1941

FORTIETH ANNUAL REPORT

UNITED STATES STEEL CORPORATION

UNITED STATES STEEL CORPORATION

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CHARLES S. BELSTERLING *General Commerce Counsel*	KENNETH B. HALSTEAD *General Solicitor*

Offices

51 NEWARK STREET, HOBOKEN, N. J. *Principal Office*	71 BROADWAY, NEW YORK, N. Y. *New York Office*

Registrars

PREFERRED STOCK—The New York Trust Company, New York, N. Y.

COMMON STOCK—Guaranty Trust Company of New York, New York, N. Y.

UNITED STATES STEEL CORPORATION OF DELAWARE

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(**Resigned December 9, 1941*)

Annual Report OF

UNITED STATES STEEL CORPORATION

FOR THE YEAR ENDED DECEMBER 31, *1941*

A REVIEW OF THE YEAR BY THE CHAIRMAN

THROUGHOUT the year 1941 the entire resources and facilities of United States Steel Corporation and subsidiaries have been at the call of the Government. This is not a new policy born of the emergency. Mr. Myron C. Taylor, former Chairman of the Board, discussing the Corporation's place in the nation, said in 1938: "There is a national aspect. The presence of the Corporation gives a measure of protection to the nation, both in peace and in war. For it is not without significance for the nation to have always at call the developed facilities of the Corporation and always to be assured of its sympathetic and competent help." The Government during the year has availed itself of the facilities of the subsidiaries of United States Steel Corporation to the extent of taking a substantial part of their production and will take an even larger part of their total output in 1942 to meet the basic needs of the nation.

Defense orders were filled in 1941 substantially in accordance with schedule. Steel production for military, naval and other national emergency needs was accelerated in every practical way. In keeping with this policy of cooperation with the Government, certain subsidiaries have undertaken the construction, at the request and for the account of the Government, of vast additional steel-making and finishing facilities, as a part of the expansion program deemed advisable by the Government.

In the interest of national security, this report has been reviewed by Army, Navy and other Government officials, with the result that certain detailed information regarding properties, capacity, production, shipments and related matters has been omitted or modified in accordance with the "Code of Wartime Practices" and the suggestions of the United States Government Office of Censorship.

PRODUCTION AND SHIPMENTS

During the past year the production of armor plate, both for ships and tanks, and the manufacture of shell steel, shell forgings, unloaded shells and bombs of various sizes continued at ever increasing rates. Many other commodities of a direct or indirect military use also were produced in considerable quantity by the subsidiaries. Large amounts of steel products were shipped to Great Britain and Canada and to other friendly powers.

A number of cruisers, destroyers, cargo boats and tankers were launched during 1941 at the shipyard of a subsidiary, Federal Shipbuilding and Dry Dock Company. The value of ships completed at this yard in 1941 increased 83 per cent over the value of the 1940 output. During 1941 Isthmian Steamship Company—another subsidiary—operated in a number of foreign trade routes, carrying materials highly essential to the national defense. Its fleet of owned, chartered and allocated vessels was, in the aggregate, probably the largest ocean fleet flying the American flag ever under private management. On September 5, 1941, the Isthmian steamship "Steel Seafarer" was bombed by a German plane and sunk in the Red Sea. Fortunately, there was no loss of life.

U. S. Steel's shipments of rolled and finished steel during the year totaled more than twenty million net tons—an all-time high and an increase of more than one-third over the shipments in 1940. The United States defense activities and the war abroad continued to dominate the steel market. Steel exports decreased in volume in 1941, largely because of regulatory measures and special conditions. Direct and indirect demands for steel for defense and lend-lease needs have reached, as this report goes to press, the equivalent of more than three-fourths of U. S. Steel's current steel shipments.

WATCHING MELTING PROCESS

Nearly one-third of the nation's output of tar, ammonium sulphate, benzol and toluol, as well as substantial quantities of tar acids, are derived as by-products from U. S. Steel's coking operations. These by-products have

great potential usefulness in war time. Nitration toluol can be utilized in the production of explosives. Ammonium sulphate will be used as fertilizer in increasingly larger quantities as the production of many essential agricultural commodities is expanded.

The production as indicated by no means represents the total contribution of U. S. Steel to the war effort. Most of U. S. Steel's products are further processed or fabricated by other manufacturers whose facilities are now serving the Government. On page 28 of this report will be found a detailed list of products made by U. S. Steel for war and civilian uses.

While some loss of production resulted from strikes and work stoppages, the net tons of ingots produced during the year by the subsidiaries established an all-time record and represented an increase of more than one-fourth over the 1940 production. Scrap shortage may constitute a limitation upon U. S. Steel's effort to maintain maximum production during 1942 unless ways are found to make available large additional quantities of this essential material. Measures are being taken by government agencies to insure an adequate supply of the raw materials needed for steel production and normally secured from the Far East or other combat zones.

OPERATIONS AND FACILITIES

Operations of U. S. Steel were maintained throughout the year in excess of full rated capacity as to rolled and finished steel production and within a few points of full rated capacity as to ingot production. Important increases were made during the year in the rated ingot capacity of the steel-producing subsidiaries.

In 1941 U. S. Steel's gross capital expenditures for additions and betterments to its facilities aggregated about $111 million, compared with $72 million in 1940. There were unexpended authorizations for all purposes at the close of the year of about $185 million, compared with $149 million at the close of 1940. Work is now under way—involving very substantial expenditure—on new facilities to be financed and owned by the Government but operated during the emergency by U. S. Steel. When these new mills begin operations, the total ingot capacity will be materially increased.

The provision for depletion, depreciation and amortization of facilities for the year 1941 was $96 million, compared with a total for 1940 of $71 million. The high rates of operation have accelerated the normal deterioration of facilities and adequate provision must be made for their replacement.

JUDGING SURFACE AND GAUGE

SUMMARY OF FINANCIAL RESULTS

Net Income	*Year 1941*	*Year 1940*	*Per Cent Increase*
First quarter	$36,559,995	$17,113,995	113.6
Second quarter	24,814,751	19,201,008	29.2
Third quarter	34,313,345	33,103,067	3.7
Fourth quarter	20,482,984	32,793,212	37.5[d]
Total Year	116,171,075	102,211,282	13.7
Per Share of Common Stock	10.45	8.84	
Current Assets (*at December 31*)	783,460,857	634,634,454	23.5
Current Liabilities (*at December 31*)	287,666,561	163,304,305	76.2
Net Working Capital (*at December 31*)	495,794,296	471,330,149	5.2
Capital Expenditures (*gross*)	110,958,412	71,883,232	54.4
Tax Provisions			
State and local, and miscellaneous	49,945,848	41,832,038	19.4
State and Federal social security	22,856,726	17,288,507	32.2
Federal income and excess profits	118,700,000	26,300,000	351.3
Total Tax Provisions	191,502,574	85,420,545	124.2
Per Share of Common Stock	22.00	9.81	
Dividends Declared			
Preferred dividends ($7.00 per share)	25,219,677	25,219,677	none
Common dividends ($4.00 per share)	34,813,008	34,813,008	none

d denotes **decrease.**

STOCKHOLDERS AND SHARES HELD

	Preferred		*Common*		*Total*	
Stockholders by Classes	*Holders*	*Shares*	*Holders*	*Shares*	*Holders (Net)*	*Shares*
Charitable, Educational, Etc.	855	88,848	342	53,621	1,099	142,469
Insurance Companies	119	411,866	81	36,406	181	448,272
Other Companies	645	135,491	1,474	423,462	1,945	558,953
Fiduciaries	7,522	515,103	5,426	492,544	12,034	1,007,647
Individuals—Women	35,599	1,157,664	64,237	1,992,877	92,640	3,150,541
Individuals—Men	21,018	745,543	82,869	2,939,188	97,822	3,684,731
Brokers and Others	3,335	548,296	9,303	2,765,154	11,629	3,313,450
Total	69,093	3,602,811	163,732	8,703,252	217,350*	12,306,063

* 15,475 held both preferred and common.

The distribution shown in the table is of stockholders of record as of December 31, 1941. During the year there was no change in the total of issued shares of preferred and common stocks.

The unprecedented readjustments to be made when the war ends, and the far-reaching effects of the international conflict upon the general economy, are not being overlooked. An officer of a subsidiary has been assigned to the task of recommending plans for the various subsidiary companies which, it is hoped, will be of service both to the nation and to U. S. Steel in facilitating the transition to post-war conditions.

