy its obligations as of December 31, 1999, 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 2000, 2001 and 2002, and any amounts that may ultimately be paid in connection with contingencies (which are discussed in Note 27 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.

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 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 long-term debt, see Note 16 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.

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

(DOLLARS IN MILLIONS)	1999	1998
-----------------------	------	------

Capital			
Marathon Group(b)	\$ 46	\$ 83	.
U. S. Steel Group	32	49	.
Discontinued operations	-	-	.
Total capital	\$ 78	\$ 132	.
Compliance			
Operating & maintenance			
Marathon Group(b)	\$ 117	\$ 126	.
U. S. Steel Group	199	198	.
Discontinued operations	-	-	.
Total operating & maintenance	316	324	.
Remediation(c)			
Marathon Group(b)	25	10	.
U. S. Steel Group	22	19	.
Total remediation	47	29	.
Total compliance	\$ 363	\$ 353	.

(a) Amounts for the Marathon Group are calculated based on American Petroleum Institute survey guidelines. Amounts for the U. S. Steel Group are based on previously established U.S. Department of Commerce survey guidelines. (b) Amounts in 1999 and 1998 include 100% of MAP. (c) Amounts do not include noncash provisions recorded for environmental remediation, but include spending charged against such reserves, net of recoveries where permissible.

USX's environmental capital expenditures accounted for 5%, 8% and 9% of total consolidated capital expenditures in 1999, 1998 and 1997, respectively.

USX's environmental compliance expenditures averaged 1%, 1% and 2% of total consolidated costs in 1999, 1998 and 1997, respectively. 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 continuing remediation at an IN SITU uranium mining operation, the remediation of former coke-making facilities, a closed and dismantled refinery site and the closure of permitted hazardous and non-hazardous waste landfills.

USX has been notified that it is a potentially responsible party ("PRP") at 41 waste sites under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of December 31, 1999. In addition, there are 20 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 142 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, 17 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

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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 27 to the USX Consolidated Financial Statements.

In October 1998, the National Enforcement Investigations Center and Region V of the United States Environmental Protection Agency ("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. Although MAP has been advised as to certain compliance issues regarding MAP's Detroit refinery, it is not known when complete findings on the results of the inspections will be issued. Thus far, MAP has been served with two Notices of Violation and three Findings of Violation in connection with the multi-media inspections at its Detroit refinery and one finding of violation at its Robinson 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. The Robinson notice alleges noncompliance with a general conduct provision as a result of acid-gas flaring since 1994. The Robinson refinery is alleged to have routine acid gas flaring arising from a failure to properly operate and maintain the sulfur recovery plant and amine units. MAP can contest the factual and legal basis for the allegations prior to the EPA taking enforcement action. At this time, it is not known when complete findings on the results of these multi-media inspections will be 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

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 \$30 million over the next six years. Estimated remediation and monitoring costs for this project have been accrued.

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 2000. USX expects environmental capital expenditures in 2000 to be approximately \$107 million, or approximately 6% of total estimated consolidated capital expenditures. Predictions beyond 2000 can

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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 2001 will total approximately \$71 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 AND YEAR 2000

For Outlook with respect to the Marathon Group and U. S. Steel Group, see Management's Discussion and Analysis of Operations by Group, herein.

For discussion of Year 2000 as it affects the Marathon Group and the U. S. Steel Group, see Management's Discussion and Analysis of Operations by Group, herein.

ACCOUNTING STANDARDS

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). This new Standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle.

Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment. This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings.

USX cannot reasonably estimate the effect of adoption either on financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

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.

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The Marathon Group's 1999 financial performance was primarily affected by the strong recovery in worldwide liquid hydrocarbon prices. During 1999, 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. Marathon also achieved a significant milestone when oil production commenced from the Piltun-Astokhskiye field offshore Sakhalin Island in the Russian Far East region on July 5, 1999.

Marathon Group REVENUES for each of the last three years are summarized in the

following table:

(DOLLARS IN MILLIONS)	1999	1998
Exploration & production ("E&P")	\$ 3,479	\$ 2,270
Refining, marketing & transportation ("RM&T") (a)	20,322	19,254
Other energy related businesses (b)	834	355
Revenues of reportable segments	24,635	21,879
Revenues not allocated to segments:		
Gain on ownership change in MAP	17	245
Other (c)	(36)	24
Elimination of intersegment revenues	(289)	(171)
Administrative revenues	-	-
Total Group revenues	\$ 24,327	\$ 21,977
Items included in both revenues and costs and expenses, resulting in no effect on income:		
Consumer excise taxes on petroleum products and merchandise	\$ 3,973	\$ 3,824
Matching crude oil and refined product buy/sell transactions settled in cash:		
E&P	\$ 732	\$ 340
RM&T	2,807	3,608
Total buy/sell transactions	\$ 3,539	\$ 3,948

(a) Amounts in 1999 and 1998 include 100 percent of MAP. (b) Includes domestic natural gas and crude oil marketing and transportation, and power generation. (c) Represents in 1999 net losses on certain asset sales.

E&P segment revenues increased by \$1,209 million in 1999 from 1998 following a decrease of \$44 million in 1998 from 1997. 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. The decrease in 1998 was primarily due to lower worldwide liquid hydrocarbon prices and lower domestic natural gas prices, partially offset by higher liquid hydrocarbon sales volumes.

RM&T segment revenues increased by \$1,068 million in 1999 from 1998, 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. Beginning in 1998, RM&T segment revenues include 100 percent of MAP revenues and are not comparable to prior periods.

Other energy related businesses segment revenues increased by \$479 million in 1999 from 1998 following a decrease of \$69 million in 1998 from 1997. The increase in 1999 was primarily due to increased crude oil and natural gas purchase and resale activity. The decrease in 1998 was primarily due to lower prices associated with natural gas resale activity.

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

Marathon Group INCOME FROM OPERATIONS for each of the last three years is summarized in the following table:

(DOLLARS IN MILLIONS)	1999	1998
E&P		
Domestic	\$ 494	\$ 190
International	124	88
Income of E&P reportable segment	618	278
RM&T(a)	611	896
Other energy related businesses	61	33
Income for reportable segments	1,290	1,207
Items not allocated to reportable segments		
Administrative expenses(b)	(108)	(106)
IMV reserve adjustment(c)	551	(267)
Gain on ownership change & transition charges - MAP(d)	17	223
E&P domestic and international impairments and gas contract settlement(e)	(16)	(119)
Loss on disposal of assets(f)	(36)	-
Pension settlement gain & benefit accruals(g)	15	-
Total income from operations	\$ 1,713	\$ 938

(a) Amounts in 1999 and 1998 include 100 percent of MAP. (b) 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. (c) 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. (d) 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. (e) 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. (f) This represents a loss on the sale of Scurlock Permian LLC, certain domestic production properties, Carnegie Natural Gas Company and affiliated subsidiaries and certain Egyptian properties. (g) Represents a fourth quarter pension settlement gain and various benefit accruals resulting from favorable net gains on retirement plan settlements and the voluntary early retirement program.

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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. Beginning in 1998, income from operations includes 100 percent of MAP, and Marathon Canada Limited (formerly known as Tarragon) results of operations commencing August 12, 1998. On an unaudited pro forma basis, assuming the acquisitions of Ashland's RM&T net assets and Tarragon's operations had occurred on January 1, 1997, income for reportable segments for 1997 would have been \$1,728 million. Income for reportable segments decreased by \$521 million in 1998 from pro forma 1997, mainly due to lower worldwide liquid hydrocarbon prices, lower domestic natural gas prices and lower refining crack spreads, partially offset by higher liquid hydrocarbon production.

AVERAGE VOLUMES AND SELLING PRICES

		1999	1998
(thousands of barrels per day)			
Net liquids production(a)	- U.S.	145	135
	- International(b)	62	61
	- Total Consolidated	207	196
	- Equity affiliates(c)	1	-
	- Worldwide	208	196
(MILLIONS OF CUBIC FEET PER DAY)			
Net natural gas production	- U.S.	755	744
	- International - equity	489	441
	- International - other(d)	16	23
	- Total Consolidated	1,260	1,208
	- Equity affiliate(e)	36	33
	- Worldwide	1,296	1,241
(DOLLARS PER BARREL)			
Liquid hydrocarbons(a)(f)	- U.S.	\$ 15.44	\$ 10.42
	- International	16.90	12.24
(DOLLARS PER MCF)			
Natural gas(f)	- U.S.	\$ 1.90	\$ 1.79
	- International - equity	1.90	1.94
(THOUSANDS OF BARRELS PER DAY)			
Refined products sold(g)		1,251	1,198
Matching buy/sell volumes included in above		45	39

(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"). (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 affiliates and purchase/resale gas. (g) In 1999 and 1998, refined products sold and matching buy/sell volumes include 100 percent of MAP and are not comparable to prior periods.

DOMESTIC E&P income increased by \$304 million in 1999 from 1998 following a decrease of \$310 million in 1998 from 1997. 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.

The decrease in 1998 was primarily due to lower liquid hydrocarbon and natural gas

prices, partially offset by increased liquid hydrocarbon production and natural gas volumes. The 17 percent, or 20,000 barrels per day ("bpd"), increase in liquid hydrocarbon production was mainly attributable to new production in the Gulf of Mexico, while the increase in natural gas volumes was mainly attributable to properties in east Texas.

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INTERNATIONAL E&P income increased by \$36 million in 1999 from 1998 following a decrease of \$185 million in 1998 from 1997. 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.

The decrease in 1998 was primarily due to lower liquid hydrocarbon and natural gas prices and higher exploration and operating expenses. These items were partially offset by increased liquid hydrocarbon production and natural gas volumes. The 24 percent, or 12,000 bpd, increase in liquid hydrocarbon production was mainly attributable to the acquired production in Canada and new production in Gabon. The increase in natural gas volumes was mainly attributable to acquired production in Canada.

RM&T segment income decreased by \$285 million in 1999 from 1998, 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 Speedway SuperAmerica LLC and the realization of additional operating efficiencies as a result of forming MAP.

Beginning in 1998, RM&T segment income includes 100 percent of MAP. On an unaudited pro forma basis, assuming the acquisition of Ashland's RM&T net assets had occurred on January 1, 1997, income for the reportable segments of the combined downstream operations of Marathon and Ashland for 1997 would have been \$869 million. On this basis, 1998 RM&T segment income of \$896 million was slightly higher than pro forma 1997 RM&T segment income. During 1998, the effects of lower refining crack spreads were offset by strong performances from MAP's asphalt and retail operations, realization of operating efficiencies as a result of combining Marathon and Ashland's downstream operations and lower energy costs.

OTHER ENERGY RELATED BUSINESSES segment income increased by \$28 million in 1999 from 1998 following a decrease of \$15 million in 1998 from 1997. 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. The decrease in 1998 was primarily due to a gain on the sale of an equity interest in a domestic pipeline company included in 1997 segment income.

ITEM 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.

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OUTLOOK - MARATHON GROUP

The outlook regarding the Marathon Group's upstream revenues and income 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.

In 2000, worldwide liquid hydrocarbon production, including Marathon's share of equity affiliates, is expected to increase from 1999, to average approximately 210,000 bpd. Most of the increase is anticipated in the second half of the year. This primarily reflects projected new production from the start-up of Petronius in the Gulf of Mexico in the third quarter of 2000 and one full ice-free season of production from the Piltun-Astokhskoye ("P-A") field in Russia, partially offset by natural production declines of mature fields. In 2001, worldwide liquid hydrocarbon production is

sources of mature fields. In 2001, worldwide liquid hydrocarbon production is expected to increase further to approximately 230,000 bpd. In 2000 and 2001, worldwide natural gas volumes, including Marathon's share of equity affiliates, are expected to average approximately 1.3 billion cubic feet per day ("bcfd") and 1.4 bcfd, respectively. These projections are based on known discoveries and do not assume any new discoveries, acquisitions or dispositions.

Progress continues on the Petronius development in the deepwater Gulf of Mexico. In 1999, efforts focused on rebuilding the lost platform deck module, which was dropped during installation in 1998. Third party insurance has covered substantially all rebuilding costs associated with this incident. The platform module is scheduled to be completed in the first quarter of 2000 and offshore installation should occur in the second quarter of 2000 with first production expected in the third quarter of 2000.

In September 1999, production commenced from the Angus field, a three-well subsea development in the Gulf of Mexico. In January 2000, Marathon sold its 33.34 percent interest in the Angus development and will report a pre-tax gain of approximately \$85 million in the first quarter of 2000. Marathon's worldwide liquid hydrocarbon production forecasts discussed previously exclude estimated 2000 and 2001 production from the Angus field.

On January 21, 2000, the Poseidon pipeline, a subsea pipeline that transports Marathon's production from Ewing Bank 873, was damaged by a ship's anchor and had to be shut-in. The pipeline was inoperable for approximately three weeks for repairs and resulted in no production from Ewing Bank during this period. Marathon does not expect this incident to have a material impact on the current year's operations.

Marathon has increased its presence in the Gulf of Mexico through extensive acquisition and analysis of 3-D seismic. Plans are to drill eight deepwater exploratory wells in 2000. To support this increased drilling activity, Marathon has contracted two new deepwater rigs, capable of drilling in water depths beyond 6,500 feet.

Marathon holds a 37.5 percent interest in Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy"), an incorporated joint venture company responsible for the overall management of the Sakhalin II project. This project includes development of the P-A oil field and the Lunskeye gas-condensate field, which are located 8-12 miles offshore Sakhalin Island in the Russian Far East Region. The Russian State Reserves Committee has approved estimated combined reserves for the P-A and Lunskeye fields of 1 billion gross barrels of liquid hydrocarbons and 14 trillion cubic feet of natural gas.

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In July 1999, oil production commenced from the P-A field and the first lifting occurred on September 20, 1999. In late September, production was shut-in following a failure of the mooring system and resumed only for brief periods during October and November before operations ceased for the winter in early December.

A re-designed mooring system is expected to be installed in the second quarter of 2000 and production is expected to resume in June 2000, the beginning of the ice-free season. In 2000, gross production is expected to average 36,000 gross bpd (on an annualized basis). Marathon's equity share of reserves from primary production in the Astokh Feature is 80 million barrels of oil.

Further development of the P-A field continues, including plans to drill two appraisal and eight production wells in 2000 and to commence waterflood activity for the Astokh Feature. With respect to the Lunskoye field, appraisal work and efforts to secure long term gas sales markets continue. Commencement of gas production from the Lunskoye field, which will be contingent upon the conclusion of a gas sales contract, is anticipated to occur in 2006 or later.

At December 31, 1999, Marathon's net investment in the Sakhalin II project was approximately \$400 million.

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, the Tchatamba West field, located offshore Gabon, and various North American natural gas fields.

In 2000, Marathon launched an initiative that targets \$150 million in annual, repeatable pre-tax operating efficiencies by year-end 2001. This initiative focuses on gaining measurable, hard-dollar improvements in revenues or expenses. Besides a goal to constrain production costs, this initiative includes strategic management of Marathon's portfolio of properties, allocation of personnel and resources to assets and activities with the greatest opportunity for return and growth, and the adoption of enterprise-wide tools (computerization and other new technology) to elevate workforce productivity.

The above discussion includes forward-looking statements with respect to worldwide liquid hydrocarbon production (including Russia for 2000) and natural gas volumes for 2000 and 2001, commencement of projects and dates of initial production, Gulf of Mexico and Russia drilling programs, and the amount and timing of operating efficiencies. These statements are based on a number of assumptions, including (among others) prices, amount of capital available for exploration and development, worldwide supply and demand for petroleum products, regulatory constraints, reserve estimates, production decline rates of mature fields, timing of commencing production from new wells, timing and results of future development drilling, drilling rig availability, reserve replacement rates, other geological, operating and economic considerations, and the ability to identify sufficient initiatives in order to generate efficiencies. 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. To the extent these assumptions prove inaccurate and/or negotiations and other considerations are not satisfactorily resolved, actual results could be materially different than present expectations.

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 and the available supply of crude oil and refined products.

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MAP's 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. Construction is currently expected to begin in late 2000. However, the construction schedule is largely dependent on obtaining the necessary rights-of-way, of which over 86 percent have been obtained to date, and final regulatory approvals.

MAP is constructing a delayed coker unit at its Garyville, LA refinery. This unit will allow for the use of heavier, lower cost crude and eliminate 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 Maya crude oil. This is a multi-year contract, which will begin upon completion of the delayed coker unit which is scheduled in the fourth quarter of 2001. In addition, a project to increase crude throughput and light product output is being undertaken at MAP's Robinson, IL refinery and is also expected to be completed in the fourth quarter of 2001.

The above statements with respect to pipeline and refinery improvement projects are forward looking statements. Some factors that could potentially cause actual results to differ materially from present expectations include (among others) 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 and regulatory approval constraints.

YEAR 2000

The Marathon Group encountered only minor problems during the rollover to the Year 2000, none of which impacted operations. Most problems were quickly corrected, while the remaining problems were addressed by utilizing contingency plans to prevent any business disruptions.

Essentially all business processes and systems have been successfully operated since the rollover to the Year 2000. However, the possibility for Year 2000 problems still exists. Therefore, the Marathon Group plans to continue monitoring its business processes and systems to ensure dates and date-related information continue to be processed correctly.

Total costs associated with Year 2000 readiness were \$36 million, including \$18

million of incremental costs.

THE U. S. STEEL GROUP

The U. S. Steel Group includes U. S. Steel, which is engaged in the production and sale of steel mill products, coke, and taconite pellets; the management of mineral resources; domestic coal mining; real estate development; and engineering and consulting services. 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 VSZ U. S. Steel, 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.

In 1999, segment income for U. S. Steel operations decreased primarily due to lower average steel product prices, unfavorable product mix, and lower income from affiliates.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

U. S. Steel Group REVENUES for each of the last three years are summarized in the following table.

(DOLLARS IN MILLIONS)	1999	1998
Sales by product:		
Sheet and semi-finished steel products	\$ 3,345	\$ 3,501
Tubular, plate, and tin mill products	1,118	1,513
Raw materials (coal, coke and iron ore)	505	679
Other(a)	414	490
Income from affiliates	(89)	46
Gain on disposal of assets	21	54
Total revenues	\$ 5,314	\$ 6,283

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

Total revenues decreased by \$969 million in 1999 from 1998 primarily due to lower average realized prices and lower income from affiliates, which included a \$47 million charge for the impairment of U. S. Steel's investment in USS/Kobe Steel Company. Net gain on disposal of assets in 1999 included a \$22 million charge representing the difference between the carrying value of the investment in RTI International Metals, Inc. ("RTI") and the carrying value of indexed debt (for additional information, see Note 5 to the U. S. Steel Group Financial Statements). Total revenues in 1998 decreased by \$658 million from 1997 primarily due to lower average realized prices, lower steel shipment volumes, and lower income from

affiliates.

U. S. Steel Group INCOME FROM OPERATIONS for the U. S. Steel Group for the last three years was:

(DOLLARS IN MILLIONS)	1999	1998
Segment income (loss) for U. S. Steel operations(a)	\$ (128)	\$ 330
Items not allocated to segment:		
Pension credits	447	373
Administrative expenses	(17)	(24)
Costs related to former business activities(b)	(83)	(100)
Impairment of USX's investment in USS/Kobe and costs related to formation of Republic(c)	(47)	-
Loss on investment in RTI stock used to satisfy indexed debt obligations(d)	(22)	-
Total income from operations	\$ 150	\$ 579

(a) Includes income from the production and sale of steel mill products, coke and taconite pellets; the management of mineral resources; domestic coal mining; real estate development; and engineering and consulting services. (b) Includes the portion of postretirement benefit costs and certain other expenses principally attributable to former business units of the U. S. Steel Group. Results in 1997 included charges of \$9 million related to environmental accruals and the adoption of SOP 96-1. (c) For further details, see Note 7 to the U. S. Steel Group Financial Statements.

(d) For further details, see Note 5 to the U. S. Steel Group Financial Statements.

SEGMENT INCOME FOR U. S. STEEL OPERATIONS

U. S. Steel operations recorded a segment loss of \$128 million in 1999 versus segment income of \$330 million in 1998, a decrease of \$458 million. The 1999 segment loss included a \$10 million charge for certain environmental accruals, a \$7 million charge for certain legal accruals and \$7 million in various non-recurring equity affiliate charges. 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. In addition to the effects of these items, the decrease in segment income in 1999 for U. S. Steel operations was primarily due to lower average steel prices, lower income from raw materials operations, unfavorable product mix, higher pension costs and lower income from affiliates.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

High levels of imports and weak tubular markets continued to negatively affect steel product prices and steel shipment levels in 1999 as they did in 1998. U. S. Steel's average realized price declined 10% in 1999 compared to 1998 from \$469 per ton to \$420 per ton. In 1999, raw steel capability utilization averaged 94%, compared to 93% in 1998.

88% in 1998 and 97% in 1997.

Segment income for U. S. Steel operations in 1998 decreased \$288 million from 1997. Segment income in 1998 and 1997 included insurance recoveries of \$30 million and \$40 million, respectively, due to blast furnace incidents in 1995 and 1996 at Gary Works. Results in 1997 included a \$15 million gain on the sale of the plate mill at U. S. Steel's former Texas Works. In addition to the effects of these items, the decrease in segment income in 1998 for U. S. Steel operations was primarily due to lower average steel prices, lower shipments, less efficient operating levels, the cost effects of a 10 day outage at Gary Works No. 13 blast furnace following a tap hole failure, and lower income from affiliates. These unfavorable items were partially offset by lower 1998 accruals for profit sharing.

Segment income for U. S. Steel operations included pension costs (which are primarily noncash) allocated to the ongoing operations of U. S. Steel of \$219 million, \$187 million, and \$169 million in 1999, 1998 and 1997, respectively. Pension costs in 1998 included \$10 million for termination benefits associated to a voluntary early retirement program.

ITEM NOT ALLOCATED TO SEGMENT: Pension credits associated with pension plan assets and liabilities allocated to pre-1987 retirees and former businesses are not included in segment income for U. S. Steel operations. These pension credits, which are primarily noncash, totaled \$447 million in 1999, compared to \$373 million and \$313 million in 1998 and 1997, respectively. 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.

Pension credits, combined with pension costs included in segment income for U. S. Steel operations, resulted in net pension credits of \$228 million in 1999, \$186 million in 1998 and \$144 million in 1997. Net pension credits are expected to be approximately \$270 million in 2000. Also in 2000, U. S. Steel's main pension plans' transition asset will be fully amortized, decreasing the pension credit by \$69 million annually in future years for this component. Future net pension credits 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 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. For additional information on pensions, see Note 11 to the U. S. Steel Group Financial Statements.

OUTLOOK FOR 2000 - U. S. STEEL GROUP

U. S. Steel expects that shipment volumes and average steel product prices to be higher in 2000 compared to 1999. In recent years, demand for steel in the United States has been at high levels. Any weakness in the United States economy for capital goods or consumer durables could further adversely impact U. S. Steel Group's product prices and shipment level.

Income from equity affiliates will be negatively impacted by losses associated with Republic. Republic has stated that it expects to incur operating losses through 2000 and nonrecurring charges associated with the consolidation of the combined operations. U. S. Steel will recognize its share of any such losses under the equity method of accounting.

In August 1999, members of the USWA ratified a new five-year labor contract. The new labor contract, which includes \$2.00 in hourly wage increases phased in over the term of the agreement beginning in 2000 as well as pension and other benefit improvements for active and retired employees

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

and spouses, will result in higher labor and benefit costs for the U. S. Steel Group each year throughout the term of the contract. Management believes that this agreement is competitive with labor agreements reached by U. S. Steel's major domestic integrated competitors and thus does not believe that U. S. Steel's competitive position with regard to such competitors will be materially affected.

Steel imports to the United States accounted for an estimated 26%, 30% and 24% of the domestic steel market for the years 1999, 1998 and 1997, respectively. Steel imports of hot rolled and cold rolled steel decreased 34% in 1999, compared to 1998. Steel imports of plates decreased 52% compared to 1998. For most products, U. S. Steel's order books are strong and prices are increasing. The trade cases have had a positive impact, however, high import levels remain a problem and will continue to affect the industry throughout the year.