NET INCOME AND WORKING CAPITAL

Net income of United States Steel Corporation and subsidiaries amounted in 1941 to $116,171,075, compared with $102,211,282 in 1940. There were declared for the year four dividends of $1.75 per share each on the preferred stock amounting in all to $25,219,677, and four dividends of $1.00 per share each on the common stock amounting in all to $34,813,008. After the deduction of all dividends, there was left from the 1941 net income a balance of $56,138,390, compared with $42,178,597 in 1940 when like dividends were declared.

During 1941 a reserve of $25 million was provided for those expenses which, because of the high rate of operations, must be deferred until a future time, as well as for contingencies arising from the shift to a peacetime basis at the end of the war. Based on engineering studies, the high rate of operation and consequent greater use of plant (which resulted in extraordinary wear and tear) necessitated increased depreciation provisions. In view of the large unexpended authorizations, amounting to $185 million at the end of the year, it was deemed advisable to segregate $60 million of cash resources for such purposes. Net working capital of United States Steel Corporation and subsidiaries at December 31, 1941, after this segregation, was $496 million compared with $471 million at the close of 1940. In accordance with U. S. Steel's practice, current liabilities at the end of each year include dividends declared in January of the succeeding year and long-term obligations maturing within one year of the balance sheet date.

The dollar volume of sales in 1941 of $1.6 billion was the highest in the history of U. S. Steel. Net income, because of the substantial increase in shipments of finished steel, was larger in 1941 than in 1940; but, reflecting the effect of unchanged scheduled prices of principal products in the face of increased tax, wage and materials costs, the net income for 1941 was 41 per cent less than for 1929.

Income in 1941, after income taxes and all charges except interest on funded debt, amounted to 7.02 per cent—as compared with 6.99 per cent in 1940—of the value of the net assets, the latter being the total assets less current liabilities. The average return for the five-year period 1937-1941, on this basis, was 4.59 per cent, while for the ten-year period 1932-1941, which included the deficit years of 1932, 1933, 1934 and 1938, the

average return was equivalent to 1.85 per cent of the value of the net assets. These comparisons are set forth to indicate that the net income for 1941, or for any other short term period, can not be regarded as typical earnings.

U. S. Steel's long-term debt position at December 31, 1941, showed a net reduction of $10,370,726. Retirements during the year amounted to $13,385,585. New obligations during the year were equipment trust issues of Elgin, Joliet and Eastern Railway Company of $2,900,000 and purchase money obligations issued by Birmingham Southern Railway Company of $114,859.

TAXATION

Total tax provisions in 1941 were $191 million or 124 per cent more than in 1940. It is to be hoped that the ability of American industry fully to serve the nation in this great emergency be not weakened by restrictive tax legislation. A fundamental consideration, therefore, is that a method of taxation be provided which will result in maximum revenue towards meeting the war cost without curtailing production or undermining reserves required for the effective operation of industrial facilities. If taxes were to become excessive, relative to income, they would become levies upon assets, which would result in a curtailment of ability to produce.

EMPLOYMENT AND EARNINGS

Employment by U. S. Steel averaged about 304,000 for the year 1941—a greater number of employes than in any year of its history. The number of employes has increased 51 per cent since 1938. The total payroll during the same period has increased 113 per cent. Although the average number of hours worked per week in 1941 increased only four per cent over 1940 and was still under forty hours, average weekly earnings, amounting to $37.91, increased nearly 15 per cent over 1940. The total amount paid out in the form of wages and salaries to employes in all operations was equivalent to about $1,647,000 for each day of the past calendar year.

Provision for wage increases, which amounted to 10 cents an hour for wage earners in the steel mills, was contained in new labor contracts concluded with the unions in those companies which have entered into such contracts. Increases to wage earners, effective on or after April 1, 1941, raised the total U. S. Steel payroll by about $60 million on an annual basis. Increases to certain employes in the lower salaried groups also raised the payroll, on an annual basis, by about $5 million. There were no general increases in executive compensation although some individual salary adjustments were made. All salaries of $10,000 and more represent about one per cent of the total payroll. At the close of 1941 pensions were being paid

to 14,254 former employes. The year's pension cost was about $15 million, which included payments to pensioners and the sums set aside for funding future pensions.

LABOR RELATIONS

The labor policy of U. S. Steel, as established prior to 1937 and stated in the Annual Report for 1937, has been as follows: "The Company recognizes the right of its employes to bargain collectively through representatives freely chosen by them without dictation, coercion or intimidation in any form or from any source. It will negotiate and contract with the representatives of any group of its employes so chosen and with any organization as the representative of its members, subject to the recognition of the principle that the right to work is not dependent on membership or non-membership in any organization and subject to the right of every employe freely to bargain in such manner and through such representatives, if any, as he chooses."

In 1937 certain subsidiaries recognized the Steel Workers' Organizing Committee as the bargaining agent for its members, and this organization is the party to the majority of the agreements now in effect in the steel-producing and steel-fabricating subsidiaries. The agreements then made and those subsequently negotiated with other labor organizations established satisfactory contractual relationships with the employes. Many of these contracts continued in effect until 1941 when new superseding agreements were concluded, notably those with the Steel Workers' Organizing Committee in April.

The year 1941, however, brought with it a number of work stoppages in the steel-producing and steel-fabricating companies which not only established a contrast to the satisfactory relationships previously existing but also reduced steel production by about 300,000 tons. Strikes and stoppages likewise occurred in the shipbuilding and coal-mining subsidiaries, resulting in losses of nineteen needed days of ship production and about 5,000,000 tons of coal. The major interruptions in shipbuilding and coal-mining occurred in connection with renewals of agreements and because the companies refused to submit to union demands which would require that employes in the shipyard who were then or might later become members of a certain union must maintain that union membership in good standing in order to retain their employment, and that employes in the coal mines as a condition of continued employment must become members of a particular union.

A "KEARNY" BUILT VESSEL

A strike called by Local 16 of the Industrial Union of Marine and Shipbuilding Workers of America at Federal Shipbuilding and Dry Dock Company halted operations on August 6, 1941. To enable shipbuilding to be resumed, the Company on August 11 sent the following telegram to the Secretary of the Navy: "In the interest of national defense we hereby offer our shipyard at Kearny, New Jersey, to the Navy Department for immediate possession and operation. The yard has been closed for four days by a strike which involves no issue but the maintenance of the open shop. We are unwilling to abandon the defense of the freedom of the American worker to choose whether he will belong to a union or not. We will fully cooperate with you in making this offer effective." This offer was not acted upon but the strike was terminated when President Roosevelt signed an Executive Order, on August 23, directing the Secretary of the Navy to take possession of and operate the yard. Pursuant to another Executive Order, signed January 5, the shipyard was returned, unconditionally, to the Company by the Navy Department on January 6, 1942.

There were four major strikes in coal-mining subsidiaries. The first strike was occasioned by the failure of the commercial coal operators and the United Mine Workers of America to reach an understanding regarding a new labor contract, the subsidiaries not being parties in any way to this dispute. The later strikes grew out of the refusal by the coal-mining subsidiaries (and other owners of "captive mines") to abandon their established policy of not entering into agreements requiring employes to become members of a union as a condition of continued employment. The National Defense Mediation Board, after reference to it of this dispute, recommended "that every worker

A LARGE STEEL-MAKING PLANT AND SOME OF THE AUXILIARY FACILITIES

has the right to choose for himself whether he will or will not join the union, and his employment should not be made to depend upon union membership."

The union did not accept this recommendation. U. S. Steel, at the request of the President of the United States, then agreed to be bound by the findings of a Board of Arbitration. The President subsequently appointed a Board consisting of John L. Lewis, Benjamin F. Fairless and John R. Steelman, Chairman. This Board found on December 7, 1941, Mr. Fairless dissenting, "that the United Mine Workers of America and the operators involved in this dispute proceed immediately to accept and execute an agreement the same as the Appalachian agreement and/or applicable agreements related thereto." The Appalachian agreement provided for a union shop.

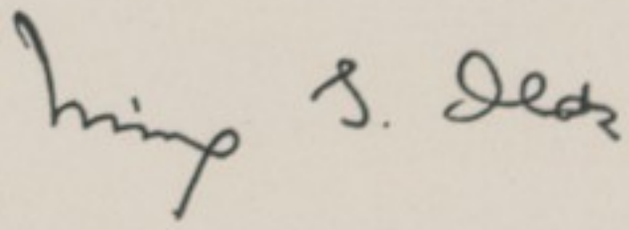
Thereupon, the coal-mining subsidiaries resumed negotiations which have been generally concluded and will result in union shop agreements with the United Mine Workers of America, for the term of the Appalachian agreement, in accord with the findings of the majority of the Board.