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, and customer demand. In the event these assumptions prove to be inaccurate, actual results may differ significantly from those presently anticipated.

YEAR 2000

U. S. Steel experienced only nominal problems during the year-end rollover to the Year 2000, none of which impacted production operations. After a planned short pause in operations over the year-end rollover, facilities were restarted on schedule and full production quickly resumed. To-date, no Year 2000 related problems have been encountered with third-parties.

Substantially all processes and systems have been run successfully in production mode after the rollover; but until this is complete, there is a potential for Year 2000 related problems, especially for business systems. Accordingly, U. S. Steel plans to

continue to closely monitor the processes and systems to ensure that dates and date-related information are accurately represented and displayed on all output.

Total costs associated with Year 2000 project for U. S. Steel were \$28 million, including \$17 million of incremental costs.

ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". This new standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle.

Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment. This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings.

USX cannot reasonably estimate the effect of adoption on either the financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

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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, nonferrous metals and electricity. 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, electricity, petroleum feedstocks and certain nonferrous metals used as raw materials. USX is also exposed to effects of price fluctuations on the value of its commodity inventories.

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. In addition, USX uses derivative commodity instruments such as exchange-traded futures contracts and options, and over-the-counter ("OTC") commodity swaps and options to manage exposure to market risk related to the purchase, production or sale of crude oil, natural gas, refined products, certain nonferrous metals and electricity. 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. However, 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.

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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, 1999 and December 31, 1998, are provided in the following table:(a)

(DOLLARS IN MILLIONS)

		1999	
		10%	25%
Derivative Commodity Instruments			

INCREMENTAL DECREASE IN
PRETAX INCOME ASSUMING
HYPOTHETICAL PRICE
CHANGE OF (a)

Marathon Group(b) (c):				
Crude oil (price increase) (d)				
Trading	\$	1.3	\$	7.7
Other than trading		16.5		54.0
Natural gas (price decrease) (d)				
Trading		-		-
Other than trading		4.7		16.8
Refined products (price increase) (d)				
Trading		-		-
Other than trading		8.4		23.8

U. S. Steel Group:				
Natural gas (price decrease) (d)				
Other than trading	\$	1.8	\$	4.6
Zinc (price decrease) (d)				
Other than trading		2.0		5.0
Nickel (price decrease) (d)				
Other than trading		-		-
Tin (price decrease) (d)				
Other than trading		.2		.6
Heating oil (price decrease) (d)				
Other than trading		-		-

(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, 1999 and December 31, 1998. Marathon Group and U. S. Steel Group management evaluates their portfolios 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 portfolios subsequent to December 31, 1999, would cause future pretax income effects to differ from those presented in the table. (b) The number of net open contracts varied throughout 1999, from a low of 107 contracts at July 14, to a high of 34,199 contracts at April 16, and averaged 14,462 for the year. The derivative commodity instruments used and hedging positions taken also varied throughout 1999, 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.

While derivative commodity instruments are generally used to reduce risks from unfavorable commodity price movements, they also may limit the opportunity to benefit from favorable movements. In total, Marathon's exploration and production operations recorded net pretax other than trading activity gains of \$3 million in 1999, losses of \$3 million in 1998 and losses of \$3 million in 1997.

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Marathon's refining, marketing and transportation operations generally use derivative commodity instruments to lock-in costs of certain raw material purchases, to protect carrying values of inventories and to protect margins on fixed-price sales

to protect carrying charges on inventories and to protect margins on sales price sales of refined products. Marathon's refining, marketing and transportation operations recorded net pretax other than trading activity gains, net of the 38% minority interest in MAP, of approximately \$8 million in 1999, \$28 million in 1998, and \$29 million in 1997. Beginning in 1999, Marathon's refining, marketing and transportation operations used derivative instruments for trading activities and recorded net pretax trading activity gains, net of the 38% minority interest in MAP, of \$5 million.

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 losses of \$4 million in 1999, losses of \$6 million in 1998 and gains of \$5 million in 1997. 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 25 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.

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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 1999 and 1998 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,		1999		Incremental Increase in Fair Value (c)	
Non-Derivative Financial Instruments(a)	Carrying Value (b)	Fair Value (b)		Carrying Value (b)	Value (b)
Financial assets:					
Investments and long-term receivables(d)	\$ 134	\$ 190	\$ -	\$ 124	\$
Financial liabilities:					
Long-term debt(e) (f)	\$ 4,176	\$4,278	\$ 164	\$ 3,896	\$
Preferred stock of subsidiary(g)	250	239	21	250	
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust(g)	183	169	15	182	
Total liabilities	\$ 4,609	\$4,686	\$ 200	\$ 4,328	\$

(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 26 to the USX Consolidated Financial Statements. (c) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 1999 and December 31, 1998, 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, 1999 and December 31, 1998. (d) For additional information, see Note 14 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 16 to the USX Consolidated Financial Statements. (g) See Note 23 to the USX Consolidated Financial Statements.

At December 31, 1999, 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 \$164 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, 1999, USX had open Canadian dollar forward

fluctuations. At December 31, 1999, USX had open Canadian dollar forward purchase contracts with a total carrying value of approximately \$52 million compared to \$36 million at December 31, 1998. A 10% increase in the December 31, 1999, Canadian dollar to U.S. dollar forward rate, would result in a charge to income of approximately \$5 million. Last year, a 10% increase in the December 31, 1998, Canadian dollar to U.S. dollar forward rate, would have resulted in a charge to income of \$3 million.

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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, 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

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA, MANAGEMENT'S DISCUSSION AND ANALYSIS, AND QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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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
CHAIRMAN, BOARD OF DIRECTORS
& CHIEF EXECUTIVE OFFICER

Robert M. Hernandez
VICE CHAIRMAN
& CHIEF FINANCIAL OFFICER

Kenneth L. I
VICE PRESID.
& COMPTROLLER

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of USX Corporation:

In our opinion, the accompanying financial statements appearing on pages M-2 through M-20 present fairly, in all material respects, the financial position of the Marathon Group at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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

audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, 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 the opinion expressed above.

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 8, 2000

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STATEMENT OF OPERATIONS

(DOLLARS IN MILLIONS)	1999	1998	
REVENUES:			
Sales (NOTE 7)	\$ 24,212	\$ 21,628	\$
Dividend and affiliate income	69	50	
Net gains on disposal of assets	-	28	
Gain on ownership change in Marathon Ashland Petroleum LLC (NOTE 5)	17	245	
Other income	29	26	
Total revenues	24,327	21,977	
COSTS AND EXPENSES:			
Cost of sales (excludes items shown below)	17,273	14,984	
Selling, general and administrative expenses	486	505	
Depreciation, depletion and amortization	950	941	
Taxes other than income taxes	4,218	4,029	
Exploration expenses	238	313	
Inventory market valuation charges (credits) (NOTE 20)	(551)	267	
Total costs and expenses	22,614	21,039	
INCOME FROM OPERATIONS	1,713	938	
Net interest and other financial costs (NOTE 8)	288	237	
Minority interest in income of Marathon Ashland Petroleum LLC (NOTE 5)	447	249	
INCOME BEFORE INCOME TAXES	978	452	
Provision for estimated income taxes (NOTE 18)	324	142	
NET INCOME	\$ 654	\$ 310	\$
INCOME PER COMMON SHARE			
	1999	1998	
BASIC	\$ 2.11	\$ 1.06	\$
DILUTED	2.11	1.05	

See Note 22, 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	1999
ASSETS		
Current assets:		
Cash and cash equivalents (NOTE 6)	\$	111
Receivables, less allowance for doubtful accounts of \$2 and \$3		1,866
Inventories (NOTE 20)		1,884
Other current assets		241
Total current assets		4,102
Investments and long-term receivables (NOTE 19)		772
Property, plant and equipment - net (NOTE 16)		10,293
Prepaid pensions (NOTE 14)		225
Other noncurrent assets		313
Total assets	\$	15,705
LIABILITIES		
Current liabilities:		
Notes payable	\$	-
Accounts payable		2,659
Income taxes payable (NOTE 23)		97
Distribution payable to minority shareholder of Marathon Ashland Petroleum LLC (NOTE 6)		-
Payroll and benefits payable		146
Accrued taxes		107
Accrued interest		92
Long-term debt due within one year (NOTE 12)		48
Total current liabilities		3,149
Long-term debt (NOTE 12)		3,320
Deferred income taxes (NOTE 18)		1,495
Employee benefits (NOTE 14)		564
Deferred credits and other liabilities (NOTE 23)		440
Preferred stock of subsidiary (NOTE 9)		184
Minority interest in Marathon Ashland Petroleum LLC (NOTE 5)		1,753
COMMON STOCKHOLDERS' EQUITY (NOTE 17)		4,800
Total liabilities and common stockholders' equity	\$	15,705

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
FINANCIAL STATEMENTS.**

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STATEMENT OF CASH FLOWS

(DOLLARS IN MILLIONS)	1999	1998
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING ACTIVITIES:		
Net income	\$ 654	\$ 310
Adjustments to reconcile to net cash provided from operating activities:		
Minority interest in income of Marathon Ashland Petroleum LLC	447	249
Depreciation, depletion and amortization	950	941
Exploratory dry well costs	109	186
Inventory market valuation charges (credits)	(551)	267
Pensions and other postretirement benefits	36	34
Deferred income taxes	105	26
Gain on ownership change in Marathon Ashland Petroleum LLC	(17)	(245)
Net gains on disposal of assets	-	(28)
Changes in: Current receivables - sold	-	-
- operating turnover	(833)	240
Inventories	(63)	(13)
Current accounts payable and accrued expenses	1,095	(233)
All other - net	84	(92)
Net cash provided from operating activities	2,016	1,642
INVESTING ACTIVITIES:		
Capital expenditures	(1,378)	(1,270)
Acquisition of Tarragon Oil and Gas Limited	-	(686)
Disposal of assets	356	65
Restricted cash - withdrawals	45	11
- deposits	(44)	(32)
Affiliates- investments	(59)	(42)
- loans and advances	(70)	(103)
- returns and repayments	1	71
All other - net	(25)	(18)
Net cash used in investing activities	(1,174)	(2,004)
FINANCING ACTIVITIES (NOTE 9):		
Increase (decrease) in Marathon Group's portion of USX consolidated debt	(296)	329
Specifically attributed debt:		
Borrowings	141	366
Repayments	(144)	(389)
Marathon Stock issued	89	613
Dividends paid	(257)	(246)
Distributions to minority shareholder of Marathon Ashland Petroleum LLC	(400)	(211)
Net cash provided from (used in) financing activities	(867)	462
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1)	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26)	101
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137	36
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 111	\$ 137

See Note 13, for supplemental cash flow information. **THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS. M-4**

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

After the redemption of the USX - Delhi Group stock on January 26, 1998, 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.

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.

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 principally include sales, dividend and affiliate income, gains or losses on the disposal of assets and gains or losses from changes in ownership interests.

SALES - Sales are recognized when products are shipped or services are provided to customers. Consumer excise taxes on petroleum products and merchandise and matching crude oil and refined products buy/sell transactions settled in cash are included in both revenues and costs and expenses, with no effect on income.

DIVIDEND AND AFFILIATE INCOME - Dividend and affiliate 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.

DISPOSAL OF ASSETS - When long-lived assets 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 long-lived assets are reclassified as assets held for sale. Proceeds from disposal of long-lived assets depreciated on a group basis are credited to accumulated depreciation, depletion and amortization with no immediate effect on income.

GAS BALANCING - 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.

CHANGE IN OWNERSHIP INTEREST - Gains or losses from a change in ownership of a consolidated subsidiary or an unconsolidated affiliate are recognized in revenues in the period of change.

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 sales or cost of sales, 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 sales, cost of sales, interest income or expense, or other income, as appropriate. Forward exchange contracts are recorded as receivables or payables, as appropriate.

EXPLORATION AND DEVELOPMENT - The Marathon Group follows the successful efforts method of accounting for oil and gas exploration and development.

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LONG-LIVED ASSETS - Depreciation and depletion of oil and gas producing properties are computed using predetermined rates based upon estimated proved oil and gas reserves applied on a units-of-production method. Other items of property, plant and equipment are depreciated principally by the straight-line method.

The Marathon Group evaluates impairment of its oil and gas producing assets primarily on a field-by-field basis using undiscounted cash flows based on total proved reserves. Other assets are evaluated 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.

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 1999 classifications.

3. NEW ACCOUNTING STANDARDS

Effective January 1, 1997, USX adopted American Institute of Certified Public Accountants Statement of Position No. 96-1, "Environmental Remediation Liabilities" (SOP 96-1), which provides additional interpretation of existing accounting standards related to recognition, measurement and disclosure of environmental remediation liabilities. As a result of adopting SOP 96-1, the Marathon Group identified additional environmental remediation liabilities of \$11 million. Estimated receivables for recoverable costs related to adoption of SOP 96-1 were \$4 million. The net unfavorable effect of adoption on the Marathon Group's income from operations at January 1, 1997, was \$7 million.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments

"Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). This new Standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle.

Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment. This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings.

USX cannot reasonably estimate the effect of adoption on either the financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

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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, the U. S. Steel Group and, prior to November 1, 1997, the Delhi 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 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 Marathon Group, the U. S. Steel Group and, prior to November 1, 1997, the Delhi 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 sales. The costs allocated to the Marathon Group were \$26 million in 1999, \$28 million in 1998 and \$37 million in 1997 and primarily consist of employment costs including

and for minimum net cost, and primary services or 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, the U. S. Steel Group and, prior to November 1, 1997, the Delhi 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 among the Marathon Group, the U. S. Steel Group and, prior to November 1, 1997, the Delhi 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.

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.

Marathon 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.

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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, which is included in 1998 revenues. In accordance with MAP closing agreements, Marathon and Ashland 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 \$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.

The following unaudited pro forma data for the Marathon Group includes the results of operations of Tarragon for 1998 and 1997, and the Ashland RM&T net assets for 1997, giving effect to the acquisitions as if they 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 MILLIONS, EXCEPT PER SHARE AMOUNTS)

1998

Revenues	\$	22,071	\$
Net income		279 (a)	
Net income per common share -			
Basic and diluted		.95	

(a) Excluding the pro forma inventory market valuation adjustment, pro forma net income would have been \$383 million in 1998 and \$619 million in 1997. Reported net income, excluding the reported inventory market valuation adjustment, would have been \$414 million in 1998 and \$635 million in 1997.

6. TRANSACTIONS BETWEEN MAP AND ASHLAND

At December 31, 1999 and 1998, MAP had current receivables from Ashland of \$26 million and \$22 million, respectively, and current payables to Ashland of \$2 million at December 31, 1999, and at December 31, 1998, \$106 million, including distributions payable.

At December 31, 1998, MAP's cash and cash equivalents included a \$103 million demand note invested with Ashland, which was repaid in January 1999.

MAP has a \$190 million short-term revolving credit agreement with Ashland. Interest on borrowings is based on the Federal Funds Rate in effect each day during the period plus 0.30 of 1%. At December 31, 1999, there were no borrowings against this facility.

During 1999 and 1998, MAP's sales to Ashland consisting primarily of petroleum products, were \$198 million and \$185 million, respectively, and MAP's purchases of products and services from Ashland were \$25 million and \$45 million, respectively. These transactions were conducted under terms comparable to those with unrelated parties.

7. REVENUES

The items below are included in revenues and costs and expenses, with no effect on income.

(IN MILLIONS)	1999	1998	
Consumer excise taxes on petroleum products and merchandise	\$ 3,973	\$ 3,824	\$.
Matching crude oil and refined product buy/sell transactions settled in cash	3,539	3,948	.

M-9**8. OTHER ITEMS**

(IN MILLIONS)	1999	1998	
NET INTEREST AND OTHER FINANCIAL COSTS			
INTEREST AND OTHER FINANCIAL INCOME (a):			
Interest income	\$ 15	\$ 30	\$
Other	(13)	4	
Total	2	34	
INTEREST AND OTHER FINANCIAL COSTS (a):			
Interest incurred	281	285	
Less interest capitalized	20	40	
Net interest	261	245	
Interest on tax issues	5	5	
Financial costs on preferred stock of subsidiary	17	17	
Amortization of discounts	2	4	
Expenses on sales of accounts receivable	-	-	
Other	5	-	
Total	290	271	
NET INTEREST AND OTHER FINANCIAL COSTS (a)	\$ 288	\$ 237	\$

(a) See Note 4, for discussion of USX net interest and other financial costs attributable to the Marathon Group. -----

FOREIGN CURRENCY TRANSACTIONS

For 1999, 1998 and 1997, the aggregate foreign currency transaction gains (losses) included in determining net income were \$(12) million, \$13 million and \$4 million, respectively.

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.

(IN MILLIONS)	December 31	Marathon Group		Consolidated
		1999	1998	1999

Cash and cash equivalents	\$ 8	\$ 4	\$ 9
Other noncurrent assets	7	7	8
Total assets	\$ 15	\$ 11	\$ 17
Notes payable	\$ -	\$ 132	\$ -
Accrued interest	82	80	95
Long-term debt due within one year (NOTE 12)	47	59	54
Long-term debt (NOTE 12)	3,305	3,456	3,771
Preferred stock of subsidiary	184	184	250
Total liabilities	\$ 3,618	\$ 3,911	\$ 4,170
	Marathon Group (b)		
(IN MILLIONS)	1999	1998	1997
Net interest and other financial costs (NOTE 8)	\$295	\$295	\$246
			1999
			1998
			\$334
			\$324

(a) For details of USX long-term debt and preferred stock of subsidiary, see Notes 16 and 23, 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.

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.

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Sales by product line are:

(IN MILLIONS)	1999	1998
Refined products	\$ 10,873	\$ 8,750
Merchandise	2,088	1,873
Liquid hydrocarbons	2,159	1,818
Natural gas	1,381	1,144
Transportation and other products	199	271

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 reconciliation table on page M-12).

(IN MILLIONS)	Exploration and Production	Refining, Marketing and Transportation	Oth: Ener: Rela: Busine.
1999			
Revenues:			
Customer	\$ 3,230	\$ 20,210	\$
Intersegment(a)	202	47	
Intergroup(a)	19	-	
Equity in earnings (losses) of unconsolidated affiliates	(2)	17	
Other	30	48	
Total revenues	\$ 3,479	\$ 20,322	\$
Segment income	\$ 618	\$ 611	\$
Significant noncash items included in segment income:			
Depreciation, depletion and amortization(b)	638	280	
Pension expenses(c)	3	32	
Capital expenditures(d)	744	612	
Affiliates - investments	56	-	
1998			
Revenues:			
Customer	\$ 2,085	\$ 19,192	\$
Intersegment(a)	144	10	
Intergroup(a)	13	-	
Equity in earnings of unconsolidated affiliates	2	12	
Other	26	40	
Total revenues	\$ 2,270	\$ 19,254	\$
Segment income	\$ 278	\$ 896	\$
Significant noncash items included in segment income:			
Depreciation, depletion and amortization(b)	581	272	
Pension expenses(c)	3	16	
Capital expenditures(d)	839	410	
Affiliates - investments(d)	-	22	
1997			
Revenues:			
Customer	\$ 1,575	\$ 13,698	\$
Intersegment(a)	619	-	
Intergroup(a)	99	-	
Equity in earnings of unconsolidated affiliates	14	4	
Other	7	20	
Total revenues	\$ 2,314	\$ 13,722	\$
Segment income	\$ 773	\$ 563	\$
Significant noncash items included in segment income:			
Depreciation, depletion and amortization(b)	469	173	
Pension expenses(c)	3	8	
Capital expenditures(d)	810	205	
Affiliates - investments(d)	114	-	

(a) Intersegment and intergroup sales 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, in 1999 and 1998, international and domestic exploration and production property impairments. (c) Differences between segment totals and group totals represent amounts included in administrative expenses. (d) Differences between segment totals and group totals represent amounts related to corporate administrative activities.

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The following reconciles segment revenues and income to amounts reported in the Marathon Group financial statements:

(IN MILLIONS)	1999	1998
REVENUES:		
Revenues of reportable segments	\$ 24,635	\$ 21,879
Items not allocated to segments:		
Gain on ownership change in MAP	17	245
Other	(36)	24
Elimination of intersegment revenues	(289)	(171)
Administrative revenues	-	-
Total Group revenues	\$ 24,327	\$ 21,977
INCOME:		
Income for reportable segments	\$ 1,290	\$ 1,207
Items not allocated to segments:		
Gain on ownership change in MAP	17	245
Administrative expenses	(108)	(106)
Inventory market valuation adjustments	551	(267)
Other(a)	(37)	(141)
Total Group income from operations	\$ 1,713	\$ 938

(a) Represents in 1999, primarily certain domestic exploration and production impairments, net losses on certain asset sales and costs of a voluntary early retirement program. Represents in 1998 certain international exploration and production 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.

(IN MILLIONS)	Year	Revenues		Total
		Within Geographic Areas	Between Geographic Areas	

United States	1999	\$ 23,337	\$ -	\$ 23,337
	1998	21,191	-	21,191
	1997	15,123	-	15,123
Canada	1999	425	521	94
	1998	209	368	57
United Kingdom	1999	459	-	45
	1998	462	-	46
	1997	593	-	59
Other Foreign Countries	1999	106	88	19
	1998	115	52	16
	1997	130	39	16
Eliminations	1999	-	(609)	(60)
	1998	-	(420)	(42)
	1997	-	(39)	(3)
Total	1999	\$ 24,327	\$ -	\$ 24,327
	1998	21,977	-	21,977
	1997	15,846	-	15,846

(a) Includes property, plant and equipment and investments in affiliates.

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)	C L
2000	\$
2001	
2002	
2003	
2004	
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)	1999	1998
Minimum rental	\$ 142	\$ 157
Contingent rental	11	10
Sublease rentals	(6)	(7)
Net rental expense	\$ 147	\$ 160

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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.

12. LONG-TERM DEBT

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

(IN MILLIONS)	December 31	Marathon Group	
		1999	1998
Specifically attributed debt(b):			
Receivables facility		\$ -	\$ -
Sale-leaseback financing and capital leases		15	-
Indexed debt less unamortized discount		-	-
Other		1	-
Total		16	-
Less amount due within one year		1	-
Total specifically attributed long-term debt		\$ 15	\$ -
Debt attributed to groups(c)		\$ 3,375	\$ 3,537
Less unamortized discount		23	22
Less amount due within one year		47	59
Total long-term debt attributed to groups		\$ 3,305	\$ 3,456
Total long-term debt due within one year		\$ 48	\$ 59
Total long-term debt due after one year		3,320	3,456

(a)See Note 16, 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).

13. SUPPLEMENTAL CASH FLOW INFORMATION

(IN MILLIONS)	1999
---------------	------

CASH USED IN OPERATING ACTIVITIES INCLUDED:			
Interest and other financial costs paid (net of amount capitalized)	\$	(289)	\$
Income taxes paid, including settlements with other groups		(101)	

USX DEBT ATTRIBUTED TO ALL GROUPS - NET:			
Commercial paper - issued	\$	6,282	\$
- repayments		(6,117)	
Credit agreements - borrowings		5,529	1
- repayments		(5,980)	(1)
Other credit arrangements - net		(95)	
Other debt - borrowings		319	
- repayments		(87)	(
		-----	-----
Total	\$	(149)	\$

Marathon Group activity	\$	(296)	\$
U. S. Steel Group activity		147	
Delhi Group activity		-	
		-----	-----
Total	\$	(149)	\$

NONCASH INVESTING AND FINANCING ACTIVITIES:			
Marathon Stock issued for dividend reinvestment and employee stock plans	\$	4	\$
Marathon Stock issued for Exchangeable Shares		7	
Affiliate preferred stock received in conversion of affiliate loan		142	
Disposal of assets:			
Notes received		19	
Liabilities assumed by buyers		-	
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		16	
		-----	-----

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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 and life insurance plans (other benefits) covering most employees upon their retirement. Health 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.