AMENDMENT OF BY-LAWS

The by-laws of the Corporation were amended by action of the Board of Directors in December, 1941, to reduce the membership of the Board of Directors from eighteen to fifteen and the membership of the Finance Committee from twelve to eleven.

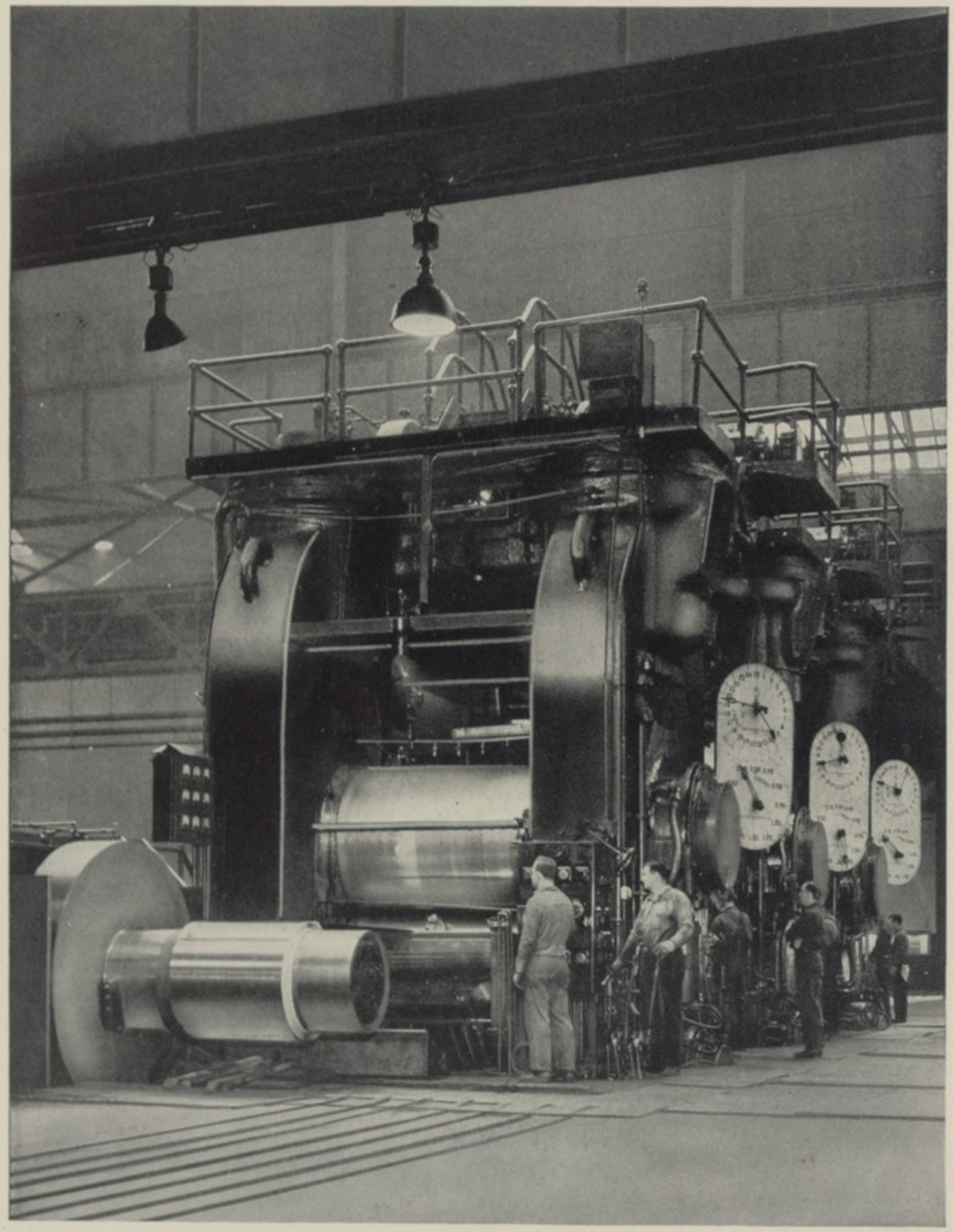
EMPLOYES AND THE WAR EFFORT

On behalf of the Board of Directors, I wish to express appreciation for the effective service rendered during 1941 by the officers and employes of the Corporation and of all the subsidiaries. The cooperative spirit displayed under the stress of the emergency is gratifying. It is fitting that tribute be paid to those employes now serving in military, naval and other Government departments. Although the grave responsibilities which war has placed upon everyone should not be minimized, I know that both management and employes face the future with courage and with confidence.



March 12, 1942

CHAIRMAN, BOARD OF DIRECTORS



A steel sheet at the delivery end of a modern cold reduction mill. As the sheet passes through the rolls, its length and thickness change and, at the same time, its strength and surface properties are improved.

U. S. STEEL'S FINANCIAL AFFAIRS

DURING 1941 U. S. Steel disposed of the largest volume of products and services in its history and received for them the largest sum of money in its history. It paid to its workers not only the highest hourly wage but also the highest average annual wage in its history. Payments to owners were provided out of current income for 1941 in exactly the same amount as for 1940—that is, there was provided for the preferred stock owners the stipulated dividend of $7 a share and for the common stock owners dividends amounting to $4 a share. The amounts provided for the common stock owners in 1941 and 1940 were, except for a small payment for the year 1937, the only such provisions in ten years. The percentage share of receipts provided for the stock owners and retained for future needs in 1941 was lower than in other years of comparable operating rates.

U. S. Steel utilized during the year plants, mines, railroads, steamships, and much other equipment belonging to more than two hundred thousand stock owners and employed more than three hundred thousand workers to produce millions of tons of steel, millions of barrels of cement, together with other large quantities of products and services, principally in the form of transportation, which were sold for the total of $1,623 million—an increase of 50 per cent over 1940.

The 1941 purchases from others of required products and services amounted to 37 per cent of the dollars received as against 33 per cent in the previous year—at high rates of operation it is necessary to buy additional quantities of certain materials ordinarily produced by U. S. Steel; also, above a certain rate of operation, higher cost marginal facilities must be utilized. To meet the usual and unusual wear and usage of facilities growing out of their more intensified operation, U. S. Steel set aside a larger sum in 1941 than in 1940. The amount so provided is based on engineering studies. Provision for direct taxes in 1941 was $191 million or $629 per employe, compared with $85 million or $336 per employe in 1940.

Purchases from others, taxes, wear and usage, and interest represent payments and provisions which had to be made if business were to be done and facilities maintained. These items amounted to 56 cents on the dollar received as against 49 cents in 1940. The difference is accounted for by an increase in taxes and in purchases from others, offset by decreases (proportionate to the dollar received) in wear and usage and in interest.

There remained with U. S. Steel a sum of $721 million with which to pay workers, to provide dividends and to retain prudent amounts for future needs. Out of this balance remaining, U. S. Steel provided $605 million for workers against $447 million in the previous year or $1,990 per worker in 1941 as compared with $1,757 in 1940.

HOW U. S. STEEL EARNED ITS LIVING IN 1941

	Amount Million $	*$ Amt. Per Worker*
PRODUCTS & SERVICES SOLD		
(*including $3 million from miscellaneous other sources*) . .	1,623	5,336

It disposed of this sum as follows:

PRODUCTS & SERVICES BOUGHT FROM OTHERS	609	2,000
TAXES — LOCAL, STATE & FEDERAL	191	629
WEAR & USAGE OF FACILITIES	96	315
INTEREST ON BORROWED MONEY	6	20
Sum of these items	902	2,964
Balance remaining	721	2,372

It disposed of this balance as follows:

WAGES, SALARIES & PENSIONS FOR WORKERS	605	1,990
DIVIDENDS PAID FOR USE OF FACILITIES	60	197
RETAINED FOR FUTURE NEEDS	56	185
Sum of these items	721	2,372

This is a rearranged approximate statement of U. S. Steel's financial activities—for formal statements *see pages 16, 17 and 18.*

Dividends were 8 per cent of the balance remaining in 1941, compared with 11 per cent in 1940. The percentage of the balance remaining which was retained in 1941 for future needs was slightly larger than the percentage retained in 1940.