(IN MILLIONS)	Pension Benefits	
	1999	1998
	-----	-----

CHANGE IN BENEFIT OBLIGATIONS			
Benefit obligations at January 1	\$ 1,080	\$ 771	\$
Service cost	65	48	
Interest cost	67	57	
Plan amendments	18	6	
Actuarial (gains) losses	(197)	121	
Plan merger and acquisition	14	145	
Settlements, curtailments and termination benefits	(122)	-	
Benefits paid	(57)	(68)	
Benefit obligations at December 31	\$ 868	\$ 1,080	\$
CHANGE IN PLAN ASSETS			
Fair value of plan assets at January 1	\$ 1,331	\$ 1,150	
Actual return on plan assets	136	199	
Plan merger and acquisition	12	55	
Employer contributions	2	8	
Trustee distributions(a)	(16)	(14)	
Settlements paid	(99)	-	
Benefits paid from plan assets	(56)	(67)	
Fair value of plan assets at December 31	\$ 1,310	\$ 1,331	
FUNDED STATUS OF PLANS AT DECEMBER 31			
Unrecognized net gain from transition	\$ 442 (b)	\$ 251 (b)	
Unrecognized prior service costs (credits)	(26)	(35)	
Unrecognized actuarial (gains) losses	63	48	
Additional minimum liability(c)	(306)	(88)	
	(8)	(18)	
Prepaid (accrued) benefit cost	\$ 165	\$ 158	
(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	\$ (24)	\$ (36)	
Aggregate projected benefit obligations	(37)	(52)	
Aggregate plan assets	-	-	
(c) Additional minimum liability recorded was offset by the following:			
Intangible asset	\$ 3	\$ 2	
Accumulated other comprehensive income (losses):			
Beginning of year	\$ (10)	\$ (7)	
Change during year (net of tax)	7	(3)	
Balance at end of year	\$ (3)	\$ (10)	

(IN MILLIONS)	Pension Benefits			O
	1999	1998	1997	1999

COMPONENTS OF NET PERIODIC BENEFIT COST (CREDIT)				
Service cost	\$ 65	\$ 48	\$ 31	\$ 17
Interest cost	67	57	45	36
Expected return on plan assets	(114)	(107)	(85)	-
Amortization -net transition gain	(5)	(5)	(5)	-
-prior service costs (credits)	4	3	1	(8)
-actuarial losses	1	-	1	7
Other plans	5	5	4	-
Settlement and termination gain	(7) (a)	-	-	-
Net periodic benefit cost (credit)	\$ 16	\$ 1	\$ (8)	\$ 52

(a) Includes 1999 voluntary early retirement program.

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	Pension Benefits	
	1999	1998
WEIGHTED AVERAGE ACTUARIAL ASSUMPTIONS		
AT DECEMBER 31:		
Discount rate	8.0%	6.5%
Expected annual return on plan assets	9.5%	9.5%
Increase in compensation rate	5.0%	5.0%

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. 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-Percentage-Point Increase
Effect on total of service and interest cost components	\$ 8
Effect on other postretirement benefit obligations	58

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	1

Production	\$ 1.
Refining	.
Marketing	.
Transportation	.
Other	----
Total	2.
Less accumulated depreciation, depletion and amortization	1.
Net	----- \$ 1.

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

17. COMMON STOCKHOLDERS' EQUITY

(IN MILLIONS, EXCEPT PER SHARE DATA)

1999

BALANCE AT BEGINNING OF YEAR	\$ 4,312	\$.
Net income	654	.
Marathon Stock issued	96	.
Exchangeable Shares:		
Issued	-	
Exchanged for Marathon Stock	(7)	
Dividends on Marathon Stock		
(per share: \$.84 in 1999 and 1998 and \$.76 in 1997)	(261)	
Deferred compensation	-	
Accumulated other comprehensive income (loss) (a):		
Foreign currency translation adjustments	(1)	
Minimum pension liability adjustments (NOTE 14)	7	
Unrealized holding gains (losses) on investments	-	
BALANCE AT END OF YEAR	\$ 4,800	\$.

(a) See page U-7 of the USX consolidated financial statements relative to the annual activity of these adjustments and gains (losses). Total comprehensive income for the Marathon Group for the years 1999, 1998 and 1997 was \$660 million, \$306 million and \$457 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 estimated income taxes were:

(IN MILLIONS)	1999			1998			Current
	CURRENT	DEFERRED	TOTAL	Current	Deferred	Total	
-----	-----	-----	-----	-----	-----	-----	-----

Federal	\$ 191	\$158	\$ 349	\$ 83	\$ 19	\$ 102	\$ 17
State and local	3	(7)	(4)	30	9	39	.
Foreign	25	(46)	(21)	3	(2)	1	1.
Total	\$ 219	\$105	\$ 324	\$116	\$ 26	\$ 142	\$ 18

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

(IN MILLIONS)	1999	199:
Statutory rate applied to income before income taxes	\$ 342	\$ 1.
Effects of foreign operations, including foreign tax credits	(18)	(.
State and local income taxes after federal income tax effects	(3)	.
Credits other than foreign tax credits	(7)	.
Effects of partially owned companies	(5)	.
Dispositions of subsidiary investments	7	.
Adjustment of prior years' federal income taxes	4	.
Adjustment of valuation allowances	-	.
Other	4	.
Total provisions	\$ 324	\$ 1.

Deferred tax assets and liabilities resulted from the following:

(IN MILLIONS)	December 31	1
Deferred tax assets:		
Minimum tax credit carryforwards		\$
State tax loss carryforwards (expiring in 2000 through 2018)		
Foreign tax loss carryforwards (portion of which expire in 2000 through 2014)		
Employee benefits		
Receivables, payables, and debt		
Expected federal benefit for:		
Crediting certain foreign deferred income taxes		
Deducting state and other foreign deferred income taxes		
Contingency and other accruals		
Investments in foreign subsidiaries		
Investments in subsidiaries and affiliates		
Other		
Valuation allowances:		
Federal		
State		
Foreign		
Total deferred tax assets(a)		1
Deferred tax liabilities:		
Property, plant and equipment		2
Inventory		
Prepaid pensions		
Other		
Total deferred tax liabilities		2
Net deferred tax liabilities		\$ 1

(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. 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 \$66 million, \$(75) million and \$250 million attributable to foreign sources in 1999, 1998 and 1997, respectively. Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 1999, amounted to \$150 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 \$53 million would have been required.

M-16**19. INVESTMENTS AND LONG-TERM RECEIVABLES**

(IN MILLIONS)	December 31	19
Equity method investments		\$
Other investments		
Receivables due after one year		
Deposits of restricted cash		
Other		
Total		\$

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

(IN MILLIONS)	1999	19
Income data - year:		
Revenues	\$ 422	\$
Operating income	152	
Net income	119	
Balance sheet data - December 31:		
Current assets	\$ 387	\$
Noncurrent assets	2,606	2
Current liabilities	300	
Noncurrent liabilities	1,066	1

Dividends and partnership distributions received from equity affiliates were \$44 million in 1999, \$23 million in 1998 and \$21 million in 1997. Marathon Group purchases from equity affiliates totaled \$50 million, \$64 million and \$37 million in 1999, 1998 and 1997, respectively. Marathon Group sales to USX equity affiliates were \$22 million in 1999 and 1998 and \$36 million in 1997.

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 90% and 88% of total inventory value at December 31, 1999 and 1998, respectively. Current acquisition costs were estimated to exceed the above inventory values at December 31, 1999, by approximately \$200 million. 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.

21. STOCK-BASED COMPENSATION PLANS AND STOCKHOLDER RIGHTS PLAN

USX Stock-Based Compensation Plans and Stockholder Rights Plan are discussed in Note 19, and Note 21, respectively, to the USX consolidated financial statements. The Marathon Group's actual stock-based compensation expense (credit) was \$(4) million in 1999, \$(3) million in 1998 and \$20 million in 1997. 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. INCOME PER COMMON SHARE

The method of calculating net income per share for the Marathon Stock, the Steel Stock and, prior to November 1, 1997, the Delhi Stock reflects the USX Board of Directors' intent that the separately reported earnings and surplus of the Marathon Group, the U.S. Steel Group and the Delhi Group, as determined consistent with

Group, the U. S. Steel Group and the Delhi 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 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	1999		1998		
	BASIC	DILUTED	Basic	Diluted	
Net income (millions):					
Net income	\$ 654	\$ 654	\$ 310	\$ 310	\$
Dilutive effect of convertible debentures	-	-	-	-	-
Net income assuming conversions	\$ 654	\$ 654	\$ 310	\$ 310	\$
Shares of common stock outstanding (thousands):					
Average number of common shares outstanding	309,696	309,696	292,876	292,876	.
Effect of dilutive securities:					
Convertible debentures	-	-	-	-	-
Stock options	-	314	-	559	-
Average common shares and dilutive effect	309,696	310,010	292,876	293,435	.
Net income per share	\$ 2.11	\$ 2.11	\$ 1.06	\$ 1.05	\$

23. INTERGROUP TRANSACTIONS

SALES AND PURCHASES - Marathon Group sales to other groups totaled \$41 million, \$21 million and \$105 million in 1999, 1998 and 1997, respectively. Marathon Group purchases from other groups totaled \$17 million in 1999, \$2 million in 1998 and \$18 million in 1997. At December 31, 1999 and 1998, Marathon Group receivables included \$5 million and \$3 million, respectively, related to transactions with the U. S. Steel Group. These transactions were conducted under terms comparable to those with unrelated parties. Since October 31, 1997, transactions with the Delhi Companies are third-party transactions.

INCOME TAXES RECEIVABLE FROM/PAYABLE TO THE U. S. STEEL GROUP -

At December 31, 1999 and 1998, 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 the derivative instrument; 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:

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(IN MILLIONS)	FAIR VALUE ASSETS (LIABILITIES) (a) (b)	CARRYING AMOUNT ASSETS (LIABILITIES)	RECOGNIZED TRADING GAIN OR (LOSS) FOR THE YEAR	RECORDED DEFERRED GAIN O. (LOSS)
DECEMBER 31, 1999:				
Exchange-traded commodity futures:				
Trading	\$ -	\$ -	\$ 4	\$ -
Other than trading	-	-	-	2
Exchange-traded commodity options:				
Trading	-	-	4	-
Other than trading	(6) (d)	(6)	-	(1)
OTC commodity swaps(e):				
Trading	-	-	-	-
Other than trading	3 (f)	3	-	-
OTC commodity options:				
Trading	-	-	-	-
Other than trading	4 (g)	4	-	-
Total commodities	\$ 1	\$ 1	\$ 8	\$ 2
Forward exchange contracts(h):				
- receivable	\$ 52	\$ 52	\$ -	\$ -
DECEMBER 31, 1998:				
Exchange-traded commodity futures	\$ -	\$ -		\$ -
Exchange-traded commodity options	3 (d)	2		-
OTC commodity swaps	(2) (f)	(2)		-
OTC commodity options	3 (g)	3		-
Total commodities	\$ 4	\$ 3		\$ -
Forward exchange contracts:				
- receivable	\$ 36	\$ 36		\$ -

(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 period ending December 31, 1999, was \$3 million. 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, 1999 and 1998, for assets of \$11 million and \$23 million and for liabilities of \$(17) million and \$(20) million, respectively. (e) The OTC swap arrangements vary in duration with certain contracts extending into 2008. (f) Includes fair values as of December 31, 1999 and 1998, for assets of \$8 million and \$29 million and for liabilities of \$(5) million and \$(31) million, respectively. (g) Includes fair values as of December 31, 1999 and 1998, for assets of \$5 million and for liabilities of \$(1) million and \$(2) million, respectively. (h) The forward exchange contracts relating to USX's foreign operations have various maturities ending in December 2000.

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 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:

		1999		
(IN MILLIONS)	December 31	FAIR VALUE	CARRYING AMOUNT	
FINANCIAL ASSETS:				
Cash and cash equivalents		\$ 111	\$ 111	\$
Receivables		1,866	1,866	
Investments and long-term receivables		166	109	
Total financial assets		\$ 2,143	\$ 2,086	\$
FINANCIAL LIABILITIES:				
Notes payable		\$ -	\$ -	\$
Accounts payable (including intergroup payables)		2,756	2,756	
Distribution payable to minority shareholder of MAP		-	-	
Accrued interest		92	92	
Long-term debt (including amounts due within one year)		3,443	3,353	
Preferred stock of subsidiary		176	184	
Total financial liabilities		\$ 6,467	\$ 6,385	\$

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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 unrecognized financial instruments consist of financial guarantees. 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 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, 1999 and 1998, accrued liabilities for remediation totaled \$69 million and \$48 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 \$52 million at December 31, 1999, and \$41 million at December 31, 1998.

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 1999 and 1998, such capital expenditures totaled \$46 million and \$83 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, 1999 and 1998, accrued liabilities for platform abandonment and

dismantlement totaled \$152 million and \$141 million, respectively.

GUARANTEES -

Guarantees by USX and its consolidated subsidiaries of the liabilities of affiliated entities of the Marathon Group totaled \$131 million at December 31, 1999 and 1998. As of December 31, 1999, the largest guarantee for a single affiliate was \$131 million.

At December 31, 1999 and 1998, the Marathon Group's pro rata share of obligations of LOOP LLC and various pipeline affiliates secured by throughput and deficiency agreements totaled \$146 million and \$164 million, respectively. Under the agreements, the Marathon Group is required to advance funds if the affiliates are unable to service debt. Any such advances are prepayments of future transportation charges.

COMMITMENTS -

At December 31, 1999 and 1998, the Marathon Group's contract commitments to acquire property, plant and equipment and long-term investments totaled \$485 million and \$624 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 a minimum annual demand charge of approximately \$5 million starting in the year 2000 and concluding in the year 2014. The payments are required even if the transportation facility is not utilized.

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SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE DATA)	1999				1998		
	4TH QTR.	3RD QTR.	2ND QTR.	1ST QTR.	4th Qtr.	3rd Qtr.	2nd
Revenues	\$ 7,505	\$ 6,490	\$ 5,481	\$4,851	\$5,339 (a)	\$ 5,597 (a)	\$ 5
Income (loss) from operations	350	561	399	403	(132)	215	
Includes:							
Inventory market valuation charges (credits)	-	(136)	(66)	(349)	245	50	
Gain on ownership change in MAP	(6)	(11)	-	-	-	1	
Net income (loss)	171	230	134	119	(86)	51	
MARATHON STOCK DATA:							
Net income (loss) per share:							
Basic	\$.55	\$.74	\$.43	\$.38	\$ (.29)	\$.18	\$
Diluted	.55	.74	.43	.38	(.29)	.17	
Dividends paid per share	.21	.21	.21	.21	.21	.21	
Price range of Marathon Stock(b):							
- Low	23-5/8	28-1/2	25-13/16	19-5/8	26-11/16	25	
- High	30-5/8	33-7/8	32-3/4	31-3/8	38-1/8	37-1/8	

(a) Reclassified to conform to 1999 classifications. (b) Composite tape.

PRINCIPAL UNCONSOLIDATED AFFILIATES (UNAUDITED)

Company	Country	December 31, 1999 Ownership	Ac-
CLAM Petroleum B.V.	Netherlands	50%	Oil & Gas
Kenai LNG Corporation	United States	30%	Natural G.
LOCAP, Inc.	United States	50% (a)	Pipeline
LOOP LLC	United States	47% (a)	Offshore
Manta Ray Offshore Gathering Company, LLC	United States	24%	Natural G.
Minnesota Pipe Line Company	United States	33% (a)	Pipeline
Nautilus Pipeline Company, LLC	United States	24%	Natural G.
Odyssey Pipeline LLC	United States	29%	Pipeline
Poseidon Oil Pipeline Company, LLC	United States	28%	Crude Oil
Sakhalin Energy Investment Company Ltd.	Russia	38%	Oil & Gas

(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-30 through U-34.

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FIVE-YEAR OPERATING SUMMARY

	1999	1998	1997
NET LIQUID HYDROCARBON PRODUCTION (thousands of barrels per day)			
United States (by region)			
Alaska	-	-	-
Gulf Coast	74	55	29
Southern	5	6	8
Central	4	4	5
Mid-Continent - Yates	18	23	25
Mid-Continent - Other	20	21	21
Rocky Mountain	24	26	27
Total United States	145	135	115
International			
Canada	17	6	-
Egypt	5	8	8
Indonesia	-	-	-
Gabon	9	5	-
Norway	-	1	2
Tunisia	-	-	-
United Kingdom	31	41	39
Total International	62	61	49
Consolidated	207	196	164
Equity affiliate(a)	1	-	-
Total	208	196	164

Natural gas liquids included in above	19	17	17
NET NATURAL GAS PRODUCTION (millions of cubic feet per day)			
United States (by region)			
Alaska	148	144	151
Gulf Coast	107	84	78
Southern	178	208	189
Central	134	117	119
Mid-Continent	129	125	125
Rocky Mountain	59	66	60
Total United States	755	744	722
International			
Canada	150	65	-
Egypt	13	16	11
Ireland	132	168	228
Norway	26	27	54
United Kingdom - equity	168	165	130
- other(b)	16	23	32
Total International	505	464	455
Consolidated	1,260	1,208	1,177
Equity affiliate(c)	36	33	42
Total	1,296	1,241	1,219
AVERAGE SALES PRICES			
Liquid Hydrocarbons (dollars per barrel) (d) (e)			
United States	\$15.44	\$10.42	\$16.88
International	16.90	12.24	18.77
Natural Gas (dollars per thousand cubic feet) (d) (e)			
United States	\$ 1.90	\$ 1.79	\$ 2.20
International	1.90	1.94	2.00
NET PROVED RESERVES AT YEAR-END (developed and undeveloped)			
Liquid Hydrocarbons (millions of barrels)			
United States	520	549 (f)	590 (f)
International	277	316	187
Consolidated	797	865	777
Equity affiliate(a)	77	80	82
Total	874	945	859
Developed reserves as % of total net reserves	81%	71% (f)	77% (f)
Natural Gas (billions of cubic feet)			
United States	2,057	2,163 (f)	2,232 (f)
International	1,607	1,796	1,071
Consolidated	3,664	3,959	3,303
Equity affiliate(c)	123	110	111
Total	3,787	4,069	3,414
Developed reserves as % of total net reserves	75%	79%	83%

(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 affiliates and purchase/resale gas. (f) Revised to exclude reserves attributable to a pressure maintenance program for the Petronius field scheduled to commence in third quarter 2000.

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FIVE-YEAR OPERATING SUMMARY CONTINUED

	1999(a)	1998(a)	1997
U.S. REFINERY OPERATIONS (thousands of barrels per day)			
In-use crude oil capacity at year-end	935	935	575
Refinery runs - crude oil refined	888	894	525
- other charge and blend stocks	139	127	99
In-use crude oil capacity utilization rate	95%	96%	92%
SOURCE OF CRUDE PROCESSED (thousands of barrels per day)			
United States	349	317	202
Europe	7	15	10
Middle East and Africa	363	394	241
Other International	169	168	72
Total	888	894	525
REFINED PRODUCT YIELDS (thousands of barrels per day)			
Gasoline	566	545	353
Distillates	261	270	154
Propane	22	21	13
Feedstocks and special products	66	64	36
Heavy fuel oil	43	49	35
Asphalt	69	68	39
Total	1,027	1,017	630
REFINED PRODUCTS YIELDS (% breakdown)			
Gasoline	55%	54%	56%
Distillates	25	27	24
Other products	20	19	20
Total	100%	100%	100%
U.S. REFINED PRODUCT SALES (thousands of barrels per day)			
Gasoline	714	671	452
Distillates	331	318	198
Propane	23	21	12
Feedstocks and special products	66	67	40
Heavy fuel oil	43	49	34
Asphalt	74	72	39
Total	1,251	1,198	775
Matching buy/sell volumes included in above	45	39	51
REFINED PRODUCTS SALES BY CLASS OF TRADE (as a % of total sales) Wholesale - independent private-brand marketers and consumers	66%	65%	61%
Marathon and Ashland brand jobbers and dealers	11	11	13
Speedway SuperAmerica retail outlets	23	24	26
Total	100%	100%	100%
REFINED PRODUCTS (dollars per barrel)			
Average sales price	\$24.59	\$20.65 (b)	\$26.38
Average cost of crude oil throughput	18.66	13.02	19.00
PETROLEUM INVENTORIES AT YEAR-END (thousands of barrels)			
Crude oil, raw materials and natural gas liquids	34,255	35,630	19,351
Refined products	32,853	32,334	20,598
U.S. REFINED PRODUCT MARKETING OUTLETS AT YEAR-END			
MAP operated terminals	93	88	51
Retail - Marathon and Ashland brand outlets	3,482	3,117	2,465
- Speedway SuperAmerica outlets	2,433	2,257	1,544
PIPELINES (miles of common carrier pipelines) (c)			
Crude Oil - gathering lines	557	2,827	1,003
- trunklines	4,720	4,859	2,665
Products - trunklines	2,856	2,861	2,310
Total	8,133	10,547	5,978
PIPELINE BARRELS HANDLED (millions) (d)			
Crude Oil - gathering lines	30.4	47.8	43.9
- trunklines	545.7	571.9	369.6
Products - trunklines	331.9	329.7	262.4
Total	908.0	949.4	675.9
RIVER OPERATIONS			
Barges - owned/leased	169	169	-
Boats - owned/leased	8	8	-

(a) 1999 and 1998 statistics include 100% of MAP and should be considered when compared to prior periods. (b) Reclassified to conform to 1999 classifications. (c) Pipelines for downstream operations also include non-common carrier, leased and equity affiliates. (d) Pipeline barrels handled on owned common carrier pipelines, excluding equity affiliates.

M-23**FIVE-YEAR FINANCIAL SUMMARY**

(DOLLARS IN MILLIONS, EXCEPT AS NOTED)	1999 (a)	1998 (a)	1997	19
REVENUES				
Sales by product:				
Refined products	\$ 10,873	\$ 8,750	\$ 7,012	\$ 7
Merchandise	2,088	1,873	1,045	1
Liquid hydrocarbons	2,159	1,818	941	1
Natural gas	1,381	1,144	1,331	1
Transportation and other products	199	271	167	
Gain on ownership change in MAP	17	245	-	
Other (b)	98	104	86	
Subtotal	16,815	14,205	10,582	10
Matching buy/sell transactions (c)	3,539	3,948	2,436	2
Excise taxes (c)	3,973	3,824	2,828	2
Total revenues	\$ 24,327	\$21,977 (d)	\$15,846 (d)	\$ 16
INCOME FROM OPERATIONS				
Exploration and production (E&P)				
Domestic	\$ 494	\$ 190	\$ 500	\$
International	124	88	273	
Income for E&P reportable segment	618	278	773	
Refining, marketing and transportation	611	896	563	
Other energy related businesses	61	33	48	
Income for reportable segments	1,290	1,207	1,384	1
Items not allocated to reportable segments:				
Administrative expenses	(108)	(106)	(168)	
Inventory market valuation adjustments	551	(267)	(284)	
Gain on ownership change & transition charges - MAP	17	223	-	
E&P domestic & int'l. impairments & gas contract settlement	(16)	(119)	-	
Impairment of long-lived assets	-	-	-	
Other items	(21)	-	-	
Income from operations	1,713	938	932	1
Minority interest in income of MAP	447	249	-	
Net interest and other financial costs	288	237	260	
Provision (credit) for income taxes	324	142	216	
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS	\$ 654	\$ 310	\$ 456	\$
Per common share - basic (in dollars)	2.11	1.06	1.59	
- diluted (in dollars)	2.11	1.05	1.58	
NET INCOME (LOSS)	\$ 654	\$ 310	\$ 456	\$
Per common share - basic (in dollars)	2.11	1.06	1.59	
- diluted (in dollars)	2.11	1.05	1.58	
BALANCE SHEET POSITION AT YEAR-END				
Current assets	\$ 4,102	\$ 2,976	\$ 2,018	\$ 2
Net property, plant and equipment	10,293	10,429	7,566	7
Total assets	15,705	14,544	10,565	10
Short-term debt	48	191	525	
Other current liabilities	3,101	2,419	1,737	1
Long-term debt	3,320	3,456	2,476	2
Minority interest in MAP	1,753	1,590	-	
Common stockholders' equity	4,800	4,312	3,618	3

Per share (in dollars)	15.38	13.95	12.53	1
CASH FLOW DATA				
Net cash from operating activities	\$ 2,016	\$ 1,642 (d)	\$ 1,246	\$ 1
Capital expenditures	1,378	1,270	1,038	
Disposal of assets	356	65	60	
Dividends paid	257	246	219	
EMPLOYEE DATA(e)				
Marathon Group:				
Total employment costs	\$ 1,421	\$ 1,054	\$ 854	\$
Average number of employees	33,086	24,344	20,695	20
Number of pensioners at year-end	3,402	3,378	3,099	3
Speedway SuperAmerica LLC (SSA):				
(Included in Marathon Group totals)				
Total employment costs	\$ 452	\$ 283	\$ 263	\$
Average number of employees	22,801	12,831	12,816	12
Number of pensioners at year-end	209	212	215	
STOCKHOLDER DATA AT YEAR-END				
Number of common shares outstanding (in millions)	311.8	308.5	288.8	21
Registered shareholders (in thousands)	71.4	77.3	84.0	
Market price of common stock	\$ 24.688	\$ 30.125	\$33.750	\$ 23

(a) 1999 and 1998 statistics, other than employee data, include 100% of MAP, which should be considered when making comparisons to prior periods. (b) Includes dividend and affiliate income, net gains on disposal of assets and other income. (c) These items are included in both revenues and costs and expenses, resulting in no effect on income. (d) Reclassified to conform to 1999 classifications. (e) 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. As of December 31, 1999, active employees for the Marathon Group were 32,103, which included 28,217 MAP employees. Of the MAP total, 21,939 were employees of SSA.

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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 1999 financial performance was primarily affected by the strong recovery in worldwide liquid hydrocarbon prices. During 1999, 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. Marathon also achieved a significant milestone when oil production commenced from the Piltun-Astokhskiye field offshore Sakhalin Island in the Russian Far East region on July 5, 1999.

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 1999 Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF INCOME AND OPERATIONS

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

(DOLLARS IN MILLIONS)	1999	19
Exploration & production ("E&P")	\$ 3,479	\$ 2
Refining, marketing & transportation ("RM&T") (a)	20,322	19
Other energy related businesses(b)	834	
	-----	-----
Revenues of reportable segments	24,635	21
Revenues not allocated to segments:		
Gain on ownership change in MAP	17	
Other(c)	(36)	
Elimination of intersegment revenues	(289)	
Administrative revenues	-	
	-----	-----
Total Group revenues	\$ 24,327	\$ 21
	=====	=====

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

Consumer excise taxes on petroleum products and merchandise	\$ 3,973	\$ 3
Matching crude oil and refined product		
buy/sell transactions settled in cash:		
E&P	\$ 732	\$ 3
RM&T	2,807	
	-----	-----
Total buy/sell transactions	\$ 3,539	\$ 3
	-----	-----

(a) Amounts in 1999 and 1998 include 100 percent of MAP. (b) Includes domestic natural gas and crude oil marketing and transportation, and power generation. (c) Represents in 1999 net losses on certain asset sales.

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E&P segment revenues increased by \$1,209 million in 1999 from 1998 following a decrease of \$44 million in 1998 from 1997. 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. The decrease

in 1998 was primarily due to lower worldwide liquid hydrocarbon prices and lower domestic natural gas prices, partially offset by higher liquid hydrocarbon sales volumes.

RM&T segment revenues increased by \$1,068 million in 1999 from 1998, 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. Beginning in 1998, RM&T segment revenues include 100 percent of MAP revenues and are not comparable to prior periods.

Other energy related businesses segment revenues increased by \$479 million in 1999 from 1998 following a decrease of \$69 million in 1998 from 1997. The increase in 1999 was primarily due to increased crude oil and natural gas purchase and resale activity. The decrease in 1998 was primarily due to lower prices associated with natural gas 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)	1999	19
E&P		
Domestic	\$ 494	\$
International	124	
Income of E&P reportable segment	618	
RM&T(a)	611	
Other energy related businesses	61	
Income for reportable segments	1,290	1
Items not allocated to reportable segments		
Administrative expenses(b)	(108)	
IMV reserve adjustment(c)	551	
Gain on ownership change & transition charges - MAP(d)	17	
E&P domestic and international impairments and gas contract settlement(e)	(16)	
Loss on disposal of assets(f)	(36)	
Pension settlement gain & benefit accruals(g)	15	
Total income from operations	\$ 1,713	\$

(a) Amounts in 1999 and 1998 include 100 percent of MAP. (b) 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. (c) 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. (d) 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. (e) 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. (f) This represents a loss on the sale of Scurlock Permian LLC, certain domestic production properties, Carnegie Natural Gas Company and affiliated subsidiaries and certain Egyptian properties. (g) Represents a fourth quarter pension settlement gain and various benefit accruals resulting from favorable net gains on retirement plan settlements and the voluntary early retirement program.

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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. Beginning in 1998, income from operations includes 100 percent of MAP, and Marathon Canada Limited (formerly known as Tarragon) results of operations commencing August 12, 1998. On an unaudited pro forma basis, assuming the acquisitions of Ashland's RM&T net assets and Tarragon's operations had occurred on January 1, 1997, income for reportable segments for 1997 would have been \$1,728 million. Income for reportable segments decreased by \$521 million in 1998 from pro forma 1997, mainly due to lower worldwide liquid hydrocarbon prices, lower domestic natural gas prices and lower refining crack spreads, partially offset by higher liquid hydrocarbon production.

AVERAGE VOLUMES AND SELLING PRICES

		1999	19
(THOUSANDS OF BARRELS PER DAY)			
Net liquids production(a)	- U.S.	145	
	- International(b)	62	
	- Total Consolidated	207	
	- Equity affiliates(c)	1	
	- Worldwide	208	
(MILLIONS OF CUBIC FEET PER DAY)			
Net natural gas production	- U.S.	755	
	- International - equity	489	
	- International - other(d)	16	
	- Total Consolidated	1,260	1
	- Equity affiliate(e)	36	
	- Worldwide	1,296	1
(DOLLARS PER BARREL)			
Liquid hydrocarbons(a) (f)	- U.S.	\$ 15.44	\$ 1
	- International	16.90	1.
(DOLLARS PER MCF)			
Natural gas(f)	- U.S.	\$ 1.90	\$
	- International - equity	1.90	
(THOUSANDS OF BARRELS PER DAY)			
Refined products sold(g)		1,251	1
Matching buy/sell volumes included in above		45	

(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**"). (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 affiliates and purchase/resale gas. (g) In 1999 and 1998, refined products sold and matching buy/sell volumes include 100 percent of MAP and are not comparable to prior periods.

DOMESTIC E&P income increased by \$304 million in 1999 from 1998 following a decrease of \$310 million in 1998 from 1997. 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.

The decrease in 1998 was primarily due to lower liquid hydrocarbon and natural gas prices, partially offset by increased liquid hydrocarbon production and natural gas volumes. The 17 percent, or 20,000 barrels per day ("bpd"), increase in liquid hydrocarbon production was mainly attributable to new production in the Gulf of Mexico, while the increase in natural gas volumes was mainly attributable to properties in east Texas.

INTERNATIONAL E&P income increased by \$36 million in 1999 from 1998 following a decrease of \$185 million in 1998 from 1997. 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.

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The decrease in 1998 was primarily due to lower liquid hydrocarbon and natural gas prices and higher exploration and operating expenses. These items were partially offset by increased liquid hydrocarbon production and natural gas volumes. The 24 percent, or 12,000 bpd, increase in liquid hydrocarbon production was mainly attributable to the acquired production in Canada and new production in Gabon. The increase in natural gas volumes was mainly attributable to acquired production in Canada.

RM&T segment income decreased by \$285 million in 1999 from 1998, 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 Speedway SuperAmerica LLC and the realization of additional operating efficiencies as a result of forming MAP.

Beginning in 1998, RM&T segment income includes 100 percent of MAP. On an unaudited pro forma basis, assuming the acquisition of Ashland's RM&T net assets had occurred on January 1, 1997, income for the reportable segments of the combined downstream operations of Marathon and Ashland for 1997 would have been \$869 million. On this basis, 1998 RM&T segment income of \$896 million was slightly higher than pro forma 1997 RM&T segment income. During 1998, the effects

or lower refining crack spreads were offset by strong performances from MAP's asphalt and retail operations, realization of operating efficiencies as a result of combining Marathon and Ashland's downstream operations and lower energy costs.

OTHER ENERGY RELATED BUSINESSES segment income increased by \$28 million in 1999 from 1998 following a decrease of \$15 million in 1998 from 1997. 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. The decrease in 1998 was primarily due to a gain on the sale of an equity interest in a domestic pipeline company included in 1997 segment income.

ITEM 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.

NET INTEREST AND OTHER FINANCIAL COSTS increased by \$51 million in 1999 from 1998, following a decrease of \$23 million in 1998 from 1997. The increase in 1999 was primarily due to lower interest income and lower capitalized interest on upstream projects. The decrease in 1998 was primarily due to increased interest income and higher capitalized interest on upstream projects, partially offset by higher interest and other financial costs resulting from the debt incurred for the

Tarragon acquisition. For additional details, see Note 8 to the Marathon Group Financial Statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

The MINORITY INTEREST IN INCOME OF MAP, which represents Ashland's 38 percent ownership interest, increased by \$198 million in 1999 from 1998, primarily due to the favorable effects of the IMV reserve adjustment as discussed above, partially offset by lower RM&T segment income, also discussed above.

The PROVISION FOR ESTIMATED INCOME TAXES of \$324 million in 1999 included a \$23 million favorable adjustment to deferred federal income taxes related to the outcome of a United States Tax Court case. The 1998 income tax provision included \$24 million of favorable income tax accrual adjustments relating to foreign operations. For additional discussion of income taxes, see Note 18 to the Marathon Group Financial Statements.

NET INCOME increased by \$344 million in 1999 from 1998, following a decrease of \$146 million in 1998 from 1997, primarily reflecting the factors discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

CURRENT ASSETS increased \$1,126 million from year-end 1998, primarily due to an increase in receivables and inventories. The accounts receivable and inventory increases were mainly due to higher year-end commodity prices.

CURRENT LIABILITIES increased \$539 million from year-end 1998, primarily due to an increase in accounts payable due to higher year-end commodity prices and the recording of an inter-group income tax payable, partially offset by a decrease in notes payable and distribution payable to the minority shareholder of MAP.

NET PROPERTY, PLANT AND EQUIPMENT decreased \$136 million from year-end 1998, primarily due to the sale of certain domestic and international production properties, the sale of Scurlock Permian LLC, reclassifications to assets held for disposal, and the sale of Carnegie Natural Gas Company and affiliated subsidiaries. This was partially offset by 1999 capital expenditures including the acquisition of certain Ultramar Diamond Shamrock ("UDS") assets in Michigan. Net property, plant and equipment for each of the last three years is summarized in the following table:

(DOLLARS IN MILLIONS)

1999

19

E&P		
Domestic	\$ 3,435	\$ 3
International	2,987	3
	-----	-----
Total E&P	6,422	6
RM&T (a)	3,712	3
Other (b)	159	
	-----	-----
Total	\$ 10,293	\$ 10
	-----	-----

(a) Amounts for 1999 and 1998 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, 1999 were \$3,368 million, a decrease of \$279 million from year-end 1998. This decrease is mainly due to a decrease in the debt attributed to the Marathon Group because of higher cash flow provided from operating activities, and a decrease in notes payable. Virtually all of the debt is a direct obligation of, or is guaranteed by, USX.

NET CASH PROVIDED FROM OPERATING ACTIVITIES totaled \$2,016 million in 1999, compared with \$1,642 million in 1998 and \$1,246 million in 1997. Operating cash flow in 1997 included the impact of terminating Marathon's participation in an accounts receivable sales program, resulting in a cash outflow of \$340 million. Excluding the effect of this item, net cash from operating activities increased by \$374 million in 1999 from 1998 and increased by \$56 million in 1998 from 1997. The increase in 1999 mainly reflected favorable working capital changes. The increase in 1998 mainly reflected improved net income (excluding the IMV reserve adjustment and other noncash items), partially offset by unfavorable working capital changes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

CAPITAL EXPENDITURES for each of the last three years are summarized in the following table:

(DOLLARS IN MILLIONS)	1999	19
E&P		
Domestic	\$ 356	\$
International (a)	388	
	-----	-----
Total E&P	744	
RM&T (b)	612	
Other (c)	22	
	-----	-----
Total	\$ 1,378	\$ 1
	-----	-----

(a) Amount for 1998 excludes the Tarragon acquisition. (b) Amounts for 1999 and 1998 include 100 percent of **MAP**. (c) Includes other energy related businesses and other miscellaneous corporate capital expenditures.

During 1999, domestic E&P capital spending mainly included the completion of Green Canyon Blocks 112 and 113 ("Angus") and additional development at South Pass 89 in the Gulf of Mexico 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 South development, located offshore Gabon, and oil and natural gas developments in Canada. RM&T spending by MAP primarily consisted of the acquisition of certain UDS assets in Michigan, upgrades and expansions of retail marketing outlets, refinery modifications and expansion and enhancement of logistic systems.

Capital expenditures in 2000 are expected to be approximately \$1.4 billion, which is consistent with 1999 levels. Domestic E&P projects planned for 2000 include completion of the Petronius development in the Gulf of Mexico, various producing property acquisitions and continued natural gas developments in East Texas and other gas basins throughout the western United States. International E&P projects include the Tchatamba West development, located offshore Gabon, and continued oil and natural gas developments in Canada. RM&T spending by MAP will primarily consist of upgrades and expansions of retail marketing outlets, refinery improvements, including the delayed coker unit project at the Garyville refinery and expansion and enhancement of logistic systems.

INVESTMENTS IN AFFILIATES were \$59 million in 1999, compared with \$42 million in 1998. The 1999 amount mainly reflected development spending for the Sakhalin II project in Russia. The 1998 amount mainly reflected MAP's acquisition of an interest in Southcap Pipe Line Company for \$22 million and continued investment in pipeline and power projects.

LOANS AND ADVANCES TO AFFILIATES were \$70 million in 1999, compared with \$103 million in 1998. Cash outflows in both periods primarily reflected funding provided to equity affiliates for capital projects, primarily the Sakhalin II project.

REPAYMENTS OF LOANS AND ADVANCES TO AFFILIATES were \$1 million in 1999, compared with \$71 million in 1998. The 1998 amount primarily was a result of repayments by Sakhalin Energy of advances made by Marathon in conjunction with the Sakhalin II project.

In 2000, net investments in affiliates are expected to be approximately \$52 million, primarily reflecting continued development spending for the Sakhalin II project.

Contract commitments for property, plant and equipment acquisitions and long-term investments at year-end 1999 were \$485 million, compared with \$624 million at year-end 1998.

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

information currently available. To the extent the 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 and investments 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 by delays in obtaining government or partner approvals.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

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 \$356 million in 1999, compared with \$65 million in 1998 and \$60 million in 1997. Proceeds in 1999 were mainly from the sales 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. Proceeds in 1997 were mainly from the sales of interests in various domestic upstream properties, certain investments and an interest in a domestic pipeline company.

The net change in RESTRICTED CASH was a net withdrawal of \$1 million in 1999 compared to a net deposit of \$21 million in 1998. The 1998 amount represents cash deposited from the sales of domestic production properties and equipment, partially offset by cash withdrawn for the purchase of offshore production leases.

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 \$299 million in 1999. 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.

DISTRIBUTIONS TO MINORITY SHAREHOLDER OF MAP were \$400 million in 1999, compared with \$211 million in 1998. The increase was primarily due to 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)	1999 (b)	1998
Capital	\$ 46	\$
Compliance		
Operating & maintenance	117	
Remediation (d)	25	
Total	\$ 188	\$

(a) Amounts are determined based on American Petroleum Institute survey guidelines. (b) Amounts for 1999 and 1998 include 100% of MAP. (c) Reclassified to conform to 1999 classifications. (d) These amounts include spending charged against such reserves, net of recoveries, where permissible, but do not include noncash provisions recorded for environmental remediation.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

The Marathon Group's environmental capital expenditures accounted for three percent of total capital expenditures in 1999, seven percent in 1998 (excluding the acquisition of Tarragon) and six percent in 1997.

During 1997 through 1999, compliance expenditures represented one percent of the Marathon Group's total operating costs. Remediation spending during this period

Marathon Group's total operating costs. Remediation operating 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 15 waste sites related to the Marathon Group under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of December 31, 1999. In addition, there are 8 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 110 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, 17 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 26 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 2000. The Marathon Group's environmental capital expenditures are expected to be approximately \$80 million in 2000. Predictions beyond 2000 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 \$55 million in 2001; 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.

imposed.

In October 1998, the National Enforcement Investigations Center and Region V of the United States Environmental Protection Agency ("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. Although MAP has been advised as to certain compliance issues regarding MAP's Detroit refinery, it is not known when complete findings on the

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

results of the inspections will be issued. Thus far, MAP has been served with two Notices of Violation 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. The Robinson notice alleges noncompliance with a general conduct provision as a result of acid-gas flaring since 1994. The Robinson refinery is alleged to have routine acid gas flaring arising from a failure to properly operate and maintain the sulfur recovery plant and amine units. MAP can contest the factual and legal basis for the allegations prior to the EPA taking enforcement action. At this time, it is not known when complete findings on the results of these multi-media inspections will be issued.

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. Other states are also assessing whether to continue the use of MTBE in gasoline.

Marathon has a non-material investment in MTBE units at its Robinson, Catlettsburg and Detroit refineries. Approximately eight percent of Marathon'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 Marathon and its operations, although it is not possible to reach any conclusions until federal or further 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 26 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

The outlook regarding the Marathon Group's upstream revenues and income 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.

In 2000, worldwide liquid hydrocarbon production, including Marathon's share of equity affiliates, is expected to increase from 1999, to average approximately 210,000 bpd. Most of the increase is anticipated in the second half of the year. This primarily reflects projected new production from the start-up of Petronius in the Gulf of Mexico in the third quarter of 2000 and one full ice-free season of production from the Piltun-Astokhskoye ("P-A") field in Russia, partially offset by natural production declines of mature fields. In 2001, worldwide liquid hydrocarbon production is expected to increase further to approximately 230,000 bpd. In 2000 and 2001, worldwide natural gas volumes, including Marathon's share of equity affiliates, are expected to average approximately 1.3 billion cubic feet per day ("bcfd") and 1.4 bcfd, respectively. These projections are based on known discoveries and do not assume any new discoveries, acquisitions or dispositions.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

Progress continues on the Petronius development in the deepwater Gulf of Mexico. In 1999, efforts focused on rebuilding the lost platform deck module, which was dropped during installation in 1998. Third party insurance has covered substantially all rebuilding costs associated with this incident. The platform module is scheduled to be completed in the first quarter of 2000 and offshore installation should occur in the second quarter of 2000 with first production expected in the third quarter of 2000.

In September 1999, production commenced from the Angus field, a three-well subsea development in the Gulf of Mexico. In January 2000, Marathon sold its 33.34 percent interest in the Angus development and will report a pre-tax gain of approximately \$85 million in the first quarter of 2000. Marathon's worldwide liquid hydrocarbon production forecasts discussed previously exclude estimated 2000 and 2001 production from the Angus field.

On January 21, 2000, the Poseidon pipeline, a subsea pipeline that transports Marathon's production from Ewing Bank 873, was damaged by a ship's anchor and had to be shut-in. The pipeline was inoperable for approximately three weeks for repairs and resulted in no production from Ewing Bank during this period. Marathon does not expect this incident to have a material impact on the current year's operations.

Marathon has increased its presence in the Gulf of Mexico through extensive acquisition and analysis of 3-D seismic. Plans are to drill eight deepwater exploratory wells in 2000. To support this increased drilling activity, Marathon has contracted two new deepwater rigs, capable of drilling in water depths beyond 6,500 feet.

Marathon holds a 37.5 percent interest in Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy"), an incorporated joint venture company responsible for the overall management of the Sakhalin II project. This project includes development of the P-A oil field and the Lunskeye gas-condensate field, which are located 8-12 miles offshore Sakhalin Island in the Russian Far East Region. The Russian State Reserves Committee has approved estimated combined reserves for the P-A and Lunskeye fields of 1 billion gross barrels of liquid hydrocarbons and 14 trillion cubic feet of natural gas.

In July 1999, oil production commenced from the P-A field and the first lifting occurred on September 20, 1999. In late September, production was shut-in following a failure of the mooring system and resumed only for brief periods during October and November before operations ceased for the winter in early December. A re-designed mooring system is expected to be installed in the second quarter of 2000 and production is expected to resume in June 2000, the beginning of the ice-free season. In 2000, gross production is expected to average 36,000 gross bpd (on an annualized basis). Marathon's equity share of reserves from primary production in the Astokh Feature is 80 million barrels of oil.

Further development of the P-A field continues, including plans to drill two appraisal and eight development wells in 2000 and to commence waterflood activity for the Astokh Feature. With respect to the Lunskeye field, appraisal work and efforts to secure long term gas sales markets continue. Commencement of gas production from the Lunskeye field, which will be contingent upon the conclusion of a gas sales contract, is anticipated to occur in 2006 or later.

At December 31, 1999, Marathon's net investment in the Sakhalin II project was approximately \$400 million.

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, the Tchatamba West field, located offshore Gabon, and various North American natural gas fields.

In 2000, Marathon launched an initiative that targets \$150 million in annual, repeatable pre-tax operating efficiencies by year-end 2001. This initiative focuses on gaining measurable, hard-dollar improvements in revenues or expenses. Besides a goal to constrain production costs, this initiative includes strategic management of Marathon's portfolio of properties, allocation of personnel and resources to assets and activities with the greatest opportunity for return and growth, and the adoption of enterprise-wide tools (computerization and other new technology) to elevate workforce productivity.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

The above discussion includes forward-looking statements with respect to worldwide liquid hydrocarbon production (including Russia for 2000) and natural gas volumes for 2000 and 2001, commencement of projects and dates of initial production, Gulf of Mexico and Russia drilling programs, and the amount and timing of operating efficiencies. These statements are based on a number of assumptions, including (among others) prices, amount of capital available for exploration and development, worldwide supply and demand for petroleum products, regulatory constraints, reserve estimates, production decline rates of mature fields, timing of commencing production from new wells, timing and results of future development drilling, drilling rig availability, reserve replacement rates, other geological, operating and economic considerations, and the ability to identify sufficient initiatives in order to generate efficiencies. 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. To the extent these assumptions prove inaccurate and/or negotiations and other considerations are not satisfactorily resolved, actual results could be materially different than present expectations.

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 and the available supply of crude oil and refined products.

MAP's 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. Construction is currently expected to begin in late 2000.

However, the construction schedule is largely dependent on obtaining the necessary rights-of-way, of which over 86 percent have been obtained to date, and final regulatory approvals.

MAP is constructing a delayed coker unit at its Garyville, LA refinery. This unit will allow for the use of heavier, lower cost crude and eliminate 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 Maya crude oil. This is a multi-year contract, which will begin upon completion of the delayed coker unit which is scheduled in the fourth quarter of 2001. In addition, a project to increase crude throughput and light product output is being undertaken at MAP's Robinson, IL refinery and is also expected to be completed in the fourth quarter of 2001.

The above statements with respect to pipeline and refinery improvement projects are forward looking statements. Some factors that could potentially cause actual results to differ materially from present expectations include (among others) 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 and regulatory approval constraints.

YEAR 2000

The Marathon Group encountered only minor problems during the rollover to the Year 2000, none of which impacted operations. Most problems were quickly corrected, while the remaining problems were addressed by utilizing contingency plans to prevent any business disruptions.

Essentially all business processes and systems have been successfully operated since the rollover to the Year 2000. However, the possibility for Year 2000 problems still exists. Therefore, the Marathon Group plans to continue monitoring its business processes and systems to ensure dates and date-related information continue to be processed correctly.

Total costs associated with Year 2000 readiness were \$36 million, including \$18 million of incremental costs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

ACCOUNTING STANDARDS

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"). This new standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive

income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle.

Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment. This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings.