Let us compare the results of 1941 with the year 1929. The balance remaining was 56 per cent of the total receipts in 1929, compared with 44 per cent in 1941. In 1929 employes received 68 per cent of the balance remaining and in 1941 employes received 84 per cent. In both years the preferred stock owners received $25 million. The common stock owners received $64 million in the earlier year as against $35 million in the later year. There was set aside for future needs in the earlier year the sum of $109 million as against $56 million in 1941. It thus appears that, in 1929, the results of a large volume of business were shared by the employes and the owners; in 1941, the results of a large volume of business were shared to a lesser extent by the owners. A percentage comparison of the various items follows:

	1929	*1940*	*1941*
Products & Services Sold	100.0%	100.0%	100.0%
This sum was disposed of as follows:			
Products & Services Bought From Others	32.2	33.4	37.5
Taxes—Local, State & Federal	5.0	7.9	11.8
Wear & Usage of Facilities	5.8	6.6	5.9
Interest on Borrowed Money	1.4	1.3	.4
Balance remaining	55.6	50.8	44.4
Percentage disposition of balance remaining:			
Wages, Salaries & Pensions for Workers	67.5	81.4	83.9
Dividends Paid for Use of Facilities	14.6	10.9	8.3
Retained for Future Needs	17.9	7.7	7.8

The 1902-1941 trend, as shown on page 14, is for government, through taxes, to participate heavily in the proceeds in good years and somewhat less heavily in bad years; for workers as a group to share heavily in good years and to lose heavily in bad years; for owners to share lightly in good years and to lose heavily in bad years. Thus, in a bad year, 1938, participation was—government $49 million, workers $283 million, owners and future needs *$8 million (loss)*; in a good year, 1941, participation was—government $191 million, workers $605 million, owners and future needs $116 million.

During five of the years 1931-1941, inclusive, it was possible to accumulate $142 million for future needs. During the remaining six years it was necessary to draw on the accumulations of the past to the extent of $253 million.

HOW U. S. STEEL EARNED ITS LIVING 1902—1941

ALL AMOUNTS ARE IN MILLIONS OF DOLLARS

Year of Operation	*Products & Services* *Sold*	*Bought*	*Taxes Provided*	*Wear of Facilities*	*Interest on Debt*	*Balance Remaining*	*Wages for Workers*	*Dividends* *Preferred*	*Provided* *Common*	*Future Needs*	*Total for Facilities*
1902	422.2	159.9	2.4	27.8	21.3	210.8	120.5	35.7	20.3	34.3	90.3
1903	395.3	161.2	3.0	29.3	25.6	176.2	120.8	30.4	12.7	12.3	55.4
1904	324.7	143.3	3.1	18.2	30.1	130.0	99.8	25.2	..	5.0	30.2
1905	409.4	151.3	3.6	28.0	29.8	196.7	128.1	25.2	..	43.4	68.6
1906	484.5	169.2	4.4	35.6	29.4	245.9	147.8	25.2	10.2	62.7	98.1
1907	504.7	171.6	5.4	32.9	29.4	265.4	160.8	25.2	10.2	69.2	104.6
1908	331.8	106.5	5.4	22.4	31.3	166.2	120.5	25.2	10.2	10.3	45.7
1909	442.5	142.3	8.7	29.3	31.5	230.7	151.7	25.2	20.3	33.5	79.0
1910	492.6	160.2	9.2	30.2	30.6	262.4	175.0	25.2	25.4	36.8	87.4
1911	433.0	149.4	9.6	26.0	31.1	216.9	161.6	25.2	25.4	4.7	55.3
1912	535.5	218.2	9.8	31.1	32.6	243.8	189.6	25.2	25.4	3.6	54.2
1913	561.7	194.6	13.2	31.9	33.3	288.7	207.5	25.2	25.4	30.6	81.2
1914	413.2	156.2	12.6	25.1	33.2	186.1	162.7	25.2	15.2	17.0[d]	23.4
1915	524.9	192.9	13.6	32.4	32.8	253.2	177.3	25.2	6.4	44.3	75.9
1916	903.0	269.5	26.6	39.5	32.0	535.4	263.9	25.2	44.5	201.8	271.5
1917	1276.4	370.4	252.3	50.6	31.0	572.1	347.9	25.2	91.5	107.5	224.2
1918	1328.2	380.9	297.6	40.7	30.7	578.3	453.0	25.2	71.2	28.9	125.3
1919	1109.9	396.2	81.6	45.5	30.1	556.5	479.7	25.2	25.4	26.2	76.8
1920	1295.8	452.1	76.2	46.7	29.3	691.5	581.8	25.2	25.4	59.1	109.7
1921	725.9	253.1	37.7	36.8	28.5	369.8	333.2	25.2	25.4	14.0[d]	36.6
1922	809.3	339.4	35.8	42.7	28.4	363.0	323.4	25.2	25.4	11.0[d]	39.6
1923	1093.6	379.9	55.1	51.5	28.0	579.1	470.4	25.2	29.2	54.3	108.7
1924	920.7	270.6	45.3	48.9	27.3	528.6	443.5	25.2	35.6	24.3	85.1
1925	1023.8	340.9	50.9	56.1	27.1	548.8	458.2	25.2	35.6	29.8	90.6
1926	1087.2	357.8	52.4	64.2	26.8	586.0	469.3	25.2	35.6	55.9	116.7
1927	962.0	330.1	46.3	58.9	26.1	500.6	412.7	25.2	49.8	12.9	87.9
1928	1011.0	350.1	51.0	67.2	25.7	517.0	402.9	25.2	49.8	39.1	114.1
1929	1094.1	353.2	55.0	63.3	14.9	607.7	410.2	25.2	63.8	108.5	197.5
1930	840.2	251.8	48.1	58.6	5.6	476.1	371.7	25.2	60.4	18.8	104.4
1931	551.1	192.7	34.2	47.3	5.5	271.4	258.4	25.2	37.0	49.2[d]	13.0
1932	288.7	144.1	31.7	40.3	5.3	67.3	138.5	20.7	..	91.9[d]	71.2[d]
1933	377.2	165.3	31.7	43.6	5.2	131.4	167.9	7.2	..	43.7[d]	36.5[d]
1934	423.2	144.6	35.8	44.6	5.1	193.1	214.8	7.2	..	28.9[d]	21.7[d]
1935	544.2	198.2	38.4	47.6	5.0	255.0	253.9	7.2	..	6.1[d]	1.1
1936	796.3	295.5	52.9	56.8	4.9	386.2	335.7	50.4	..	.1	50.5
1937	1028.8	346.2	88.0	60.9	5.1	528.6	433.7	58.5	8.7	27.7	94.9
1938	611.4	229.7	48.8	49.2	8.3	275.4	283.1	25.2	..	32.9[d]	7.7[d]
1939	857.1	306.7	67.0	61.2	9.3	412.9	371.8	25.2	..	15.9	41.1
1940	1080.9	361.6	85.4	71.1	13.6	549.2	447.0	25.2	34.8	42.2	102.2
1941	1623.4	608.5	191.5	95.8	6.0	721.6	605.4	25.2	34.8	56.2	116.2

The data are based on the yearly earnings reported annually to stockholders and have not been adjusted to reflect surplus charges and credits. The data are in some respects necessarily approximate rather than exact figures. For example, wages represented in inventory expansion in one year are more properly a subdivision of the succeeding year's sales than of the given year's. Taxes are as accrued before adjustments. Products and services are after approximating inter-company transportation revenues and include miscellaneous income and deductions. Certain of the previously published figures have been revised—payroll for new construction having been excluded from wages for workers after 1926 and pension payments having been included in wages for workers after 1910; the net amounts of these revisions are shown in products and services bought and balance remaining items. (d denotes **deficit.**)

PRODUCTION OF STEEL INGOTS & CASTINGS

PRODUCTION BY YEARS IN THOUSANDS OF NET TONS

Year	*Net Tons*	*Year*	*Net Tons*	*Year*	*Net Tons*	*Year*	*Net Tons*	*Year*	*Net Tons*
1902	10,920	1910	15,881	1918	21,934	1926	22,743	1934	9,700
1903	10,275	1911	14,284	1919	19,264	1927	20,705	1935	12,467
1904	9,422	1912	18,929	1920	21,591	1928	22,518	1936	18,937
1905	13,447	1913	18,655	1921	12,282	1929	24,493	1937	20,756
1906	15,153	1914	13,246	1922	18,012	1930	18,734	1938	10,525
1907	14,728	1915	18,342	1923	22,770	1931	11,292	1939	17,626
1908	8,779	1916	23,420	1924	18,456	1932	5,521	1940	22,934
1909	14,958	1917	22,719	1925	21,167	1933	9,013	1941	00,000*

* Omitted at the suggestion of the United States Government Office of Censorship.