USX cannot reasonably estimate the effect of adoption on either the financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

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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, nonferrous metals and electricity. 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, electricity and petroleum feedstocks.

risk of price fluctuations on natural gas liquids, electricity and petroleum feedstocks used as raw materials. The Marathon Group is also exposed to effects of price fluctuations on the value of its commodity inventories.

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. In addition, the Marathon Group uses derivative commodity instruments such as exchange-traded futures contracts and options, and over-the-counter ("OTC") commodity swaps and options to manage exposure to market risk related to the purchase, production or sale of crude oil, natural gas, refined products and electricity. 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. However, 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.

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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 for the Marathon Group as of December 31, 1999 and December 31, 1998, are provided in the following table(a):

(DOLLARS IN MILLIONS)				
Derivative Commodity Instruments	10%	INCREMENTAL DECREASE IN PRETAX INCOME ASSUMING A HYPOTHETICAL PRICE CHANGE OF (a)		
		1999	25%	19
Marathon Group(b) (c):				
Crude oil (price increase) (d)				
Trading	\$ 1.3	\$ 7.7	\$ -	
Other than trading	16.5	54.0	2.6	
Natural gas (price decrease) (d)				
Trading	-	-	-	
Other than trading	4.7	16.8	9.4	
Refined products (price increase) (d)				
Trading	-	-	-	
Other than trading	8.4	23.8	1.9	

(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, 1999 and December 31, 1998. 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, 1999, would cause future pretax income effects to differ from those presented in the table.

(b) The number of net open contracts varied throughout 1999, from a low of 107 contracts at July 14, to a high of 34,199 contracts at April 16, and averaged 14,462 for the year. The derivative commodity instruments used and hedging positions taken also varied throughout 1999, 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.

While derivative commodity instruments are generally used to reduce risks from unfavorable commodity price movements, they also may limit the opportunity to benefit from favorable movements. In total, Marathon's exploration and production operations recorded net pretax other than trading activity gains of \$3 million in 1999, losses of \$3 million in 1998 and losses of \$3 million in 1997.

Marathon's refining, marketing and transportation operations generally use derivative commodity instruments to lock-in costs of certain raw material purchases, to protect carrying values of inventories and to protect margins on fixed-price sales of refined products. Marathon's refining, marketing and transportation recorded net pretax other than trading activity gains, net of the 38% minority interest in MAP, of approximately \$8 million in 1999, \$28 million in 1998, and \$29 million in 1997. Beginning in 1999, Marathon's refining, marketing and transportation operations used derivative instruments for trading activities and recorded net pretax trading activity gains, net of the 38% minority interest in MAP, of \$5 million. For additional quantitative information relating to derivative commodity instruments, including aggregate contract values and fair values, where appropriate, see Note 24 to the Marathon Group Financial Statements.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

(CONTINUED)

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 1999 and 1998 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,	1999			1998		
Non-Derivative Financial Instruments (a)	Carrying Value (b)	Fair Value (b)	Incremental Increase in Fair Value (c)	Carrying Value (b)	Fair Value (b)	Inc. Inc. Va
Financial assets:						
Investments and long-term receivables (d)	\$ 109	\$ 166	\$ -	\$ 101	\$ 157	.
Financial liabilities:						
Long-term debt (e) (f)	\$ 3,353	\$ 3,443	\$ 144	\$ 3,515	\$ 3,797	.
Preferred stock of subsidiary (g)	184	176	16	184	183	.
Total liabilities	\$ 3,537	\$ 3,619	\$ 160	\$ 3,699	\$ 3,980	.

(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 Marathon Group Financial Statements.

(c) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 1999 and December 31, 1998 on the fair value of 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, 1999 and December 31, 1998.

(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 23 to the USX Consolidated Financial Statements.

At December 31, 1999, 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 \$144 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.

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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. 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, 1999, USX had open Canadian dollar forward purchase contracts with a total carrying value of approximately \$52 million compared to \$36 million at December 31, 1998. A 10% increase in the December

31, 1999, Canadian dollar to U.S. dollar forward rate would result in a charge to income of approximately \$5 million. Last year, a 10% increase in the December 31, 1998 Canadian dollar to U. S. dollar forward rate would have resulted in a charge to income of \$3 million. The entire amount of these contracts is attributed to the Marathon Group.

EQUITY PRICE RISK

At December 31, 1999, 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 and refined products. 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.

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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, nonferrous metals and electricity. 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, electricity and petroleum feedstocks used as raw materials. The Marathon Group is also exposed to effects of price fluctuations on the value of its commodity inventories.

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. In addition, the Marathon Group uses derivative commodity instruments such as exchange-traded futures contracts and options, and over-the-counter ("OTC") commodity swaps and options to manage exposure to market risk related to the purchase, production or sale of crude oil, natural gas, refined products and electricity. 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. However, 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.

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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 for the Marathon Group as of December 31, 1999 and December 31, 1998, are provided in the following table(a):

(DOLLARS IN MILLIONS)				
		INCREMENTAL DECREASE IN PRETAX INCOME ASSUMING A HYPOTHETICAL PRICE CHANGE OF (a)		
		1999		19
Derivative Commodity Instruments	10%		25%	10%

Marathon Group(b) (c) :			
Crude oil (price increase) (d)			
Trading	\$ 1.3	\$ 7.7	\$ -
Other than trading	16.5	54.0	2.6
Natural gas (price decrease) (d)			
Trading	-	-	-
Other than trading	4.7	16.8	9.4
Refined products (price increase) (d)			
Trading	-	-	-
Other than trading	8.4	23.8	1.9

(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, 1999 and December 31, 1998. 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, 1999, would cause future pretax income effects to differ from those presented in the table.

(b) The number of net open contracts varied throughout 1999, from a low of 107 contracts at July 14, to a high of 34,199 contracts at April 16, and averaged 14,462 for the year. The derivative commodity instruments used and hedging positions taken also varied throughout 1999, 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.

While derivative commodity instruments are generally used to reduce risks from unfavorable commodity price movements, they also may limit the opportunity to benefit from favorable movements. In total, Marathon's exploration and production operations recorded net pretax other than trading activity gains of \$3 million in 1999, losses of \$3 million in 1998 and losses of \$3 million in 1997.

Marathon's refining, marketing and transportation operations generally use derivative commodity instruments to lock-in costs of certain raw material purchases, to protect carrying values of inventories and to protect margins on fixed-price sales of refined products. Marathon's refining, marketing and transportation recorded net pretax other than trading activity gains, net of the 38% minority interest in MAP, of approximately \$8 million in 1999, \$28 million in 1998, and \$29 million in 1997. Beginning in 1999, Marathon's refining, marketing and transportation operations used derivative instruments for trading activities and recorded net pretax trading

activity gains, net of the 38% minority interest in MAP, of \$5 million. For additional quantitative information relating to derivative commodity instruments, including aggregate contract values and fair values, where appropriate, see Note 24 to the Marathon Group Financial Statements.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (CONTINUED)

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 1999 and 1998 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,	1999			1998		
	Carrying	Fair	Incremental	Carrying	Fair	Inc.
Non-Derivative	Value (b)	Value (b)	Increase in	Value (b)	Value (b)	Inc.
Financial Instruments (a)			Fair			
			Value (c)			

Financial assets:					
Investments and long-term receivables(d)	\$	109	\$	166	\$ - \$ 101 \$ 157 .
Financial liabilities:					
Long-term debt(e) (f)	\$	3,353	\$	3,443	\$ 144 \$ 3,515 \$ 3,797 .
Preferred stock of subsidiary(g)		184		176	16 184 183 .
Total liabilities	\$	3,537	\$	3,619	\$ 160 \$ 3,699 \$ 3,980 .

(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 Marathon Group Financial Statements.

(c) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 1999 and December 31, 1998 on the fair value of 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, 1999 and December 31, 1998.

(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 23 to the USX Consolidated Financial Statements.

At December 31, 1999, 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 \$144 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.

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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. 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, 1999, USX had open Canadian dollar forward purchase contracts with a total carrying value of approximately \$52 million compared to \$36 million at December 31, 1998. A 10% increase in the December 31, 1999, Canadian dollar to U.S. dollar forward rate would result in a charge to income of approximately \$5 million. Last year, a 10% increase in the December 31, 1998 Canadian dollar to U. S. dollar forward rate would have resulted in a charge to income of \$3 million. The entire amount of these contracts is attributed to the Marathon Group.

EQUITY PRICE RISK

At December 31, 1999, 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 and refined products. 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.

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U.S. Steel Group

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA, MANAGEMENT'S DISCUSSION AND ANALYSIS, AND QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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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

Kenneth L. Matheny
VICE PRESIDENT
& COMPTROLLER

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of USX Corporation:

In our opinion, the accompanying financial statements appearing on pages S-2 through S-20 present fairly, in all material respects, the financial position of the U. S. Steel Group at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31,

1999, in conformity with accounting principles generally accepted in the United States. 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, 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 the opinion expressed above. 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 8, 2000

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STATEMENT OF OPERATIONS

(DOLLARS IN MILLIONS)	1999	1998	1997
REVENUES:			
Sales	\$ 5,380	\$ 6,184	\$ 6,814
Income (loss) from affiliates	(89)	46	69
Net gains on disposal of assets	21	54	57
Other income (loss)	2	(1)	1
Total revenues	5,314	6,283	6,941
COSTS AND EXPENSES:			
Cost of sales (excludes items shown below)	4,928	5,410	5,762
Selling, general and administrative expenses (credits) (NOTE 11)	(283)	(201)	(137)
Depreciation, depletion and amortization	304	283	303
Taxes other than income taxes	215	212	240
Total costs and expenses	5,164	5,704	6,168
INCOME FROM OPERATIONS	150	579	773
Net interest and other financial costs (NOTE 6)	74	42	87
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY LOSSES	76	537	686
Provision for estimated income taxes (NOTE 14)	25	173	234
INCOME BEFORE EXTRAORDINARY LOSSES	51	364	452
Extraordinary losses (NOTE 5)	7	-	-
NET INCOME	44	364	452
Noncash credit from exchange of preferred stock (NOTE 18)	-	-	10
Dividends on preferred stock	(9)	(9)	(13)
NET INCOME APPLICABLE TO STEEL STOCK	\$ 35	\$ 355	\$ 449
INCOME PER COMMON SHARE APPLICABLE TO STEEL STOCK			
	1999	1998	1997

BASIC:			
Income before extraordinary losses	\$.48	\$ 4.05	\$ 5.24
Extraordinary losses	.08	-	-
	-----	-----	-----
Net income	\$.40	\$ 4.05	\$ 5.24
DILUTED:			
Income before extraordinary losses	\$.48	\$ 3.92	\$ 4.88
Extraordinary losses	.08	-	-
	-----	-----	-----
Net income	\$.40	\$ 3.92	\$ 4.88

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	1999	1998

ASSETS			
Current assets:			
Cash and cash equivalents		\$ 22	\$ 9
Receivables, less allowance for doubtful accounts of \$10 and \$9		838	392
Income taxes receivable (NOTE 12)		97	-
Inventories (NOTE 13)		743	698
Deferred income tax benefits (NOTE 14)		281	176
		-----	-----
Total current assets		1,981	1,275
Investments and long-term receivables, less reserves of \$3 and \$10 (NOTES 12 AND 15)		572	743
Property, plant and equipment - net (NOTE 17)		2,516	2,500
Prepaid pensions (NOTE 11)		2,404	2,172
Other noncurrent assets		52	59
		-----	-----
Total assets		\$ 7,525	\$ 6,749

LIABILITIES			
Current liabilities:			
Notes payable		\$ -	\$ 13
Accounts payable		739	501
Payroll and benefits payable		322	330
Accrued taxes		177	150
Accrued interest		15	10
Long-term debt due within one year (NOTE 10)		13	12
		-----	-----
Total current liabilities		1,266	1,016
Long-term debt (NOTE 10)		902	464
Deferred income taxes (NOTE 14)		348	129
Employee benefits (NOTE 11)		2,245	2,315
Deferred credits and other liabilities		459	484
Preferred stock of subsidiary (NOTE 9)		66	66
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust holding solely junior subordinated convertible debentures of USX (NOTE 18)		183	182
STOCKHOLDERS' EQUITY (NOTE 19)			
Preferred stock		3	3
Common stockholders' equity		2,053	2,090
		-----	-----
Total stockholders' equity		2,056	2,093

Total liabilities and stockholders' equity

\$ 7,525

\$ 6,749

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
FINANCIAL STATEMENTS.**

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STATEMENT OF CASH FLOWS

(DOLLARS IN MILLIONS)	1999	1998	1997
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
OPERATING ACTIVITIES:			
Net income	\$ 44	\$ 364	\$ 452
Adjustments to reconcile to net cash provided from (used in) operating activities:			
Extraordinary losses	7	-	-
Depreciation, depletion and amortization	304	283	303
Pensions and other postretirement benefits	(256)	(215)	(349)
Deferred income taxes	107	158	193
Net gains on disposal of assets	(21)	(54)	(57)
Changes in: Current receivables - sold	(320)	(30)	-
Inventories - operating turnover	(242)	232	(24)
Current accounts payable and accrued expenses	(14)	7	(57)
All other - net	239	(285)	61
	72	(80)	(46)
Net cash provided from (used in) operating activities	(80)	380	476
INVESTING ACTIVITIES:			
Capital expenditures	(287)	(310)	(261)
Disposal of assets	10	21	420
Restricted cash - withdrawals	15	35	-
- deposits	(17)	(35)	-
Affiliates- investments	(15)	(73)	(26)
- loans and advances	-	(1)	-
- repayments of loans and advances	-	-	2
All other - net	-	14	(1)
Net cash provided from (used in) investing activities	(294)	(349)	134
FINANCING ACTIVITIES (NOTE 9):			
Increase (decrease) in U. S. Steel Group's portion of USX consolidated debt	147	13	(561)
Specifically attributed debt:			
Borrowings	350	-	-
Repayments	(11)	(4)	(6)
Steel Stock issued	-	55	48
Preferred stock repurchased	(2)	(8)	-
Dividends paid	(97)	(96)	(96)
Net cash provided from (used in) financing activities	387	(40)	(615)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13	(9)	(5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9	18	23
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22	\$ 9	\$ 18

See Note 8, 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

After the redemption of the USX - Delhi Group stock on January 26, 1998, 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 segment, see Note 7. 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.

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 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.

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 principally include sales, dividend and affiliate income, gains or losses on the disposal of assets and gains or losses from changes in ownership interests. Sales are recognized when products are shipped or services are provided to customers. Income from affiliates includes the U. S. Steel Group's proportionate share of income from equity method investments. When long-lived assets 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 long-lived assets are reclassified as assets held for sale. Proceeds from disposal of long-lived assets depreciated on a group basis are credited to accumulated depreciation, depletion and amortization with no immediate effect on income. Gains or losses from a change in ownership of an unconsolidated affiliate are recognized in revenues in the period of change.

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CASH AND CASH EQUIVALENTS - Cash and cash equivalents include cash on hand and on deposit and 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. 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 sales or cost of sales, 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. Recorded deferred gains or losses are reflected within other current and noncurrent assets or accounts payable and deferred credits and other liabilities, as appropriate.

LONG-LIVED ASSETS - Depreciation is generally computed using a modified straight-line method based upon estimated lives of assets and production levels. 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, considered 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.

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. 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 1999 classifications.

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3. NEW ACCOUNTING STANDARDS

Effective January 1, 1997, USX adopted American Institute of Certified Public Accountants Statement of Position No. 96-1, "Environmental Remediation Liabilities" (SOP 96-1), which provides additional interpretation of existing

accounting standards related to recognition, measurement and disclosure of environmental remediation liabilities. As a result of adopting SOP 96-1, the U. S. Steel Group identified additional environmental remediation liabilities of \$35 million, of which \$28 million was discounted to a present value of \$13 million and \$7 million was not discounted. Assumptions used in the calculation of the present value amount included an inflation factor of 2% and an interest rate of 7% over a range of 22 to 30 years. The net unfavorable effect of adoption on the U. S. Steel Group's income from operations at January 1, 1997, was \$20 million. 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). This new Standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle. Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment. This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings. USX cannot reasonably estimate the effect of adoption on either the financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

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, the Marathon Group and, prior to November 1, 1997, the Delhi 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 9, 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, the Marathon Group and, prior to November 1, 1997, the Delhi Group based upon utilization or other

and, prior to November 1, 1997, the Delhi Group based upon utilization of other methods management believes to be reasonable and which consider certain measures of business activities, such as employment, investments and sales. The costs allocated to the U. S. Steel Group were \$17 million in 1999, \$24 million in 1998 and \$33 million in 1997, 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, the Marathon Group and, prior to November 1, 1997, the Delhi Group financial statements in accordance

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with USX's tax allocation policy. In general, such policy provides that the consolidated tax provision and related tax payments or refunds are allocated among the U. S. Steel Group, Marathon Group and, prior to November 1, 1997, the Delhi 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.

5. 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 6 3/4% 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

million, net of a \$5 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. In December 1996, USX had issued \$117 million of notes indexed to the common share price of RTI. At maturity, USX would have been required to exchange the notes for shares of RTI common stock, or redeem the notes for the equivalent amount of cash. 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. USX had a 26% investment in RTI and accounted for its investment using the equity method of accounting. Republic Technologies International, LLC, an equity method affiliate of USX, recorded in 1999 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.

6. NET INTEREST AND OTHER FINANCIAL COSTS

(IN MILLIONS)	1999
INTEREST AND OTHER FINANCIAL INCOME(a) -	
Interest income	\$ 1
INTEREST AND OTHER FINANCIAL COSTS(a):	
Interest incurred	45
Less interest capitalized	6
Net interest	39
Interest on tax issues	15
Financial costs on trust preferred securities	13
Financial costs on preferred stock of subsidiary	5
Amortization of discounts	1
Expenses on sales of accounts receivable	15
Adjustment to settlement value of indexed debt	(13)
Total	75
NET INTEREST AND OTHER FINANCIAL COSTS(a)	\$ 74

(a) See Note 4, for discussion of USX net interest and other financial costs attributable to the U. S. Steel Group.

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7. SEGMENT INFORMATION The U. S. Steel Group consists of one operating segment, U. S. Steel. U. S. Steel is engaged in the production and sale of steel mill products, coke and taconite pellets. U. S. Steel also engages in the following related business activities: the management of mineral resources, domestic coal mining, engineering and consulting services, and real estate development and management. Segment income represents income from operations allocable to U. S. Steel and does not include net interest and other financial costs and provisions for estimated income taxes. Additionally, the following items are not allocated to the operating segment: Pension credits associated with pension plan assets and

operating segment: - Pension credits associated with pension plan assets and liabilities allocated to pre-1987 retirees and former businesses - 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 reconciliation schedule below)

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

(IN MILLIONS)	1999	1998
Revenues:		
Customer	\$ 5,363	\$ 6,181
Intergroup(a)	17	.
Equity in earnings (losses) of unconsolidated affiliates	(43)	4
Other	46	5
Total revenues	\$ 5,383	\$ 6,281
Segment income (loss)	\$ (128)	\$ 33
Significant noncash items included in segment income:		
Depreciation, depletion and amortization	304	28
Pension expenses(b)	219	18
Capital expenditures(c)	286	30
Affiliates - investments(c)	15	7

- (a) Intergroup sales and transfers were conducted under terms comparable to those with unrelated parties.
 (b) Differences between segment total and group total represent unallocated pension credits and amounts included in administrative expenses.
 (c) Differences between segment total and group total represent amounts related to corporate administrative activities.

The following schedule reconciles segment revenues and income to amounts reported in the U. S. Steel Group's financial statements:

(IN MILLIONS)	1999	1998
REVENUES:		
Revenues of reportable segment	\$ 5,383	\$ 6,281
Items not allocated to segment:		
Impairment and other costs related to an investment in an equity affiliate	(47)	-
Loss on investment in RTI stock used to satisfy indexed debt obligations	(22)	-
Total Group revenues	\$ 5,314	\$ 6,281
INCOME:		
Income (loss) for reportable segment	\$ (128)	\$ 33
Items not allocated to segment:		
Impairment and other costs related to an investment in an equity affiliate	(47)	-
Loss on investment in RTI stock used to satisfy indexed debt obligations	(22)	-
Administrative expenses	(17)	(2)
Pension credits	447	37
Costs related to former businesses activities	(83)	(10)
Total Group income from operations	\$ 150	\$ 57

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GEOGRAPHIC AREA: The information below summarizes the operations in different geographic areas.

(IN MILLIONS)	Year	Revenues		Total
		Within Geographic Areas	Between Geographic Areas	
United States	1999	\$ 5,296	\$ -	\$ 5,29
	1998	6,266	-	6,26
	1997	6,926	-	6,92
Foreign Countries	1999	18	-	1.
	1998	17	-	1.
	1997	15	-	1.
Total	1999	\$ 5,314	\$ -	\$ 5,31.
	1998	6,283	-	6,28.
	1997	6,941	-	6,94.

(a) Includes property, plant and equipment and investments in affiliates.

SALES BY PRODUCT:

(IN MILLIONS)	1999	1998
Sheet and semi-finished steel products	\$ 3,345	\$ 3,50.
Tubular, plate and tin mill products	1,118	1,51.
Raw materials (coal, coke and iron ore)	505	67
Other(a)	414	49.

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

8. SUPPLEMENTAL CASH FLOW INFORMATION

(IN MILLIONS)	1999	1
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CASH USED IN OPERATING ACTIVITIES INCLUDED:

Interest and other financial costs paid (net of amount capitalized)	\$	(77)	\$
Income taxes (paid) refunded, including settlements with other groups		3	

USX DEBT ATTRIBUTED TO ALL GROUPS - NET:

Commercial paper:			
Issued	\$	6,282	\$
Repayments		(6,117)	
Credit agreements:			
Borrowings		5,529	1
Repayments		(5,980)	(1)
Other credit arrangements - net		(95)	
Other debt:			
Borrowings		319	
Repayments		(87)	(
Total	\$	(149)	\$

U. S. Steel Group activity	\$	147	\$
Marathon Group activity		(296)	
Delhi Group activity		-	
Total	\$	(149)	\$

NONCASH INVESTING AND FINANCING ACTIVITIES:

Steel Stock issued for dividend reinvestment and employee stock plans	\$	2	\$
Trust preferred securities exchanged for preferred stock		-	
Disposal of assets:			
Deposit of RTI common shares in satisfaction of indexed debt		56	
Interest in USS/Kobe contributed to Republic		40	
Other disposals of assets - notes or common stock received		1	
Business combinations:			
Liabilities assumed		26	
Affiliate liabilities consolidated in step acquisition		26	

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9. FINANCIAL ACTIVITIES ATTRIBUTED TO GROUPS

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

(IN MILLIONS)	December 31	U. S. Steel Group	
		1999	1998
Cash and cash equivalents		\$ 1	\$ -
Other noncurrent assets		1	1
Total assets		\$ 2	\$ 1
Notes payable		\$ -	\$ 13
Accrued interest		13	8
Long-term debt due within one year (NOTE 10)		7	7
Long-term debt (NOTE 10)		466	306
Preferred stock of subsidiary		66	66
Total liabilities		\$ 552	\$ 400
		U. S. Steel Group (b)	
(IN MILLIONS)		1999	1998 1997 1

Net interest and other financial costs (NOTE 6)	\$39	\$29	\$46	\$.
---	------	------	------	-----

(a) For details of USX long-term debt and preferred stock of subsidiary, see Notes 16 and 23, 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.

10. LONG-TERM DEBT

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

(IN MILLIONS)	December 31	U. S. Steel Group	
		1999	1998
Specifically attributed debt(b):			
Receivables facility		\$ 350	\$ -
Sale-leaseback financing and capital leases		92	95
Indexed debt less unamortized discount		-	68
Other		-	-
Total		442	163
Less amount due within one year		6	5
Total specifically attributed long-term debt		\$ 436	\$ 158
Debt attributed to groups(c)		\$ 477	\$ 316
Less unamortized discount		4	3
Less amount due within one year		7	7
Total long-term debt attributed to groups		\$ 466	\$ 306
Total long-term debt due within one year		\$ 13	\$ 12
Total long-term debt due after one year		902	464

(a) See Note 16, 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, 8 and 9).