SHIPMENTS OF FINISHED STEEL PRODUCTS

SHIPMENTS BY YEARS IN THOUSANDS OF NET TONS

Year	*Net Tons*	*Year*	*Net Tons*	*Year*	*Net Tons*	*Year*	*Net Tons*	*Year*	*Net Tons*
1902	8,913	1908	6,820	1913	13,387	1918	15,570	1923	15,870
1903	8,129	1909	10,612	1914	9,935	1919	13,470	1924	12,705
1904	7,325	1910	11,777	1915	12,826	1920	15,534	1925	14,753
1905	10,142	1911	10,340	1916	17,105	1921	8,758	1926	15,771
1906	11,254	1912	13,771	1917	16,919	1922	13,127	1927	14,310
1907	11,511							1928	15,400

Year	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1929	1,365	1,388	1,606	1,617	1,702	1,529	1,480	1,500	1,263	1,333	1,110	932	16,813
1930	1,218	1,262	1,367	1,310	1,326	1,083	1,041	1,044	954	861	740	636	12,798
1931	879	835	993	957	837	717	652	626	532	520	474	383	8,399
1932	465	449	422	430	370	356	295	316	341	337	299	250	4,324
1933	313	302	279	366	498	663	772	735	634	633	473	656	6,354
1934	366	426	650	710	823	1,086	407	414	405	375	401	460	6,501
1935	587	643	733	650	659	636	603	687	676	756	752	730	8,086
1936	795	747	864	1,081	1,087	978	1,050	1,020	1,061	1,109	974	1,179	11,905
1937	1,268	1,253	1,563	1,485	1,443	1,405	1,315	1,226	1,161	876	649	540	14,098
1938	570	522	627	551	510	525	485	616	636	730	749	766	7,316
1939	871	747	845	772	796	808	745	886	1,087	1,346	1,406	1,444	11,707
1940	1,146	1,009	932	908	1,084	1,210	1,297	1,456	1,393	1,572	1,425	1,545	15,014
1941	1,682	1,548	1,720	1,688	1,745	1,669	1,667	1,754	1,664	1,851	1,624	1,846	20,417

Rolled and finished steel shipments for the years 1929 to 1941, inclusive, reflect year-end adjustments not contained in monthly figures. Steel ingots and castings production and shipments of finished steel products are for all operating subsidiaries.

U. S. STEEL CORPORATION & SUBSIDIARIES

ASSETS

	Dec. 31, 1941	*Dec. 31, 1940*
Current Assets		
Cash in banks & on hand	$ 282,062,548	$ 215,047,940
United States Treasury tax anticipation notes	69,079,943	—
Marketable securities, less reserves (*not in excess of market*)	67,971	35,918
Accounts & notes receivable, less reserves	140,599,758	110,565,272
Inventories, less reserves (*see p.* 20)	291,650,637	308,985,324
	783,460,857	634,634,454
Other Assets		
Inventory of sundry operating parts, supplies, etc.	28,420,073	26,487,352
Cash resources held in bond sinking funds & other trusteed accounts	3,173,718	7,915,355
Receivables not collectible within one year, less reserves	3,404,081	3,236,701
	34,997,872	37,639,408
Investments		
Mortgages & sundry investments & advances, less reserves	10,771,084	9,108,202
U. S. Steel Corporation common stock owned (2,766 *shares*)	111,158	111,158
Balances under employes' home-owning plans, less reserves	6,682,620	6,248,061
	17,564,862	15,467,421
Cash Deposits Held on Defense Contracts (*per contra*)	28,817,857	45,198,035
Cash Segregated for Capital Expenditures	60,000,000	—
Fixed Assets (*see p.* 20)		
Property, plant & equipment	2,410,675,417	2,345,915,781
Less—Reserves for depletion, depreciation, amortization & obsolescence	1,303,682,763	1,235,743,890
	1,106,992,654	1,110,171,891
Intangibles	1	1
Deferred Charges		
Prepaid royalties	8,851,020	8,531,398
Discount & expense on long-term debt (net)	1,689,045	1,794,851
Other deferred charges	2,646,920	1,148,282
	13,186,985	11,474,531
	$2,045,021,088	$1,854,585,741

PRINCIPLES APPLIED IN CONSOLIDATION AND NOTES

The consolidated balance sheet and the statements of accounts present the combined results for United States Steel Corporation and subsidiaries for the year ended December 31, 1941. In the balance sheet, inter-company accounts and inter-company profit in inventories of the subsidiary companies have been eliminated.

The statement of income and surplus presents the results from operations of United States Steel Corporation and subsidiaries for 1941 resolved to a consolidated organization basis. Estimated revenues of transportation common carriers received from other subsidiaries of United States Steel Corporation have been eliminated on the basis of the best information available. Gross sales, revenues of transportation common carriers, etc., for the year 1940 have been adjusted to a comparable basis.

Profits from inter-company transactions are eliminated from consolidated profits to the extent that the materials to which the same attach remain on hand in inventory at the close of the year. This elimination of inter-company profits is reflected in the cost of goods sold in the consolidated income statement.

The values at which the tangible property, plant and equipment are carried in the consolidated balance sheet have been determined from and based upon the findings of the United States Bureau of Corporations, and accepted by the Internal Revenue Department, as at the initial date of organization of the Corporation, plus actual cost of additions since, and less credits for the cost of properties sold, retired or abandoned.

The effect on the consolidated balance sheet and related income account of the exchange situation with respect to investment in foreign assets and the earnings from foreign transactions is not material.

CONSOLIDATED GENERAL BALANCE SHEET

LIABILITIES

	Dec. 31, 1941	*Dec. 31, 1940*
CURRENT LIABILITIES		
Current accounts payable including payrolls	$ 97,892,936	$ 72,594,617
Accrued taxes	161,029,920	62,011,066
Accrued interest & unpresented coupons	1,678,761	1,720,778
Preferred dividends (166-1941, 162-1940, declared Jan., payable Feb.)	6,304,919	6,304,919
Common dividends (119-1941, 115-1940, declared Jan., payable Mar.)	8,703,252	8,703,252
Bonds, mortgages & debentures maturing within one year	12,056,773	11,969,673
	287,666,561	163,304,305
LONG-TERM DEBT (*see p.* 21)		
U. S. Steel Corporation serial debentures	62,500,000	67,500,000
Subsidiary companies' issues	108,858,000	111,889,000
Bonds for payment of which cash is specially held by trustees	971,000	1,749,500
Real estate mortgages & purchase money obligations	8,909,442	10,557,768
	181,238,442	191,696,268
LIABILITY FOR DEFENSE CONTRACT DEPOSITS (*per contra*)	28,817,857	45,198,035
DEFERRED CREDITS	7,724,430	5,163,942
RESERVES		
Contingent, miscellaneous operating & other reserves (*see p.* 20)	72,499,337	39,247,061
Insurance reserves	48,395,104	47,740,079
MINORITY INTEREST IN COMPANIES NOT WHOLLY OWNED (*book value*)	5,140,116	5,250,383
CAPITAL STOCK & SURPLUS		
Preferred stock, 7% cumulative, par value $100 (*Authorized* 4,000,000 *shares; issued* 3,602,811 *shares*)	360,281,100	360,281,100
Common stock, without par value, stated capital $75 per share (*Authorized* 15,000,000 *shares; issued* 8,703,252 *shares*)	652,743,900	652,743,900
Capital surplus	38,462,801	38,462,801
Earned surplus	362,051,440	305,497,867
TOTAL CAPITAL STOCK & SURPLUS	1,413,539,241	1,356,985,668
	$2,045,021,088	$1,854,585,741

INDEPENDENT AUDITORS' REPORT TO STOCKHOLDERS

TO THE STOCKHOLDERS OF UNITED STATES STEEL CORPORATION: NEW YORK, MARCH 11, 1942.

As auditors elected at the annual meeting of stockholders of United States Steel Corporation held on May 5, 1941, we have examined the consolidated balance sheet of United States Steel Corporation and subsidiaries as at December 31, 1941, and the consolidated statement of income and surplus for the year 1941. We have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In ascertaining net income for the year 1941 with respect to inventories of certain materials, work in process and finished goods of certain subsidiaries, the last-in, first-out inventory method was applied instead of the average cost method used heretofore. As a result of this change in method, which we approve, inventories at December 31, 1941, and income before Federal taxes for the year 1941 are approximately $15,000,000 less than they would have been under the method heretofore followed. Otherwise, the principles of accounting maintained by the companies during the current year were, in our opinion, consistent with those of the preceding year.

In our opinion, the accompanying consolidated balance sheet and related statement of income and surplus present fairly the position of United States Steel Corporation and subsidiaries at December 31, 1941, and the results of their operations for the year in conformity with generally accepted accounting principles.

PRICE, WATERHOUSE & CO.

U. S. STEEL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME & EARNED SURPLUS

For the Years Ended December 31, 1941 & 1940

	Year 1941	*Year 1940*
Gross Sales, Revenues of Transportation Common Carriers & Miscellaneous Operations, *less discounts, returns & allowances*	$1,620,515,110	$1,076,471,158
Cost of Goods Sold & Operating Expenses of Transportation Common Carriers & Miscellaneous Operations	1,112,143,410	736,523,709
Balance	508,371,700	339,947,449
Other Operating Expenses		
General administrative & selling expenses	58,499,935	54,547,051
Payments for current & future pensions	15,184,433	15,626,917
Provision for bad debts	3,105,107	1,798,235
Special provision for contingencies	25,000,000	—
Social security taxes	22,856,726	17,288,507
State, local & miscellaneous taxes	49,945,848	41,832,038
Depletion, depreciation, obsolescence & amortization allowances	83,472,483	69,085,116
Amortization of emergency facilities	9,948,140	—
Expenses of dismantling & rearranging facilities	2,394,466	2,013,380
	270,407,138	202,191,244
Operating Income	237,964,562	137,756,205
Other Income & *Deductions*		
Interest & dividend income, less miscellaneous interest paid	1,162,780	2,067,937
Discount on purchases	2,257,936	1,551,523
Rents & royalties	757,813	1,683,508
Patent settlement expense in excess of reserves provided	*120,300*	*2,011,120*
Profit and loss on sale of securities & valuation adjustments	508,203	866,688
Loss or gain on sale of capital assets	*1,885,708*	1,799
Minority portion of profits of companies not wholly owned	*35,580*	*42,499*
Miscellaneous income	294,767	275,391
Total Other Income	2,939,911	4,393,227
Income before Interest & Federal Income Taxes	240,904,473	142,149,432
Interest on Bonds and Mortgages (*including in 1940* $6,413,186 *of premium & balance of unamortized discount on refinancings*)	6,033,398	13,638,150
Income before Federal Income Taxes	234,871,075	128,511,282
Provision for Estimated Federal Income & Excess Profits Taxes		
Normal income taxes	73,147,800	26,300,000
Excess profits taxes & additional income taxes	45,552,200	—
	118,700,000	26,300,000
NET INCOME	116,171,075	102,211,282
Dividends—U. S. Steel Corporation Preferred Stock ($7.00 *per share*)	25,219,677	25,219,677
U. S. Steel Corporation Common Stock ($4.00 *per share*)	34,813,008	34,813,008
SURPLUS FOR THE YEAR	56,138,390	42,178,597
Earned Surplus at Close of Previous Year	305,497,867	263,319,270
Restoration of 1940 inventory write-downs preparatory to adoption of last-in, first-out inventory method in 1941	415,183	—
EARNED SURPLUS AT DECEMBER 31 (*per balance sheet*)	$362,051,440	$305,497,867

U. S. STEEL CORPORATION & SUBSIDIARIES

SUMMARY OF FINANCIAL OPERATIONS

For the Year Ended December 31, 1941

Additions to Working Capital		
Net income		$116,171,075
Restoration of 1940 inventory write-downs preparatory to adoption of last-in, first-out inventory method in 1941		415,183
Appropriations from income for depletion, depreciation, amortization, obsolescence & blast furnace relining (*less expenditures charged of* $38,577 *& credits of* $27,641)	$ 96,693,543	
Losses on property retirements & sales	7,329,180	104,022,723
Additions to insurance, contingent & miscellaneous operating reserves		33,907,301
Additions from Operations		254,516,282
Proceeds from sales of capital obligations		3,014,859
Increase in deferred credits		2,557,031
Cash deposits released from trusteed accounts		4,741,637
Total Additions		264,829,809
Deductions from Working Capital		
Dividends declared on preferred and common stocks	$ 60,032,685	
Expended for plant, property and equipment	100,853,839	
Cash segregated for capital expenditures	60,000,000	
Long-term debt retired (*includes increase of* $87,100 *in long-term debt maturing within one year*)	13,472,685	
Increase in investments and other non-current assets	4,197,542	
Miscellaneous charges and receipts	1,808,911	
Total Deductions		240,365,662
INCREASE IN WORKING CAPITAL		$ 24,464,147

This Increase in Working Capital is Accounted for as Follows:

Increase in Current Assets			
In cash		$ 67,014,608	
In United States Treasury tax anticipation notes		69,079,943	
In marketable securities, accounts and notes receivable		30,066,539	
		166,161,090	
Less–Decrease in inventories		17,334,687	
		148,826,403	
Increase in Current Liabilities (*Deduct*)			
In accounts payable and other liabilities	$25,343,402		
In accrued taxes	99,018,854	124,362,256	
INCREASE IN WORKING CAPITAL			$ 24,464,147

DETAILS OF BALANCE SHEET ITEMS

INVENTORIES

	Dec. 31, 1941	*Dec. 31, 1940*
Ores—Iron, Manganese & Zinc	$ 55,766,592	$ 63,510,158
Limestone, Fluxes & Refractories	4,694,176	4,095,668
Coal, Coke and Other Fuel	9,029,031	12,204,972
Pig Iron, Scrap, Ferro-Manganese & Spiegel	16,409,781	20,586,153
Non-Ferrous Metals & Misc. Manufacturing Materials	20,974,021	21,780,358
Semi-finished Products—Ingots, Billets, etc.	29,444,434	32,707,272
Finished Products	83,272,157	97,865,523
Transportation Companies' Supplies & Stores	6,558,403	4,934,954
Merchandise of Supply Companies	3,171,158	2,078,692
Cost (*Less Billings*) of Contracts in Progress	8,858,739	12,754,513
Material in Transit	8,460,914	7,408,883
Sundry Items	45,011,231	29,058,178
Total	$291,650,637	$308,985,324

Inventories at December 31, 1940, were carried at cost, or at market value, whichever was lower. At December 31, 1941, certain inventories are carried at cost, or at market value, whichever is lower; and certain others are carried at cost as determined under the provisions of the last-in, first-out (LIFO) inventory method, which was adopted, and made applicable to such inventories, by certain subsidiaries as of January 1, 1941. This means that costs of sales, calculated under the LIFO method, are on the basis of current costs of inventories, instead of the average cost method used heretofore. Inventory values exclude inter-company profits.

FIXED ASSETS

	Gr. Investment Dec. 31, 1940	*Additions In Year*	*Retirements & Sales in Year*	*Reclassifications & Adjustments*	*Gr. Investment Dec. 31, 1941*
Real Estate	$ 93,400,258	$ 494,919	$ 5,227,809	$ 79,573	$ 90,746,941
Plant, Mineral & Manufacturing°	1,849,228,082	84,251,090	46,074,150	13,100,895	1,900,505,917
Transport'n—R.R., Lake & Ocean S.S.	382,534,742	26,212,403	4,528,245	*142,305*	404,076,595
	2,327,163,082	110,958,412	55,830,204†	13,038,163	2,395,329,453
Investment in Mine Stripping, etc.	18,752,699	3,218,034	6,646,251	21,482	15,345,964
Total	$2,345,915,781	$114,176,446	$62,476,455	$13,059,645	$2,410,675,417

Values are based upon determinations by the U. S. Bureau of Corporations as at the date of organization of the Corporation, adjusted for additions and disposals since that date. ° Includes transportation equipment auxiliary to and a part of manufacturing properties. † Comprises $6,676,356 credited to investment account for sales and salvage and $49,153,848 written off for value of natural resources exhausted and for investment in facilities retired or sold of which $7,329,180 was charged to current income or operations.