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11. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The U. S. Steel Group has noncontributory defined benefit pension plans covering substantially all 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 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 and life insurance plans (other benefits) covering most employees upon their retirement. Health 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 union retirees, benefits are provided for the most part based on fixed amounts negotiated in labor contracts with the appropriate unions. Except for certain life insurance benefits paid from reserves held by insurance carriers and benefits required to be funded by union contracts, most other benefits have not been prefunded.

	Pension Benefits		
(IN MILLIONS)	1999	1998	
CHANGE IN BENEFIT OBLIGATIONS			
Benefit obligations at January 1	\$ 7,549	\$ 7,314	\$
Service cost	87	71	
Interest cost	473	487	
Plan amendments	381 (a)	8	
Actuarial (gains) losses	(822)	516	
Plan merger and acquisition	42	-	
Settlements, curtailments and termination benefits	(207)	10	
Benefits paid	(787)	(857)	
Benefit obligations at December 31	\$ 6,716	\$ 7,549	\$
CHANGE IN PLAN ASSETS			
Fair value of plan assets at January 1	\$ 10,243	\$ 9,775	\$
Actual return on plan assets	729	1,308	
Acquisition	26	-	
Employer contributions	-	-	
Trustee distributions(b)	(14)	-	
Settlements paid	(207)	-	
Benefits paid from plan assets	(782)	(840)	
Fair value of plan assets at December 31	\$ 9,995	\$ 10,243	\$
FUNDED STATUS OF PLANS AT DECEMBER 31	\$ 3,279 (c)	\$ 2,694 (c)	\$
Unrecognized net gain from transition	(69)	(140)	
Unrecognized prior service cost	817	518	
Unrecognized actuarial gains	(1,639)	(905)	
Additional minimum liability(d)	(16)	(57)	
Prepaid (accrued) benefit cost	\$ 2,372	\$ 2,110	\$

(a) Results primarily from a new five-year labor contract with the United Steelworkers of America ratified in August 1999. (b) Represents transfers of excess pension assets to fund retiree health care benefits accounts under Section 420 of the Internal Revenue Code. (c) Includes several plans that have accumulated benefit obligations in excess of plan assets:

Aggregate accumulated benefit obligations	\$ (29)	\$ (62)
Aggregate projected benefit obligations	(39)	(68)
Aggregate plan assets	-	-

(d) Additional minimum liability recorded was offset by the following:

Intangible asset	\$ 6	\$ 16
Accumulated other comprehensive income (losses):		
Beginning of year	\$ (27)	\$ (25)
Change during year (net of tax)	20	(2)
Balance at end of year	\$ (7)	\$ (27)

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(IN MILLIONS)	Pension Benefits			Othe.	
	1999	1998	1997	1999	
COMPONENTS OF NET PERIODIC					
BENEFIT COST (CREDIT)					
Service cost	\$ 87	\$ 71	\$ 65	\$ 15	\$
Interest cost	473	487	517	133	
Expected return on plan assets	(781)	(769)	(743)	(21)	
Amortization - net transition gain	(67)	(69)	(69)	-	
- prior service costs	83	72	72	4	
- actuarial (gains) losses	6	6	3	(12)	
Multiemployer and other plans	-	1	2	7(a)	
Settlement and termination (gains) losses	(35) (b)	10 (b)	4	-	
Net periodic benefit cost (credit)	\$ (234)	\$ (191)	\$ (149)	\$ 126	\$

(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 \$90 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 Benefits	
	1999	1998
WEIGHTED AVERAGE ACTUARIAL ASSUMPTIONS		
AT DECEMBER 31:		
Discount rate	8.0%	6.5%
Expected annual return on plan assets	8.5%	9.0%
Increase in compensation rate	4.0%	4.0%

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5% for 2005 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-Percentage- Point Increase
Effect on total of service and interest cost components	\$ 14
Effect on other postretirement benefit obligations	149

12. INTERGROUP TRANSACTIONS

SALES AND PURCHASES - U. S. Steel Group sales to the Marathon Group totaled \$17 million in 1999 and \$2 million in 1998. U. S. Steel Group purchases from the Marathon Group totaled \$41 million, \$21 million and \$29 million in 1999, 1998 and 1997, respectively. At December 31, 1999 and 1998, U. S. Steel Group accounts payable included \$5 million and \$3 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, 1999 and 1998, amounts receivable or payable for income taxes were included in the balance sheet as follows:

(IN MILLIONS)	December 31	19
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.

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13. INVENTORIES

(IN MILLIONS)	December 31	19
Raw materials		\$
Semi-finished products		
Finished products		
Supplies and sundry items		
Total		\$

At December 31, 1999 and 1998, respectively, the LIFO method accounted for 93% and 94% of total inventory value. Current acquisition costs were estimated to exceed the above inventory values at December 31 by approximately \$370 million and \$310 million in 1999 and 1998, respectively.

14. 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 estimated income taxes were:

(IN MILLIONS)	1999			1998			Curre:
	CURRENT	DEFERRED	TOTAL	Current	Deferred	Total	
Federal	\$ (84)	\$ 99	\$ 15	\$ 19	\$ 149	\$ 168	\$ 3
State and local	1	8	9	3	9	12	.
Foreign	1	-	1	(7)	-	(7)	-
Total	\$ (82)	\$ 107	\$ 25	\$ 15	\$ 158	\$ 173	\$ 4

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

(IN MILLIONS)	1999	
Statutory rate applied to income before income taxes	\$ 27	\$
Excess percentage depletion	(7)	
Effects of foreign operations, including foreign tax credits	(2)	
State and local income taxes after federal income tax effects	6	
Credits other than foreign tax credits	(3)	
Effects of partially owned companies	-	
Adjustment of prior years' federal income taxes	-	
Adjustment of valuation allowances	-	
Other	4	
Total provisions	\$ 25	\$

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 2000 through 2019)	
Employee benefits	
Receivables, payables and debt	
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 affiliates	
Federal effect of state deferred tax assets	
Other	
Total deferred tax liabilities	----
Net deferred tax assets (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.

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15. 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 affiliates accounted for by the equity method of accounting follows:

(IN MILLIONS)	1999	
Income data - year:		
Revenues	\$ 3,027	\$
Operating income (loss)	(57)	
Net income (loss)	(193)	
Balance sheet data - December 31:		
Current assets	\$ 995	\$
Noncurrent assets	2,402	
Current liabilities	1,181	
Noncurrent liabilities	1,251	

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 (Republic). 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. Income (loss) from affiliates in 1999 includes \$47 million in charges related to the impairment of the carrying value of USX's investment in USS/Kobe and costs related to the formation of Republic. 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 affiliates were \$2 million in 1999, \$19 million in 1998 and \$13 million in 1997. U. S. Steel Group purchases of transportation services and semi-finished steel from equity affiliates totaled \$361 million, \$331 million and \$424 million in 1999, 1998 and 1997, respectively. At December 31, 1999 and 1998, U. S. Steel Group payables to these affiliates totaled \$22 million and \$15 million, respectively. U. S. Steel Group sales of steel and raw materials to equity affiliates totaled \$831 million, \$725 million and \$802 million in 1999, 1998 and 1997, respectively. At December 31, 1999 and 1998, U. S. Steel Group receivables from these affiliates were \$177 million. Generally, these transactions were conducted under long-term, market-based contractual arrangements.

16. 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)	Cap:	Lea.

2000	\$
2001	
2002	
2003	
2004	
Later years	
Sublease rentals	
Total minimum lease payments	-----
Less imputed interest costs	
Present value of net minimum lease payments	-----
included in long-term debt	\$

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(IN MILLIONS)	1999	
Minimum rental	\$ 124	\$
Contingent rental	18	
Sublease rentals	(6)	
Net rental expense	\$ 136	\$

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. In the event of a change in control of USX, as defined in the agreements, or certain other circumstances, lease obligations totaling \$1 million may be declared immediately due and payable.

17. 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 \$81 million and \$77 million at December 31, 1999 and 1998, respectively.

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 and a noncash credit to Retained Earnings of \$10 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.

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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 102.60% of the initial liquidation amount through March 31, 2000, 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)

1999

PREFERRED STOCK:		
Balance at beginning of year	\$ 3	\$
Exchanged for trust preferred securities	-	-
Balance at end of year	\$ 3	\$
COMMON STOCKHOLDERS' EQUITY:		
Balance at beginning of year	\$ 2,090	\$
Net income	44	
6.50% preferred stock:		
Repurchased	(2)	
Exchanged for trust preferred securities (NOTE 18)	-	
Steel Stock issued	2	
Dividends on preferred stock	(9)	
Dividends on Steel Stock (per share \$1.00)	(88)	
Deferred compensation	1	
Accumulated other comprehensive income (loss) (a):		
Foreign currency translation adjustments	(5)	
Minimum pension liability adjustments (NOTE 11)	20	
Other	-	
Balance at end of year	\$ 2,053	\$
TOTAL STOCKHOLDERS' EQUITY	\$ 2,056	\$

(a) See page U-7 of the USX consolidated financial statements relative to the annual activity of these adjustments. Total comprehensive income for the U. S. Steel Group for the years 1999, 1998 and 1997 was \$59 million, \$357 million and \$444 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, 1999, the Available Steel Dividend Amount was at least \$3,300 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 per share for the Steel Stock, the Marathon Stock and, prior to November 1, 1997, the Delhi Stock reflects the USX Board of Directors' intent that the separately reported earnings and surplus of the U. S. Steel Group, the Marathon Group and the Delhi 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 calculated by adjusting net income for dividend requirements of preferred stock and, in 1997, the noncash credit on exchange of preferred stock and is based on the weighted average number of common shares outstanding. Diluted net income 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.

	1999		1998		
	Basic	Diluted	Basic	Diluted	
COMPUTATION OF INCOME PER SHARE					
Net income (millions):					
Income before extraordinary losses	\$ 51	\$ 51	\$ 364	\$ 364	\$
Dividends on preferred stock	(9)	(9)	(9)	-	-
Noncash credit from exchange of preferred stock	-	-	-	-	-
Extraordinary losses	(7)	(7)	-	-	-
Net income applicable to Steel Stock	35	35	355	364	-
Effect of dilutive securities:					
Trust preferred securities	-	-	-	8	-
Convertible debentures	-	-	-	-	-
Net income assuming conversions	\$ 35	\$ 35	\$ 355	\$ 372	\$
Shares of common stock outstanding (thousands):					
Average number of common shares outstanding	88,392	88,392	87,508	87,508	-
Effect of dilutive securities:					
Trust preferred securities	-	-	-	4,256	-
Preferred stock	-	-	-	3,143	-
Convertible debentures	-	-	-	-	-
Stock options	-	4	-	36	-
Average common shares and dilutive effect	88,392	88,396	87,508	94,943	-
Per share:					
Income before extraordinary losses	\$.48	\$.48	\$ 4.05	\$ 3.92	\$
Extraordinary losses	.08	.08	-	-	-
Net income	\$.40	\$.40	\$ 4.05	\$ 3.92	\$

22. STOCK-BASED COMPENSATION PLANS AND STOCKHOLDER RIGHTS PLAN

USX Stock-Based Compensation Plans and Stockholder Rights Plan are discussed in Note 19, and Note 21, respectively, to the USX consolidated financial statements. The U. S. Steel Group's actual stock-based compensation expense was \$1 million in 1999, none in 1998 and \$8 million in 1997. 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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23. DERIVATIVE INSTRUMENTS

The U. S. Steel Group remains at risk for possible changes in the market value of the derivative instrument; 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)	CARRYING AMOUNT ASSETS (LIABILITIES)	RE: DE: G: (:
DECEMBER 31, 1999:			
OTC commodity swaps - other than trading(c)	\$ 3	\$ 3	\$
DECEMBER 31, 1998:			
OTC commodity swaps - other than trading	\$ (7)	\$ (7)	\$

(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 2000.

24. 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 23 by individual balance sheet account. As described

instruments disclosed in Note 20, 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:

		1999	
(IN MILLIONS)	December 31	FAIR VALUE	CARRYING AMOUNT
FINANCIAL ASSETS:			
Cash and cash equivalents		\$ 22	\$ 22
Receivables (including intergroup receivables)		935	935
Investments and long-term receivables		122	122
Total financial assets		\$ 1,079	\$ 1,079
FINANCIAL LIABILITIES:			
Notes payable		\$ -	\$ -
Accounts payable		739	739
Accrued interest		15	15
Long-term debt (including amounts due within one year)		835	823
Preferred stock of subsidiary and trust preferred securities		232	249
Total financial liabilities		\$ 1,821	\$ 1,826

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 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.

The U. S. Steel Group's unrecognized financial instruments consist of receivables sold in 1998 and financial guarantees. 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.

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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 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, and local 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 \$101 million and \$97 million at December 31, 1999 and 1998, 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 1999 and 1998, such capital expenditures totaled \$32 million and \$49 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 affiliated entities of the U. S. Steel Group totaled \$88 million at December 31, 1999, and \$81 million at December 31, 1998. In the event that any defaults of guaranteed liabilities occur, USX has access to its interest in the assets of the affiliates to reduce potential U. S. Steel Group losses resulting from these guarantees. As of December 31, 1999, the largest guarantee for a single affiliate was \$61 million.

COMMITMENTS -

At December 31, 1999 and 1998, the U. S. Steel Group's contract commitments to acquire property, plant and equipment totaled \$83 million and \$188 million, respectively.

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 both 1999 and 1998. If USX elects to terminate the contract early, a maximum termination payment of \$102 million, which declines over the duration of the agreement, may be required.

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SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE DATA)	1999				1998		
	4TH QTR.	3RD QTR.	2ND QTR.	1ST QTR.	4TH QTR.	3RD QTR.	2ND QTR.

Revenues	\$ 1,462	\$ 1,337 (a)	\$1,304	\$ 1,211	\$1,357	\$1,497	\$ 1
Income (loss)							
from operations	75	(26) (a)	103	(2)	95	105	
Income (loss) before extraordinary losses	34	(29) (a)	55	(9)	76	65	
Net income (loss)	34	(31)	55	(14)	76	65	
STEEL STOCK DATA:							
Income (loss) before extraordinary losses							
applicable to Steel Stock \$	32	\$ (31) (a)	\$ 52	\$ (11)	\$ 74	\$ 63	\$
- Per share: basic	.35	(.35) (a)	.60	(.13)	.83	.72	
diluted	.35	(.35) (a)	.59	(.13)	.81	.71	
Dividends paid per share	.25	.25	.25	.25	.25	.25	
Price range of Steel Stock (b):							
- Low	21-3/4	24-9/16	23-1/2	22-1/4	21-5/8	20-7/16	
- High	33	30-1/16	34-1/4	29-1/8	27-3/4	33-1/2	

(a) Restated to reflect current classifications. (b) Composite tape.

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PRINCIPAL UNCONSOLIDATED AFFILIATES (UNAUDITED)

Company	Country	December 31, 1999 Ownership	Activ:
Clairton 1314B Partnership, L.P.	United States	10%	Coke & Co.
Double Eagle Steel Coating Company	United States	50%	Steel Pro.
PRO-TEC Coating Company	United States	50%	Steel Pro.
Republic Technologies International, LLC	United States	16%	Steel Pro.
Transtar, Inc.	United States	46%	Transport.
USS-POSCO Industries	United States	50%	Steel Pro.
VSZ U. S. Steel, s. r.o.	Slovak Republic	50%	Tin Mill :
Worthington Specialty Processing	United States	50%	Steel Pro.

SUPPLEMENTARY INFORMATION ON MINERAL RESERVES (UNAUDITED)

See the USX consolidated financial statements for Supplementary Information on Mineral Reserves relating to the U. S. Steel Group, page U-30.

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FIVE-YEAR OPERATING SUMMARY

(THOUSANDS OF NET TONS, UNLESS OTHERWISE NOTED) 1999 1998 1997

RAW STEEL PRODUCTION			
Gary, IN	7,102	6,468	7,428
Mon Valley, PA	2,821	2,594	2,561
Fairfield, AL	2,109	2,152	2,361
Total	12,032	11,214	12,350
RAW STEEL CAPABILITY			
Continuous cast	12,800	12,800	12,800
Total production as % of total capability	94.0	87.6	96.5
HOT METAL PRODUCTION	10,344	9,743	10,591
COKE PRODUCTION(a)	4,619	4,835	5,757
IRON ORE PELLETS - MINNTAC, MN			
Shipments	15,025	15,446	16,403
COAL PRODUCTION	6,632	8,150	7,528
COAL SHIPMENTS	6,924	7,670	7,811
STEEL SHIPMENTS BY PRODUCT			
Sheet and semi-finished steel products	8,114	7,608	8,170
Tubular, plate and tin mill products	2,515	3,078	3,473
Total	10,629	10,686	11,643
Total as % of domestic steel industry	10.1	10.5	10.9
STEEL SHIPMENTS BY MARKET			
Steel service centers	2,456	2,563	2,746
Transportation	1,505	1,785	1,758
Further conversion:			
Joint ventures	1,818	1,473	1,568
Trade customers	1,633	1,140	1,378
Containers	738	794	856
Construction	844	987	994
Oil, gas and petrochemicals	363	509	810
Export	321	382	453
All other	951	1,053	1,080
Total	10,629	10,686	11,643
AVERAGE STEEL PRICE PER TON	\$420	\$469	\$479

(a) 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.

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FIVE-YEAR FINANCIAL SUMMARY

(DOLLARS IN MILLIONS, EXCEPT AS NOTED)	1999	1998	1997	19
REVENUES				
Sales by product:				
Sheet and semi-finished steel products	\$ 3,345	\$ 3,501	\$ 3,820	\$ 3
Tubular, plate and tin mill products	1,118	1,513	1,754	1
Raw materials (coal, coke and iron ore)	505	679	724	
Other(a)	414	490	517	
Income (loss) from affiliates	(89)	46	69	
Net gains on disposal of assets	21	54	57	
Gain on affiliate stock offering	-	-	-	
Total revenues	\$ 5,314	\$ 6,283	\$ 6,941	\$ 6
INCOME FROM OPERATIONS				
Segment income (loss) for				

U. S. Steel operations	\$ (128)	\$ 330	\$ 618	\$
Items not allocated to segment:				
Pension credits	447	373	313	
Costs of former businesses	(83)	(100)	(125)	
Administrative expenses	(17)	(24)	(33)	
Gain on affiliate stock offering	-	-	-	
Other(b)	(69)	-	-	
Total income from operations	150	579	773	
Net interest and other financial costs	74	42	87	
Provision for income taxes	25	173	234	
INCOME BEFORE EXTRAORDINARY LOSSES	\$ 51	\$ 364	\$ 452	\$
Per common share - basic (in dollars)	.48	4.05	5.24	
- diluted (in dollars)	.48	3.92	4.88	
NET INCOME	\$ 44	\$ 364	\$ 452	\$
Per common share - basic (in dollars)	.40	4.05	5.24	
- diluted (in dollars)	.40	3.92	4.88	
PENSION COSTS INCLUDED IN U. S. STEEL OPERATIONS	\$ 219	\$ 187	\$ 169	\$
BALANCE SHEET POSITION AT YEAR-END				
Current assets	\$ 1,981	\$ 1,275	\$ 1,531	\$ 1
Net property, plant and equipment	2,516	2,500	2,496	2
Total assets	7,525	6,749	6,694	6
Short-term debt	13	25	67	
Other current liabilities	1,253	991	1,267	1
Long-term debt	902	464	456	1
Employee benefits	2,245	2,315	2,338	2
Trust preferred securities and preferred stock of subsidiary	249	248	248	
Common stockholders' equity	2,053	2,090	1,779	1
Per share (in dollars)	23.23	23.66	20.56	1:
CASH FLOW DATA				
Net cash from operating activities	\$ (80)	\$ 380(c)	\$ 476(c)	\$
Capital expenditures	287	310	261	
Disposal of assets	10	21	420	
Dividends paid	97	96	96	
EMPLOYEE DATA				
Total employment costs	\$ 1,148	\$ 1,305	\$ 1,417	\$ 1
Average employment cost (dollars per hour)	28.35	30.42	31.56	3:
Average number of employees	19,266	20,267	20,683	20
Number of pensioners at year-end	97,102(d)	92,051	93,952	96
STOCKHOLDER DATA AT YEAR-END				
Number of common shares outstanding (in millions)	88.4	88.3	86.6	:
Registered shareholders (in thousands)	55.6	60.2	65.1	:
Market price of common stock	\$ 33.000	\$23.000	\$31.250	\$ 31

(a) Includes revenue from the sale of steel production by-products, engineering and consulting services, real estate development and resource management. (b) Includes losses related to investments in equity affiliates. (c) Reclassified to conform to 1999 classifications. (d) 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 includes U. S. Steel, which is engaged in the production and sale of steel mill products, coke, and taconite pellets; the management of mineral resources; domestic coal mining; real estate development; and engineering and consulting services. 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 VSL U. S. Steel, 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.

In 1999, segment income for U. S. Steel operations decreased primarily due to lower average steel product prices, unfavorable product mix, and lower income from affiliates.

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 for each of the last three years are summarized in the following table.

(DOLLARS IN MILLIONS)	1999	
Sales by product:		
Sheet and semi-finished steel products	\$ 3,345	\$.
Tubular, plate, and tin mill products	1,118	
Raw materials (coal, coke and iron ore)	505	
Other(a)	414	
Income from affiliates	(89)	
Gain on disposal of assets	21	
Total revenues	\$ 5,314	\$

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

Total revenues decreased by \$969 million in 1999 from 1998 primarily due to lower average realized prices and lower income from affiliates, which included a \$47 million charge for the impairment of U. S. Steel's investment in USS/Kobe Steel Company. Net gain on disposal of assets in 1999 included a \$22 million charge representing the difference between the carrying value of the investment in RTI International Metals, Inc. ("RTI") and the carrying value of indexed debt (for additional information, see Note 5 to the U. S. Steel Group Financial Statements). Total revenues in 1998 decreased by \$658 million from 1997 primarily due to lower average realized prices, lower steel shipment volumes, and lower income from affiliates.

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INCOME FROM OPERATIONS for the U. S. Steel Group for the last three years was:

(DOLLARS IN MILLIONS)	1999	
Segment income (loss) for U. S. Steel operations(a)	\$ (128)	\$
Items not allocated to segment:		
Pension credits	447	
Administrative expenses	(17)	
Costs related to former business activities(b)	(83)	
Impairment of USX's investment in USS/Kobe and costs related to formation of Republic(c)	(47)	
Loss on investment in RTI stock used to satisfy indexed debt obligations(d)	(22)	
Total income from operations	\$ 150	\$

(a) Includes income from the production and sale of steel mill products, coke and taconite pellets; the management of mineral resources; domestic coal mining; real estate development; and engineering and consulting services. (b) Includes the portion of postretirement benefit costs and certain other expenses principally attributable to former business units of the U. S. Steel Group. Results in 1997 included charges of \$9 million related to environmental accruals and the adoption of SOP 96-1. (c) For further details, see Note 7 to the U. S. Steel Group Financial Statements. (d) For further details, see Note 5 to the U. S. Steel Group Financial Statements.

SEGMENT INCOME FOR U. S. STEEL OPERATIONS

U. S. Steel operations recorded a segment loss of \$128 million in 1999 versus segment income of \$330 million in 1998, a decrease of \$458 million. The 1999 segment loss included a \$10 million charge for certain environmental accruals, a \$7 million charge for certain legal accruals and \$7 million in various non-recurring equity affiliate charges. 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. In addition to the effects of these items, the decrease in segment income in 1999 for U. S. Steel operations was primarily due to lower average steel prices, lower income from raw materials operations, unfavorable product mix, higher pension costs and lower income from affiliates.

High levels of imports and weak tubular markets continued to negatively affect steel product prices and steel shipment levels in 1999 as they did in 1998. U. S. Steel's average realized price declined 10% in 1999 compared to 1998 from \$469 per ton to \$420 per ton. In 1999, raw steel capability utilization averaged 94%, compared to 88% in 1998 and 97% in 1997.

Segment income for U. S. Steel operations in 1998 decreased \$288 million from 1997. Segment income in 1998 and 1997 included insurance recoveries of \$30

million and \$40 million, respectively, due to blast furnace incidents in 1995 and 1996 at Gary Works. Results in 1997 included a \$15 million gain on the sale of the plate mill at U. S. Steel's former Texas Works. In addition to the effects of these items, the decrease in segment income in 1998 for U. S. Steel operations was primarily due to lower average steel prices, lower shipments, less efficient operating levels, the cost effects of a 10 day outage at Gary Works No. 13 blast furnace following a tap hole failure, and lower income from affiliates. These unfavorable items were partially offset by lower 1998 accruals for profit sharing.

Segment income for U. S. Steel operations included pension costs (which are primarily noncash) allocated to the ongoing operations of U. S. Steel of \$219 million, \$187 million, and \$169 million in 1999, 1998 and 1997, respectively. Pension costs in 1998 included \$10 million for termination benefits associated to a voluntary early retirement program.

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ITEM NOT ALLOCATED TO SEGMENT: Pension credits associated with pension plan assets and liabilities allocated to pre-1987 retirees and former businesses are not included in segment income for U. S. Steel operations. These pension credits, which are primarily noncash, totaled \$447 million in 1999, compared to \$373 million and \$313 million in 1998 and 1997, respectively. 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.

Pension credits, combined with pension costs included in segment income for U. S. Steel operations, resulted in net pension credits of \$228 million in 1999, \$186 million in 1998 and \$144 million in 1997. Net pension credits are expected to be approximately \$270 million in 2000. Also in 2000, U. S. Steel's main pension plans' transition asset will be fully amortized, decreasing the pension credit by \$69 million annually in future years for this component. Future net pension credits 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 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. For additional information on pensions, see Note 11 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)

1999

Net interest and other financial costs	\$	74	\$
Less:			
Favorable adjustment to carrying value of Indexed Debt(a)		13	
Net interest and other financial costs adjusted to exclude above item	\$	87	\$

(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 5 to the U. S. Steel Group Financial Statements.

Adjusted net interest and other financial costs were \$87 million in 1999 as compared with \$86 million in 1998. Adjusted net interest and other financial costs decreased by \$11 million in 1998 as compared with 1997, due primarily to a lower average debt level.

The PROVISION FOR ESTIMATED INCOME TAXES in 1999 decreased compared to 1998 due to a decline in income from operations. The provision for estimated income taxes in 1998 decreased compared to 1997 due to a decline in income from operations and a \$9 million favorable foreign tax adjustment in 1998 as a result of a favorable resolution of foreign tax litigation. For further discussion on income taxes, see Note 14 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 includes a \$5 million loss resulting from the satisfaction of the indexed debt and a \$2 million loss that was U. S. Steel's share of Republic's extraordinary loss related to the early extinguishment of debt. For additional information, see Note 5 to the U. S. Steel Group Financial Statements.

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NET INCOME in 1999 was \$44 million, compared with \$364 million in 1998 and \$452 million in 1997. Net income decreased \$320 million in 1999 from 1998, and decreased \$88 million in 1998 from 1997. The decreases in net income primarily reflect the factors discussed above.

NONCASH CREDIT FROM EXCHANGE OF PREFERRED STOCK totaled \$10 million in 1997. On May 16, 1997, USX exchanged approximately 3.9 million 6.75% Convertible Quarterly Income Preferred Securities ("Trust Preferred Securities") of USX Capital Trust I, for an equivalent number of shares of its outstanding 6.50% Cumulative Convertible Preferred Stock ("6.50% Preferred Stock"). The noncash credit from exchange of preferred stock represents the difference between the carrying value of the 6.50% Preferred Stock (\$192 million) and the fair value of the Trust Preferred Securities of USX Capital Trust I (\$182 million), at the date of the exchange. For additional discussion on the exchange, see Note 18 to the U. S. Steel Group Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

CURRENT ASSETS at year-end 1999 increased \$706 million from year-end 1998 primarily due to higher trade receivables (including the effects of the expiration in 1999 of a program to sell accounts receivables), higher deferred income taxes, the recording of an inter-group income tax receivable and the purchase of Kobe Steel, Ltd.'s 50% membership interest and consolidation of Lorain Tubular Company, LLC.

CURRENT LIABILITIES in 1999 increased \$250 million from 1998 primarily due to increased accounts payable impacted by costs associated with higher production levels in the latter part of 1999 compared with the same 1998 period, and the purchase of Kobe Steel, Ltd.'s 50% membership interest and consolidation in 1999 of Lorain Tubular Company, LLC.

TOTAL LONG-TERM DEBT AND NOTES PAYABLE at December 31, 1999 of \$915 million was \$426 million higher than year-end 1998. This increase was largely due to the replacement of a \$350 million accounts receivable program, which was accounted for as a sale of accounts receivable, with a facility of the same size now accounted for as a secured borrowing. For additional discussion on the facility, see Note 16 to the USX Corporation Consolidated Financial Statements. Excluding the impact of the replacement of the receivables program, the increase in debt was primarily due to lower cash flow provided from operating activities partially offset by reduced net cash used in investing activities and the satisfaction of indexed debt. For further discussion of indexed debt, see Note 5 to the U. S. Steel Group Financial Statements. Virtually all of the debt is a direct obligation of, or is guaranteed by, **USX**.

NET CASH USED IN OPERATING ACTIVITIES in 1999 was \$80 million including a net payment of \$320 million upon the expiration of the accounts receivable program discussed above and a payment of \$20 million to the United Steelworkers of America ("USWA") Voluntary Employee Benefit Association Trust ("VEBA"). 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. Excluding these non-recurring items in both years, net cash provided from operating activities decreased \$112 million in 1999 due mainly to decreased profitability.

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The U. S. Steel Group's net cash provided from operating activities in 1997 included payments of \$80 million in elective funding of retiree life insurance of union and nonunion participants, \$70 million to the USWA VEBA, \$49 million to fund the U. S. Steel Group's principal pension plan for the 1996 plan year and receipts of \$40 million in insurance recoveries related to the 1996 Gary Works No. 13 hearth breakout. Excluding these items, net cash provided from operating activities decreased \$263 million in 1998 due mainly to decreased profitability and unfavorable working capital changes.

unfavorable working capital changes.

CAPITAL EXPENDITURES in 1999 included the completion of the new 64" pickle line at Mon Valley Works; the replacement of three coilers at the Gary hot strip mill, one of which was installed in 1999; an upgrade to the Mon Valley cold rolling 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 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 rounds and additional environmental expenditures primarily at Fairfield Works and Gary Works. Capital expenditures in 1997 included a blast furnace reline at Mon Valley Works, a new heat treat line for plates at Gary Works and additional environmental expenditures primarily at Gary Works. Contract commitments for capital expenditures at year-end 1999 were \$83 million, compared with \$188 million at year-end 1998.

Capital expenditures for 2000 are expected to be approximately \$230 million including continued coke battery thruwall repairs at Gary Works, installation of the remaining two coilers at Gary's hot strip mill, a blast furnace stove replacement at Gary Works and a Mon Valley cold mill upgrade.

The preceding statement concerning expected 2000 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, whether or not assets are purchased or financed by operating leases, unforeseen hazards such as weather conditions, explosions or fires, and delays in obtaining government or partner approval, 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 AFFILIATES in 1999 of \$15 million was an investment in Republic. Investments in affiliates in 1998 of \$73 million mainly reflects funding for entry into a joint venture in the Slovak Republic with VSZ a.s. ("VSZ"). Investments in affiliates in 1997 of \$26 million included funding of equity affiliate capital projects (mainly the construction of a second galvanizing line at PRO-TEC).

CASH FROM DISPOSAL OF ASSETS totaled \$10 million in 1999, compared with \$21 million in 1998 and \$420 million in 1997. The 1997 proceeds included \$361 million from U. S. Steel's entry into a strategic partnership with two limited partners to acquire an interest in three coke batteries at its Clairton Works and \$15 million from the sale of the plate mill at the U. S. Steel Group's former Texas Works.

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FINANCIAL OBLIGATIONS increased by \$486 million and \$9 million in 1999 and 1998, respectively, and decreased \$567 million in 1997. 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 1999 primarily reflected the net effects of cash used in operating and investing activities and dividend payments. The decrease in 1997 primarily reflected the net effects of cash from operating activities, asset sales and capital expenditures. 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.

PENSION ACTIVITY

USX contributed \$49 million in 1997 to fund the U.S. Steel Group's principal pension plan for the 1996 plan year.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

(DOLLARS IN MILLIONS)		1999	
Capital		\$ 32	\$
Compliance			
Operating & maintenance		199	
Remediation (b)		22	
Total U. S. Steel Group		\$ 253	\$

(a) Based on previously established U. S. Department of Commerce survey guidelines. (b) These amounts include spending charged against such 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 11%, 16% and 16% of total capital expenditures in 1999, 1998 and 1997, respectively.

Compliance expenditures represented 4% of the U. S. Steel Group's total costs and expenses in 1999, 1998 and 1997. Remediation spending during 1997 to 1999 was mainly related to remediation activities at former and present operating locations. These projects include continuing remediation at an IN SITU uranium mining operation and former coke-making facilities 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 26 waste sites related to the U. S. Steel Group under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of December 31, 1999. In addition, there are 12 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 32 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

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 U. S. Steel Group Financial Statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In 1998, USX entered into a consent decree with the Environmental Protection Agency ("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 \$30 million over the next six years. Estimated remediation and monitoring costs for this project have been accrued.

In addition, remediation of contaminated sediments in the Gary Vessel Slip has been implemented as an interim measure under the corrective action program. The work is completed and is expected to cost \$2.5 million.

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 2000. The U. S. Steel Group's capital expenditures for environmental are expected to be approximately \$27 million in 2000 and are expected to be spent on projects primarily at Gary Works and Fairfield Works. Predictions beyond 2000 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 \$16 million in 2001; 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 25 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

In 1999, average realized steel prices and steel shipments continued to be negatively impacted by the ongoing effects of steel imports and weak plate and tubular markets.

Average realized steel prices were 10.4% lower in 1999 versus 1998 due primarily to U. S. Steel realizing lower prices on most products. In 1999, average realized steel prices on sheet products were 7.8% lower versus 1998.

Steel shipments were 10.6 million tons in 1999, 10.7 million tons in 1998, and 11.6 million tons in 1997. U.S. Steel Group shipments comprised approximately 10.1% of the domestic steel market in 1999. In 1999 and 1998, U. S. Steel shipments were negatively affected by an increase in imports and weak tubular markets. Exports accounted for approximately 3% of U. S. Steel Group shipments in 1999 and 4% in both 1998 and 1997.

Raw steel production was 12.0 million tons in 1999, compared with 11.2 million tons in 1998 and 12.3 million tons in 1997. Raw steel production averaged 94% of capability in 1999, compared with 88% of capability in 1998 and 97% of capability in 1997. In 1998, 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 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, raw steel production was cut back at Mon Valley Works and Fairfield Works during 1998. U. S. Steel's stated annual raw steel production capability was 12.8 million tons in 1999, 1998 and 1997.

On September 30, 1998, U. S. Steel joined with 11 other producers, the USWA and the Independent Steelworkers Union ("ISU") to file trade cases against hot-rolled carbon steel products from Japan, Russia, and Brazil. A final antidumping ("AD") order against Japan was issued on June 23, 1999. In the cases against Brazil, on July 7, 1999, the U. S. Department of Commerce ("Commerce") announced final countervailing ("CVD") and AD duty determinations and, contemporaneously, announced that it had entered into agreements with Brazil to suspend the investigations. In the case against Russia, on July 13, 1999, Commerce announced final AD duty determinations and, contemporaneously, announced that it had entered into an agreement with Russia to suspend the investigation. In addition, Commerce announced that it had also entered into a comprehensive agreement concerning all steel product imports from Russia except for plate products

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MANAGEMENT'S DISCUSSION AND ANALYSIS

and hot-rolled products. Plate products from Russia are subject to a suspension agreement signed in 1997. On August 16, 1999, U. S. Steel, along with four other integrated domestic producers, filed appeals with the U.S. Court of International Trade challenging the hot-rolled carbon steel suspension agreements with Brazil and Russia.

On February 16, 1999, U. S. Steel joined with four other producers and the USWA to file trade cases against eight countries (Japan, South Korea, India, Indonesia, Macedonia, the Czech Republic, France, and Italy) concerning imports of cut-to-length plate products. AD cases were filed against all the countries and CVD duty cases were filed against all of the countries except Japan and the Czech Republic. On April 2, 1999, the U.S. International Trade Commission ("ITC") determined that the volume of imports from Macedonia and the Czech Republic were negligible thereby terminating the investigations as to those countries. On February 11, 2000, final AD orders were issued against all the remaining countries, and final CVD orders were issued in all of the remaining CVD cases.

On June 2, 1999, U. S. Steel joined with eight other producers, the USWA and the ISU to file trade cases against twelve countries (Argentina, Brazil, China, Indonesia, Japan, Russia, South Africa, Slovakia, Taiwan, Thailand, Turkey, and Venezuela) concerning imports of cold-rolled sheet products. AD cases were filed against all the countries and CVD duty cases were filed against Brazil, Indonesia, Thailand, and Venezuela. On July 19, 1999, the ITC issued its preliminary determination that the domestic industry was being injured or threatened with injury as the result of imports from all of the countries. It decided, however, to discontinue the investigations of subsidies on imports from Indonesia, Thailand, and Venezuela. After having found preliminary margins against each of the countries in each of the remaining cases, Commerce has announced final AD margins against Argentina, Brazil, Japan, Russia, South Africa, and Thailand, and final CVD margins against Brazil. Final decisions from Commerce as to the remaining countries are expected in the first half of 2000. Commerce has announced that it has entered into an agreement with Russia to suspend the investigation. After a final injury hearing on March 2, 2000

Russia to suspend the investigation. After a final injury hearing, on March 3, 2000, the ITC determined that the imports from Argentina, Brazil, Japan, Russia, South Africa, and Thailand were not causing material injury to the domestic industry, terminating the cases against these countries. The ITC's final injury determination for the remaining six countries is still pending.

On June 30, 1999, U. S. Steel joined with four other producers and the USWA to file trade cases against five countries (the Czech Republic, Japan, Mexico, Romania, and South Africa) concerning imports of large and small diameter carbon and alloy standard, line, and pressure pipe. On August 13, 1999, the ITC issued its preliminary determination that the domestic industry was being injured or threatened with injury as the result of imports from all of the countries and Commerce has announced preliminary duty determinations in each of the cases. These cases are subject to further investigation by both the ITC and Commerce.

U. S. Steel intends to file additional anti-dumping and countervailing duty petitions if unfairly traded imports adversely impact, or threaten to adversely impact, the results of the U. S. Steel Group. For additional information regarding levels of imported steel, see discussion of "Outlook for 2000" below.

On September 1, 1999, Commerce and the ITC published public notices announcing the initiation of the mandatory five-year "sunset reviews" of antidumping and countervailing duty orders issued as a result of the cold-rolled, corrosion-resistant, and cut-to-length plate cases filed by the domestic industry in 1992. Under the "sunset review" procedure, an order must be revoked after five years

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MANAGEMENT'S DISCUSSION AND ANALYSIS

unless Commerce and the ITC determine that dumping or a countervailable subsidy is likely to continue or recur and that material injury to the domestic industry is likely to continue or recur. Of the 34 orders issued concerning the various products imported from various countries, 28 will be 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 six of the orders (corrosion-resistant, cold-rolled, and cut-to-length plate from Germany; corrosion-resistant from Japan; cold-rolled from the Netherlands; and cut-to-length plate from Romania) will be the subject of a full review. The ITC has indicated that it will conduct full reviews in all 34 of the cases, despite the fact that responses by some of the respondent countries were inadequate.

On October 28, 1999, Weirton Steel, along with the USWA and the ISU, filed a trade case against tin- and chromium-coated steel sheet imports from Japan. In December 1999, the ITC issued its preliminary determination that the domestic industry is being injured as a result of the imports from Japan. Commerce is expected to make an announcement concerning preliminary duty margins by the end of March 2000. This case is subject to further investigation by both the ITC and Commerce.

In August 1999, members of United Steelworkers of America ("USWA") ratified a new five-year labor contract, effective August 1, 1999, covering approximately 14,500 employees. Management believes that this agreement is competitive with labor agreements reached by U. S. Steel's major domestic integrated competitors and thus does not believe that U. S. Steel's competitive position with regard to such competitors will be materially affected.

U. S. Steel Mining Company, LLC ("U. S. Steel Mining") entered into a five-year contract with the United Mine Workers of America ("UMWA"), effective January 1, 1998, covering approximately 1,000 employees. This agreement followed that of other major mining companies.

The U. S. Steel Group depreciates steel assets by modifying straight-line depreciation based on the level of production. Depreciation charges for 1999, 1998, and 1997 were 99%, 93%, and 102%, 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 2000

U. S. Steel expects shipment volumes and average steel product prices to be higher in 2000 compared to 1999. In recent years, demand for steel in the United States has been at high levels. Any weakness in the United States economy for capital goods or consumer durables could further adversely impact U. S. Steel Group's product prices and shipment level.

Income from equity affiliates will be negatively impacted by losses associated with Republic. Republic has stated that it expects to incur operating losses through 2000 and nonrecurring charges associated with the consolidation of the combined operations. U. S. Steel will recognize its share of any such losses under the equity method of accounting.

In August 1999, members of the USWA ratified a new five-year labor contract. The new labor contract, which includes \$2.00 in hourly wage increases phased in over the term of the agreement beginning in 2000 as well as pension and other benefit improvements for active and retired employees and spouses, will result in higher labor and benefit costs for the U. S. Steel Group each year

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

throughout the term of the contract. Management believes that this agreement is competitive with labor agreements reached by U. S. Steel's major domestic integrated competitors and thus does not believe that U. S. Steel's competitive position with regard to such competitors will be materially affected.

Steel imports to the United States accounted for an estimated 26%, 30% and 24% of the domestic steel market for the years 1999, 1998 and 1997, respectively. Steel

imports of hot rolled and cold rolled steel decreased 34% in 1999, compared to 1998. Steel imports of plates decreased 52% compared to 1998. For most products, U. S. Steel's order books are strong and prices are increasing. The trade cases have had a positive impact, however, high import levels remain a problem and will continue to affect the industry throughout the year.

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, and customer demand. In the event these assumptions prove to be inaccurate, actual results may differ significantly from those presently anticipated.

YEAR 2000

U. S. Steel experienced only nominal problems during the year-end rollover to the Year 2000, none of which impacted production operations. After a planned short pause in operations over the year-end rollover, facilities were restarted on schedule and full production quickly resumed. To-date, no Year 2000 related problems have been encountered with third-parties.

Substantially all processes and systems have been run successfully in production mode after the rollover; but until this is complete, there is a potential for Year 2000 related problems, especially for business systems. Accordingly, U. S. Steel plans to continue to closely monitor the processes and systems to ensure that dates and date-related information are accurately represented and displayed on all output.

Total costs associated with Year 2000 project for U.S. Steel were \$28 million, including \$17 million of incremental costs.

ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". This new standard requires recognition of all derivatives as either assets or liabilities at fair value. SFAS No. 133 may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses resulting from changes in the fair value of derivative instruments. The transition adjustment resulting from adoption of SFAS No. 133 will be reported as a cumulative effect of a change in accounting principle.

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MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

Under the new Standard, USX may elect not to designate certain derivative instruments as hedges even if the strategy qualifies for hedge accounting treatment.

This approach would eliminate the administrative effort needed to measure effectiveness and monitor such instruments; however, this approach also may result in additional volatility in current period earnings.

USX cannot reasonably estimate the effect of adoption on either the financial position or results of operations. It is not possible to estimate what effect this Statement will have on future results of operations, although greater period-to-period volatility is likely. USX plans to adopt the Standard effective January 1, 2001.

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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, nonferrous metals and electricity. 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 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 production and 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 is also exposed to effects of price fluctuations on the value of its raw material and steel product inventories.

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.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK CONTINUED

Sensitivity analyses of the incremental effects on pretax income of hypothetical 10% and 25% decreases in commodity prices for open derivative commodity instruments as of December 31, 1999 and December 31, 1998, are provided in the following table(a):

(DOLLARS IN MILLIONS)				
Derivative Commodity Instruments	10%	INCREMENTAL DECREASE IN PRETAX INCOME AS A HYPOTHETICAL CHANGE OF		
		1999	25%	
U. S. Steel Group:				
Natural gas (price decrease) (d)				
Other than trading	\$ 1.8	\$ 4.6	\$	
Zinc (price decrease) (d)				
Other than trading	2.0	5.0		
Nickel (price decrease) (d)				
Other than trading	-	-		
Tin (price decrease) (d)				
Other than trading	.2	.6		
Heating oil (price decrease) (d)				
Other than trading	-	-		

(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% decreases in closing commodity prices for each open contract position at December 31, 1999 and December 31, 1998. U. S. Steel Group management evaluates its 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, 1999, would cause future pretax income effects to differ from those presented in the table.

While these derivative commodity instruments are generally used to reduce risks from unfavorable commodity price movements, they also may limit the opportunity to benefit from favorable movements. The U. S. Steel Group recorded net pretax other than trading activity losses of \$4 million in 1999, losses of \$6 million in 1998, and gains of \$5 million in 1997. 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 23 to the U. S. Steel Group Financial Statements.

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 1999 and 1998 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:

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK CONTINUED

(DOLLARS IN MILLIONS)					
As of December 31,	1999				
Non-Derivative Financial Instruments(a)	Carrying Value (b)	Fair Value (b)	Incremental Increase in Fair Value (c)	Carrying Value (b)	
Financial assets:					
Investments and long-term receivables(d)	\$ 122	\$ 122	\$ -	\$ 120	\$
Financial liabilities:					
Long-term debt(e) (f)	\$ 823	\$ 835	\$ 20	\$ 381	\$
Preferred stock of subsidiary(g)	66	63	5	66	
USX obligated mandatorily redeemable convertible preferred securities of a subsidiary trust(g)	183	169	15	182	
Total liabilities	\$ 1,072	\$ 1,067	\$ 40	\$ 629	\$

(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 24 to the U. S. Steel Group Financial Statements. (c) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 1999 and December 31, 1998, on the fair value of 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, 1999 and December 31, 1998. (d) For additional information, see Note 15 to the U. S. Steel 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 10 to the U. S. Steel Group Financial Statements. (g) See Note 23 to the USX Consolidated Financial Statements.

At December 31, 1999, 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 \$20 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

At December 31, 1999, the U. S. Steel Group had no material exposure to foreign currency exchange rate risk.

EQUITY PRICE RISK

USX was subject to equity price risk resulting from its issuance in December 1996 of \$117 million of 6-3/4% Exchangeable Notes due February 1, 2000 ("indexed debt"). On March 31, 1999, USX irrevocably deposited with a trustee the entire 5.5 million shares it owned in RTI. The deposit of shares resulted in the satisfaction of USX's obligation under the indexed debt. 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.

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 U. S. Steel Group's hedging programs may differ materially from those discussed in the forward-looking statements.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors and executive officers of USX required by this item is incorporated by reference to the material appearing under the headings "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in USX's Proxy Statement dated March 13, 2000, for the 2000 Annual Meeting of Stockholders.

The executive officers of USX or its subsidiaries and their ages as of February 4

The executive officers of USX or its subsidiaries and their ages as of February 1, 2000, are as follows:

USX -- CORPORATE

Albert E. Ferrara, Jr.....	51	Vice President--Strategic Planning
Edward F. Guna.....	51	Vice President & Treasurer
Robert M. Hernandez.....	55	Vice Chairman & Chief Financial Officer
Kenneth L. Matheny.....	52	Vice President & Comptroller
Dan D. Sandman.....	51	General Counsel, Secretary and Senior Vice President--Human Resources & Public Affairs
Terrence D. Straub.....	54	Vice President--Governmental Affairs
Thomas J. Usher.....	57	Chairman of the Board of Directors & Chief Executive Officer
Charles D. Williams.....	64	Vice President--Investor Relations

USX -- MARATHON GROUP

Clarence P. Cazalot, Jr....	49	Vice Chairman--USX Corporation and President--Marathon Oil Company
Ron S. Keisler.....	53	Senior Vice President--Worldwide Exploration--Marathon Oil Company
William F. Madison.....	57	Senior Vice President--Worldwide Production--Marathon Oil Company
John T. Mills.....	52	Senior Vice President--Finance & Administration--Marathon Oil Company
John V. Parziale.....	59	Senior Vice President--Planning & Technical Resources--Marathon Oil Company
William F. Schwind, Jr.....	55	General Counsel & Secretary--Marathon Oil Company

On March 2, 2000, USX Corporation announced that the board of directors elected Clarence P. Cazalot, Jr. president of Marathon Oil Company. Mr. Cazalot was also named a vice--chairman of USX Corporation and elected to the USX board. Mr. Cazalot had been employed by Texaco Inc. since 1972 where held a number of senior posts. Mr. Cazalot's latest position was vice president of Texaco Inc. and president -- production operations.