RESERVES

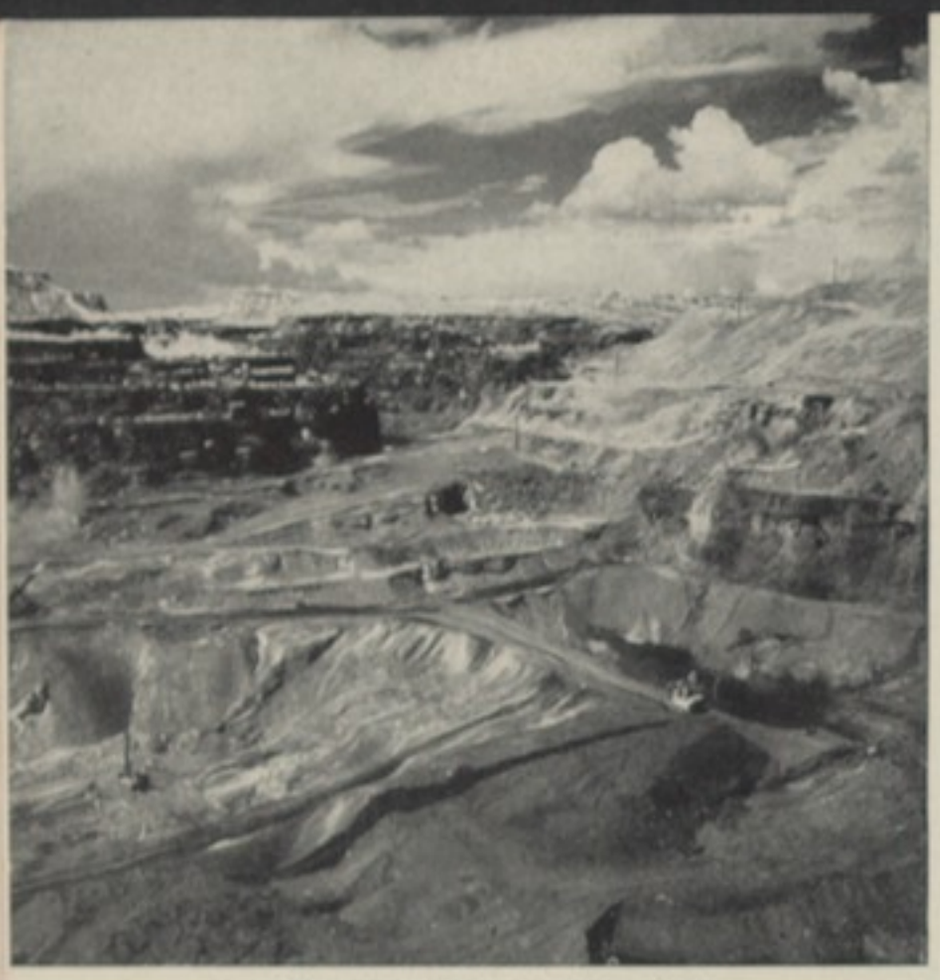
	Balances Dec. 31, 1940	*Income Set Aside 1941*	*1941 Expends. & Charges*	*1941 Transfs. & Adjusts.*	*Balances Dec. 31, 1941*
Depletion	$ 9,949,074	$ 3,890,108	$ 3,890,108	—	$ 9,949,074
Depreciation & Amortization	1,203,922,115	89,530,515	36,180,448	$15,155,960	1,272,428,142
Blast Furnace Relining	21,872,701	3,283,856	1,792,689	*2,058,321*	21,305,547
Total Property Reserves	$1,235,743,890	$96,704,479	$41,863,245§	$13,097,639	$1,303,682,763
General Contingent	33,607,918	29,937,558	1,858,065	3,717,508	65,404,919
Accident & Hospital	5,188,081	6,279,170	4,944,857	*31,594*	6,490,800
For Other Operating Expenses	451,062	1,161,190	988,239	*20,395*	603,618
Total	$ 39,247,061	$37,377,918	$ 7,791,161	$ 3,665,519	$ 72,499,337

§ Comprises expenditures of $38,577, and depletion and depreciation of $41,824,668 written off to credit of property investment account for value of natural resources exhausted and for investment in facilities retired or sold.

LONG-TERM DEBT BY COMPANY & ISSUE

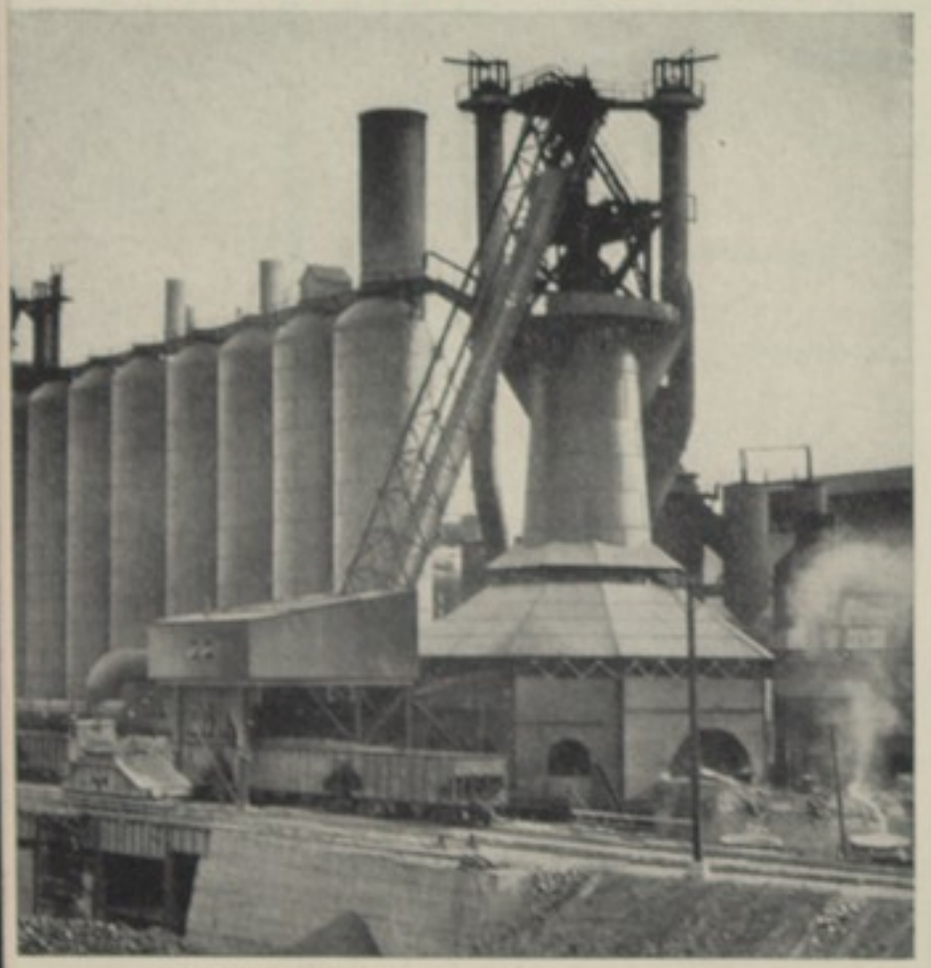
Titles of Issues of U. S. Steel & Subsidiaries	*Int. Rate*	*Maturity Period*	*Redemption in 1942*		*Outstanding Dec. 31, 1941*	*Retired Since Dec. 31, 1940*
U. S. Steel Corporation Serial Debentures	Var.	1955	May 1 Nov. 1	$2,500,000 2,500,000	$ 67,500,000	$ 5,000,000
Issues of Subsidiaries						
Bessemer & Lake Erie Railroad Company:						
Equipment Trust Certificates—1936	2½	1951	Nov. 1	470,000	4,630,000	470,000
Equipment Trust—1937	2¼	1947	Mar. 1	670,000	4,020,000	670,000
Equipment Trust—1939	2½	1949	Dec. 1	570,000	4,560,000	570,000
Equipment Trust—1940	1	1950	Dec. 16	400,000	3,600,000	400,000
Birmingham Southern Railway Company:						
Equipment Trust—1936	3½	1946	Dec. 1	90,000	450,000	90,000
Duluth, Missabe & Iron Range Railway Company:						
First Mortgage	3½	1962	Apr. 1 Oct. 1	600,000 600,000	25,200,000	1,200,000
Equipment Trust—1940	1½	1950	Oct. 1	150,000	1,350,000	150,000
D. M. & N. Ry. Equipment Trust	2½	1952	Mar. 1	252,000	2,772,000	252,000
Elgin, Joliet & Eastern Railway Company:						
First Mortgage Series A	3¼	1970	Mar. 1 Sep. 1	99,000 100,000	18,710,000	196,000
Joliet Equipment Trust Reg. (guar. by U. S. Steel)	—	1941	—	—	—	125,000
Equipment Trust—1937	2½	1952	Mar. 1	150,000	1,650,000	150,000
Equipment Trust—1939	2½	1949	Dec. 1	425,000	3,400,000	425,000
Equipment Trust—1941 **(new issue)**	1	1951	Jan. 15	290,000	2,900,000	**2,900,000‡**
Pittsburg, Bessemer & Lake Erie R. R. Company:						
Consolidated First Mortgage	5	1947	—	Issued in Exchange	9,650,000	**52,000**
Pittsburgh, Shenango & Lake Erie R. R. Company:						
Consolidated First Mortgage	5	1943	—		282,000	52,000
Union Railroad Company:						
First Mortgage	5	1946	—	None	2,000,000	—
Debentures (guar. by U. S. Steel)	6	1946	—	None	5,900,000	—
Union Equipment Trust Certificates—1936	2½	1951	Nov. 1	180,000	1,800,000	180,000
Union Railroad Equipment Trust—1937	2½	1951	Mar. 1	170,000	1,700,000	170,000
Monongahela Southern R. R. Co.:						
First Mortgage (guar. by U. S. Steel)	5	1955	—	None	3,000,000	—
General Mortgage (guar. by U. S. Steel)	6	1955	—	None	2,500,000	—
St. Clair Terminal Railroad Company:						
General Mortgage (guar. by U. S. Steel)	5	1950	—	None	1,129,000	—
H. C. Frick Coke Co. (guar. by U. S. Steel)						
Pittsburgh-Monongahela Purchase Money Bonds	5	1944	Jul. 1	589,000	1,770,000	589,000
Tennessee Coal, Iron & Railroad Company:						
General Mtge. ($5,225,000 non-assignable guar. by U. S. Steel)	5	1951	Jul. 1	119,360*	11,276,000	—
American Steel & Wire Company of Alabama:						
First Mortgage (guar. by U. S. Steel)	5	1946	Nov. 1	123,000	630,000†	117,000
Bonds for Which Cash is Deposited With Trustees:						
U. S. Steel Corporation 50-Year, Non-callable	5	1951	—	—	266,000	—
U. S. Steel Corporation 10-Year Debentures	—	—	Called	—	12,000	347,500
Duluth, Missabe & I. R. Ry. Co., First Mortgage	3½	1962	—	—	614,000	**1,000‡**
Other unpresented called or matured bonds	—	—	—	—	79,000	432,000
Real Estate Mtgs. & Purchase Money Obligations ($8,941,465 guar. by U. S. Steel)	—	—	—	1,015,773	9,925,215	1,738,226
Total Funded Debt					193,295,215	10,370,726
Less debt maturing within one year					12,056,773	**87,100‡**
Balance of Long-Term Debt					$181,238,442	$10,457,826