USX -- U. S. STEEL GROUP

Charles G. Carson, III.....	57	Vice President--Environmental Affairs
John J. Connelly.....	53	Vice President--Long Range Planning & International Business
Roy G. Dorrance.....	54	Executive Vice President--Sheet Products
Charles C. Gedeon.....	59	Executive Vice President--Raw Materials & Diversified Businesses
Gretchen R. Haggerty.....	44	Vice President--Accounting & Finance
Bruce A. Haines.....	55	Vice President--Technology & Management Services
J. Paul Kadlic.....	58	Vice President--Sales
David H. Lohr.....	46	Vice President--Operations
Thomas W. Sterling, III....	52	Vice President--Employee Relations
Stephan K. Todd.....	54	General Counsel
Paul J. Wilhelm.....	57	Vice Chairman--USX Corporation and President--U. S. Steel Group

With the exception of Mr. Cazalot as mentioned above, all of the executive officers have held responsible management or professional positions with USX or its subsidiaries for more than the past five years.

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ITEM 11. MANAGEMENT REMUNERATION

Information required by this item is incorporated by reference to the material appearing under the heading "Executive Compensation and Other Information" in USX's Proxy Statement dated March 13, 2000, for the 2000 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND

MANAGEMENT

Information required by this item is incorporated by reference to the material appearing under the headings, "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Directors and Executive Officers" in USX's Proxy Statement dated March 13, 2000, for the 2000 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is incorporated by reference to the material appearing under the heading "Transactions" in USX's Proxy Statement dated March 13, 2000, for the 2000 Annual Meeting of Stockholders.

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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 Financial Statement 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 61. Disclosures About Forward-Looking Statements are provided beginning on page 62.

B. REPORTS ON FORM 8-K

Form 8-K dated October 13, 1999, reporting under Item 5. Other Events, the retirement of Victor G. Beghini, president of Marathon Oil Company, on October 31, 1999.

Form 8-K dated February 17, 2000, reporting under Item 5. Other Events, the filing of the audited Financial Statements and Supplementary Data for the fiscal year ended December 31, 1999, reports of independent accountants and Financial Data Schedule.

Form 8-K dated March 3, 2000, reporting under Item 5. Other Events, the election of Clarence P. Cazalot, Jr. as vice-chairman of USX Corporation and president of Marathon Oil Company.

C. EXHIBITS**Exhibit No.****3. Articles of Incorporation and By-Laws**

- (a) USX Restated Certificate of Incorporation dated May 1, 1999.....
- (b) USX By-Laws, effective as of May 1, 1999.....

Incorporated by reference to Exhibit 3.1 the USX Report on Form 10-Q for the quarter ended June 30, 1999.

Incorporated by reference to Exhibit 3.2 the USX Report on Form 10-Q for the quarter ended June 30, 1999.

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4. Instruments Defining the Rights of Security Holders, Including Indentures

- (a) Credit Agreement dated as of August 18, 1994, as amended by an Amended and Restated Credit Agreement dated August 7, 1996.....

Incorporated by reference to Exhibit 4(a) USX Reports on Form 10-Q for the quarter ended September 30, 1994, and June 30, 1995.

- (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.

10. Material Contracts

- (a) USX 1990 Stock Plan, As Amended April 28, 1998.....

Incorporated by reference to Annex II to Proxy Statement dated March 9, 1998.

- (b) USX Annual Incentive Compensation Plan, As Amended March 26, 1991.....

- (c) USX Senior Executive Officer Annual Incentive Compensation Plan, As Amended April 28, 1998.....

Incorporated by reference to Annex I to USX Proxy Statement dated March 9, 1998.

- (d) Marathon Oil Company Annual Incentive Compensation Plan, As Amended November 23, 1999.....

- (e) USX Executive Management Supplemental Pension Program, As Amended January 1, 1999.....

- (f) USX Supplemental Thrift Program, As Amended January 1, 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(c) USX Form 10-Q for the quarter ended June 30, 1999.

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|--|---|
| (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.. Form 8-K dated January 1, 1998, and Exhibit 10 of USX Form 10-Q for the quarter ended J |
| (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 1999. |
| (j) USX Deferred Compensation Plan For Non-Employee Directors effective January 1, 1997..... | Incorporated by reference to Exhibit 10 of the USX Form 10-K for the year ended December 31, 1996. |
| (k) Agreement between Marathon Oil Company and Clarence P. Cazalot, Jr., executed February 28, 2000. | |

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

27. Financial Data Schedule

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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 March 13, 2000.

USX CORPORATION

By /s/ Kenneth L. Matheny ----- KENNETH L. MATHENY
VICE PRESIDENT & COMPTROLLER

SIGNATURE

TITLE

/s/	Thomas J. Usher	Chairman of the Board of Directors, Chief Executive Officer and Director

	THOMAS J. USHER	
/s/	Robert M. Hernandez	Vice Chairman & Chief Financial Officer and Director

	ROBERT M. HERNANDEZ	
/s/	Kenneth L. Matheny	Vice President & Comptroller

	KENNETH L. MATHENY	
/s/	Neil A. Armstrong	Director

	NEIL A. ARMSTRONG	
/s/	Jeanette G. Brown	Director

	JEANETTE G. BROWN	
	-----	Director
	CLARENCE P. CAZALOT, JR.	
/s/	J. Gary Cooper	Director

	J. GARY COOPER	
/s/	Charles A. Corry	Director

	CHARLES A. CORRY	
/s/	Charles R. Lee	Director

	CHARLES R. LEE	
/s/	Paul E. Lego	Director

	PAUL E. LEGO	
/s/	Ray Marshall	Director

	RAY MARSHALL	
/s/	John F. McGillicuddy	Director

	JOHN F. MCGILLICUDDY	
/s/	Seth E. Schofield	Director

	SETH E. SCHOFIELD	
/s/	John W. Snow	Director

	JOHN W. SNOW	
/s/	Paul J. Wilhelm	Director

	PAUL J. WILHELM	
/s/	Douglas C. Yearley	Director

	DOUGLAS C. YEARLEY	

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GLOSSARY OF CERTAIN DEFINED TERMS

The following definitions apply to terms used in this document:

Arnold-----	Ewing Bank Block 963
bctd-----	billion cubic feet per day
BOE-----	barrels of oil equivalent
bpd-----	barrels per day
CAA-----	Clean Air Act
CERCLA-----	Comprehensive Environmental Response, Compensation, and Liability Act
CIPCO-----	Carnegie Interstate Pipeline Company
Clairton Partnership-----	Clairton 1314B Partnership, L.P.
CLAM-----	CLAM Petroleum B.V.
CWA-----	Clean Water Act
DD&A-----	depreciation, depletion and amortization
Delhi Companies-----	Delhi Gas Pipeline Company and other subsidiaries of USX that comprised all of the Delhi Group
Delhi Stock-----	USX-Delhi Group Common Stock
DESCO-----	Double Eagle Steel Coating Company
DOE-----	Department of Energy
DOJ-----	U. S. Department of Justice
downstream-----	refining, marketing and transportation operations
E&P-----	exploration and production
exploratory-----	wildcat and delineation, i.e., exploratory wells
Gulf-----	Gulf of Mexico
IMV-----	Inventory Market Valuation
Indexed Debt-----	6-3/4% Exchangeable Notes Due February 1, 2000
Kobe-----	Kobe Steel Ltd.
LNG-----	liquefied natural gas
MACT-----	Maximum Achievable Control Technology
MAP-----	Marathon Ashland Petroleum LLC
MTBE-----	Methyl tertiary butyl ether
Marathon-----	Marathon Oil Company
Marathon Power-----	Marathon Power Company, Ltd.
Marathon Stock-----	USX-Marathon Group Common Stock
mcf-----	thousand cubic feet
MCL-----	Marathon Canada Limited
Minnpac-----	U. S. Steel's iron ore operations at Mt. Iron, Minn.
MIPS-----	8-3/4% Cumulative Monthly Income Preferred Stock
mmcfd-----	million cubic feet per day
NOV-----	Notice of Violation
OPA-90-----	Oil Pollution Act of 1990
Oyster-----	Ewing Bank Block 917
P-A-----	Piltun-Astokhskiye
PaDER-----	Pennsylvania Department of Environmental Resources
Petronius-----	Viosca Knoll Block 786
POSCO-----	Pohang Iron & Steel Co., Ltd.
PRO-TEC-----	PRO-TEC Coating Company, a USX and Kobe joint venture.
PRP-----	potentially responsible party
RCRA-----	Resource Conservation and Recovery Act
RFI-----	RCRA Facility Investigation
RI/FS-----	Remedial Investigation and Feasibility Study
RM&T-----	refining, marketing and transportation
RTI-----	RTI International Metals, Inc. (formerly RMI Titanium Company)
Republic-----	Republic Technologies International, LLC
SAGE-----	Scottish Area Gas Evacuation
Sakhalin Energy-----	Sakhalin Energy Investment Company Ltd.
SG&A-----	selling, general and administrative
SSA-----	Speedway SuperAmerica LLC
Steel Stock-----	USX-U. S. Steel Group Common Stock
Tarragon-----	Tarragon Oil and Gas Limited
Trust Preferred Securities-----	6.75% Convertible Quarterly Income Preferred Securities of USX Capital Trust I

GLOSSARY OF CERTAIN DEFINED TERMS

The following definitions apply to terms used in this document:

upstream-----	exploration and production operations
USS-POSCO-----	USS-POSCO Industries, USX and Pohang Iron & Steel Co., Ltd., joint venture
USS/Kobe-----	USX and Kobe Steel Ltd. joint venture.
USTs-----	underground storage tanks
VSZ U. S. Steel s. r.o.-----	U. S. Steel and VSZ a.s. joint venture in Kosice, Slovakia

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SUPPLEMENTARY DATA SUMMARIZED FINANCIAL INFORMATION OF MARATHON OIL COMPANY

Included below is the summarized financial information of Marathon Oil Company, a wholly owned subsidiary of USX Corporation.

(IN MILLIONS)			
YEAR ENDED DECEMBER 31			
	1999 (b)	1998 (b)	1997
INCOME DATA:			
Revenues(a).....	\$ 24,309	\$ 21,950	\$ 15,807
Income from operations.....	1,749	964	961
Net income.....	640	281	430
DECEMBER 31			
	1999 (b)	1998 (b)	
BALANCE SHEET DATA:			
Assets:			
Current assets.....	\$ 6,067	\$ 4,742	
Noncurrent assets.....	11,499	11,420	
Total assets.....	\$ 17,566	\$ 16,162	
Liabilities and stockholder's equity:			
Current liabilities.....	\$ 3,294	\$ 2,543	
Noncurrent liabilities.....	9,276	9,428	
Preferred stock of subsidiary.....	10	17	
Minority interest in Marathon Ashland.....			
Petroleum LLC.....	1,753	1,590	
Stockholder's equity.....	3,233	2,584	
Total liabilities and stockholder's equity.	\$ 17,566	\$ 16,162	

(a) Consists of sales, dividend and affiliate income, gain on ownership change in MAP, net gains on disposal of assets and other income. (b) Amounts in 1999 and 1998 include 100% of MAP and are not comparable to prior periods.

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SUPPLEMENTARY DATA DISCLOSURES ABOUT FORWARD-LOOKING STATEMENTS

USX includes forward-looking statements concerning trends, market forces, commitments, material events or other contingencies potentially affecting USX or the businesses of its Marathon Group or U. S. Steel Group in reports filed with the Securities and Exchange Commission, external documents or oral presentations. In order to take advantage of "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, USX is filing the following cautionary language identifying important factors (though not necessarily all such factors) that could cause actual outcomes to differ materially from information set forth in forward-looking statements made by, or on behalf of, USX, its representatives and its individual Groups.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

USX

Forward-looking statements with respect to USX may include, but are not limited to, comments about general business strategies, financing decisions or corporate structure. The following discussion is intended to identify important factors (though not necessarily all such factors) that could cause future outcomes to differ materially from those set forth in forward-looking statements.

LIQUIDITY FACTORS

USX's ability to finance its future business requirements through internally generated funds, proceeds from the sale of stock, borrowings and other external financing sources is affected by the performance of each of its Groups (as measured by various factors, including cash provided from operating activities), the state of worldwide debt and equity markets, investor perceptions and expectations of past and future performance and actions, the overall U.S. financial climate, and, in particular, with respect to borrowings, by USX's outstanding debt and credit ratings by investor services. To the extent that USX Management's assumptions concerning these factors prove to be inaccurate, USX's liquidity position could be materially adversely affected.

OTHER FACTORS

Holders of USX-Marathon Group Common Stock or USX-U. S. Steel Group Common Stock are holders of common stock of USX and are subject to all the risks associated with an investment in USX and all of its businesses and liabilities. Financial impacts, arising from either of the groups, which affect the overall cost of USX's capital could affect the results of operations and financial condition of all groups.

For further discussion of certain of the factors described herein, see Item 1. Business, Item 5. Market For Registrant's Common Equity and Related Stockholder Matters, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Information About Market Risk.

USX-MARATHON GROUP

Forward-looking statements with respect to the Marathon Group may include, but are not limited to, levels of revenues, gross margins, income from operations, net income or earnings per share; levels of capital, exploration, environmental or maintenance expenditures; the success or timing of completion of ongoing or anticipated capital, exploration or maintenance projects; volumes of production, sales, throughput or shipments of liquid hydrocarbons, natural gas and refined products; levels of worldwide prices of liquid hydrocarbons, natural gas and refined products; levels of reserves, proved or otherwise, of liquid hydrocarbons or natural gas; the acquisition or divestiture of assets; the effect of restructuring or reorganization of business components; the potential effect of judicial proceedings

reorganization of business components, the potential effect of judicial proceedings on the business and financial condition; and the anticipated effects of actions of third parties such as competitors, or federal, state or local regulatory authorities.

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Forward-looking statements typically contain words such as "anticipates", "believes", "estimates", "expects", "forecasts", "predicts" or "projects" or variations of these words, suggesting that future outcomes are uncertain. The following discussion is intended to identify important factors (though not necessarily all such factors) that could cause future outcomes to differ materially from those set forth in forward-looking statements with respect to the Marathon Group.

The oil and gas industry is characterized by a large number of companies, none of which is dominant within the industry, but a number of which have greater resources than Marathon. Marathon must compete with these companies for the rights to explore for oil and gas. Marathon's expectations as to revenues, margins and income are based upon assumptions as to future prices and volumes of liquid hydrocarbons, natural gas and refined products. Prices have historically been volatile and have frequently been driven by unpredictable changes in supply and demand resulting from fluctuations in economic activity and political developments in the world's major oil and gas producing areas, including OPEC member countries. Any substantial decline in such prices could have a material adverse effect on Marathon's results of operations. A decline in such prices could also adversely affect the quantity of liquid hydrocarbons and natural gas that can be economically produced and the amount of capital available for exploration and development.

The Marathon Group uses commodity-based and foreign currency derivative instruments such as futures, forwards, swaps, and options to manage exposure to price fluctuations. For transactions that qualify for hedge accounting, the resulting gains and losses are deferred and subsequently recognized in income from operations, as a component of sales or cost of sales, 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 within income from operations. While commodity-based derivative instruments are generally used to reduce risks from unfavorable commodity price movements, they also may limit the opportunity to benefit from favorable movements. Levels of hedging activity vary among oil industry competitors and could affect the Marathon Group's competitive position with respect to those competitors.

FACTORS AFFECTING EXPLORATION AND PRODUCTION OPERATIONS

Projected production levels for liquid hydrocarbons and natural gas are based on a number of assumptions, including (among others) prices, supply and demand, regulatory constraints, reserve estimates, production decline rates for mature fields, reserve replacement rates, drilling rig availability and geological and operating considerations. These assumptions may prove to be inaccurate. Exploration and

production operations are subject to various hazards, including explosions, fires and uncontrollable flows of oil and gas. Offshore production and marine operations in areas such as the Gulf of Mexico, the North Sea, Gabon and the Russian Far East Region are also subject to severe weather conditions such as hurricanes or violent storms or other hazards. Development of new production properties in countries outside the United States may require protracted negotiations with host governments and are frequently subject to political considerations, such as tax regulations, which could adversely affect the economics of projects.

FACTORS AFFECTING REFINING, MARKETING AND TRANSPORTATION OPERATIONS

Marathon conducts domestic refining, marketing and transportation operations primarily through its consolidated subsidiary, Marathon Ashland Petroleum LLC ("MAP"). MAP's operations are conducted mainly in the Midwest, Southeast, Ohio River Valley and the upper Great Plains. The profitability of these operations depends largely on the margin between the cost of crude oil and other feedstocks refined and the selling prices of refined products. MAP is a purchaser of crude oil in order to satisfy its refinery throughput requirements. As a result, its overall profitability could be adversely affected by rising crude oil and other feedstock prices which are not recovered in the marketplace. Refined product margins have been historically volatile and vary with the level of economic activity in the various marketing areas, the regulatory climate and the available supply of refined products. Gross margins on merchandise sold at retail outlets tend to moderate the volatility experienced in the retail sale of gasoline and diesel fuel. Environmental regulations, particularly the 1990 Amendments to the Clean Air Act, have imposed (and are expected to continue to impose) increasingly stringent and costly requirements on refining and marketing operations which may have an adverse effect on margins. Refining, marketing and transportation operations are subject to business interruptions due to unforeseen events such as explosions, fires, crude oil or refined product spills, inclement weather, or labor disputes. They are also subject to the additional hazards of marine operations, such as capsizing, collision and damage or loss from severe weather conditions.

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TECHNOLOGY FACTORS

Longer-term projections of corporate strategy, including the viability, timing or expenditures required for capital projects, can be affected by changes in technology, especially innovations in processes used in the exploration, production or refining of hydrocarbons. While specific future changes are difficult to project, recent innovations affecting the oil industry include the development of three-dimensional seismic imaging and deep-water and horizontal drilling capabilities.

OTHER FACTORS

Holders of USX-Marathon Group Common Stock are holders of common stock of USX and are subject to all the risks associated with an investment in USX and all of

its businesses and liabilities. Financial impacts, arising from either of the groups, which affect the overall cost of USX's capital could affect the results of operations and financial condition of both groups.

For further discussion of certain of the factors described herein, and their potential effects on the businesses of the Marathon Group, see Item 1. Business, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

USX-U. S. STEEL GROUP

Forward-looking statements with respect to the U. S. Steel Group may include, but are not limited to, projections of levels of revenues, income from operations or income from operations per ton, net income or earnings per share; levels of capital, environmental or maintenance expenditures; the success or timing of completion of ongoing or anticipated capital or maintenance projects; levels of raw steel production capability, prices, production, shipments, or labor and raw material costs; the acquisition, idling, shutdown or divestiture of assets or businesses; the effect of restructuring or reorganization of business components; the effect of potential judicial proceedings on the business and financial condition; and the effects of actions of third parties such as competitors, or federal, state or local regulatory authorities.

Forward-looking statements typically contain words such as "anticipates", "believes", "estimates", "expects", "forecasts", "predicts" or "projects", or variations of these words, suggesting that future outcomes are uncertain. The following discussion is intended to identify important factors (though not necessarily all such factors) that could cause future outcomes to differ materially from those set forth in forward-looking statements with respect to the U. S. Steel Group.

MARKET FACTORS

The U. S. Steel Group's expectations as to levels of production and revenues, gross margins, income from operations and income from operations per ton are based upon assumptions as to future product prices and mix, and levels of raw steel production capability, production and shipments. These assumptions may prove to be inaccurate.

The steel industry is characterized by excess world supply which has restricted the ability of U. S. Steel and the industry to raise prices during periods of economic growth and resist price decreases during economic contraction.

Domestic flat-rolled steel supply has increased in recent years with the completion and start-up of minimills that are less expensive to build than integrated facilities, and are typically staffed by non-unionized work forces with lower base labor costs and more flexible work rules. Through the use of thin slab casting technology, minimill competitors are increasingly able to compete directly with integrated producers of higher value-added products. Such competition could adversely affect the U. S. Steel Group's future product prices and shipment levels.

the U. S. Steel Group's future product prices and shipment levels.

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The domestic steel industry has, in the past, been adversely affected by unfairly traded imports. Steel imports to the United States accounted for an estimated 26%, 30% and 24% of the domestic steel market in 1999, 1998 and 1997, respectively. Foreign competitors typically have lower labor costs, and are often owned, controlled or subsidized by their governments, allowing their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions. Increases in levels of imported steel could adversely affect future market prices and demand levels for domestic steel.

The U. S. Steel Group also competes in many markets with producers of substitutes for steel products, including aluminum, cement, composites, glass, plastics and wood. The emergence of additional substitutes for steel products could adversely affect future prices and demand for steel products.

The businesses of the U. S. Steel Group are aligned with cyclical industries such as the automotive, appliance, containers, construction and energy industries. As a result, future downturns in the U.S. economy or any of these industries could adversely affect the profitability of the U. S. Steel Group.

OPERATING AND COST FACTORS

The operations of the U. S. Steel Group are subject to planned and unplanned outages due to maintenance, equipment malfunctions or work stoppages; and various hazards, including explosions, fires and severe weather conditions, which could disrupt operations or the availability of raw materials, resulting in reduced production volumes and increased production costs.

Labor costs for the U. S. Steel Group are affected by collective bargaining agreements. U. S. Steel entered into a five year contract with the United Steel Workers of America, effective August 1, 1999, covering approximately 14,500 employees. The contract provided for increases in hourly wages phased over the term of the agreement beginning in 2000 as well as pension and benefit improvements for active and retired employees and spouses that will result in higher labor and benefit costs for the U.S. Steel Group each year throughout the term of the contract. To the extent that increased costs are not recoverable through the sales prices of products, future income from operations would be adversely affected.

Income from operations for the U. S. Steel Group includes periodic pension credits (which are primarily noncash). The resulting net pension credits totaled \$228 million, \$186 million and \$144 million in 1999, 1998 and 1997, respectively. Future net pension credits can be volatile dependent upon the future marketplace performance of plan assets, changes in actuarial assumptions regarding such factors as a selection of a discount rate and rate of return on assets, changes in the amortization levels of transition amounts or prior period service costs, plan amendments affecting benefit payout levels 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 that these credits decline in the future, income from operations would be adversely affected.

The U. S. Steel Group provides health care and life insurance benefits to most employees upon retirement. Most of these benefits have not been prefunded. The accrued liability for such benefits as of December 31, 1999, was \$2,122 million. To the extent that competitors do not provide similar benefits, or have been relieved of obligations to provide such benefits following bankruptcy reorganization, the competitive position of the U. S. Steel Group may be adversely affected, depending on future costs of health care.

LEGAL AND ENVIRONMENTAL FACTORS

The profitability of the U. S. Steel Group's operations could be affected by a number of contingencies, including legal actions. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the U. S. Steel Group financial statements.

The businesses of the U. S. Steel Group are subject to numerous environmental laws. Certain current and former U. S. Steel Group operating facilities have been in operation for many years and could require significant future accruals and expenditures to meet existing and future requirements under these laws. 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.

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OTHER FACTORS

Holders of USX-U. S. Steel Group Common Stock are holders of common stock of USX and are subject to all the risks associated with an investment in USX and all of its businesses and liabilities. Financial impacts, arising from either of the groups, which affect the overall cost of USX's capital, could affect the results of operations and financial condition of both groups.

For further discussion of certain of the factors described herein, and their potential effects on the businesses of the U.S. Steel Group, see Item 1. Business, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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