* Cash requirement, if market @ 105 or less. † Excludes $1,570,000 held alive in Sinking Fund. ‡ Increase.



EXTRACTING IRON ORE

ORE AND LIMESTONE STORAGE YARD



BLAST FURNACE AND STOVES

ABOUT U. S. STEEL'S

On the following pages will be found descriptive data on the principal plants and properties, some facts regarding improved facilities and enlarged capacity, a statement on research as related to future product-planning, as well as details about products for war and civilian needs. There also follows a general factual summary of interest to employes, including various measures affecting them as a result of the war.

U. S. STEEL PROPERTIES

ORE PROPERTIES

Lake Superior Region: Subsidiaries own or operate iron ore mines in the following states: *Minnesota*—Missabe and Vermillion Ranges; *Michigan*—Gogebic, Marquette and Menominee Ranges; *Wisconsin*—Baraboo and Iron Ridge Districts. Southern Region: A subsidiary owns and operates mines and a central ore-conditioning plant near Birmingham, *Alabama*, in the Red Mountain Range. Other Regions: A mine is operated at Iron Mountain, *Utah*, to supply the blast furnace at Provo. In addition, subsidiaries own or lease undeveloped mineral and timber lands containing iron ore and substantial tracts of standing timber. There is also owned a manganese ore property in the State of *Minas Geraes, Brazil, South America*. Zinc ore properties are owned in Jefferson County, *Tennessee*, and in St. Lawrence County, *New York*.

COAL AND COKE PROPERTIES

Subsidiaries own or operate under lease coal mines in the Appalachian, Illinois and Indiana fields in the North, Alabama and Tennessee in the South, and Utah in the West.

In the Connellsville district of the Appalachian field there are a number of beehive ovens normally inactive but now in operation; a number of others, previously abandoned, are in process of reconstruction to meet war demands.

By-product coke plants are located in eight production centers. Seven of these plants are equipped for recovery and rectification of benzol products and two for distillation of tar.

OTHER MINING PROPERTIES

Other subsidiaries own or have under lease extensive deposits of limestone, dolomite, cement rock, gypsum, shale and clay. Developed properties comprising quarries, mines and pits located in a number of States supply the requirements of blast furnaces, steel works and cement plants. A fluorspar

OPERATING AFFAIRS

property is owned, as are also fire-brick manufacturing plants supplying fire-brick and other refractories to subsidiaries.

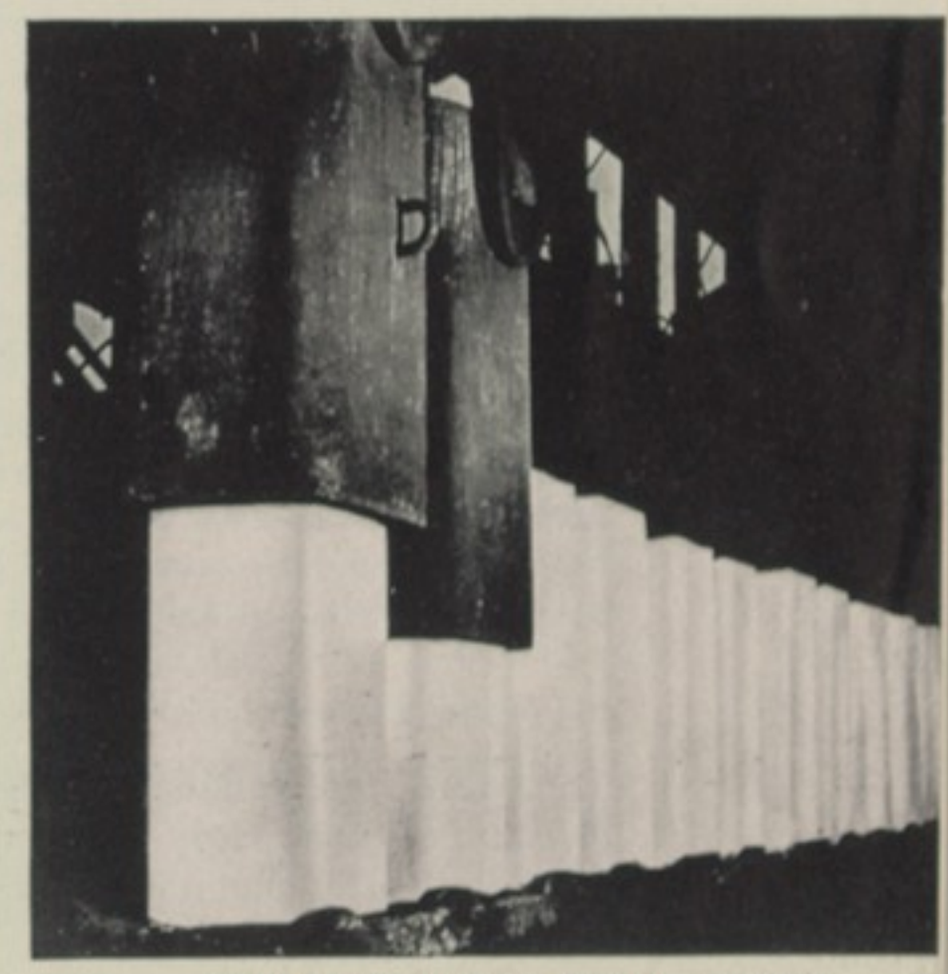
MANUFACTURING PLANTS

The number and the diversity of the major plants are reflected in the following table. Additional facilities are owned for the production of castings, forgings, armor plate, protective deck plate, shells, shell forgings, bomb casings, axles, car wheels, track accessories, spikes, bolts and nuts, frogs and switches, industrial cars, grinding balls, cold finished bars, cylinders and pipe specialties, wheel discs, barrel hoops and fabricated flooring. The *American* and *Virginia Bridge companies* own, besides facilities listed below, equipment to produce barges, power transmission towers, railroad cars and parts. The wire mills have facilities for manufacturing springs, rope, insulated wire and cable, rail and signal bonds, electric welded fabric, steel and wire fence, and wire specialties. There are also slab zinc, sulphuric acid and iron sulphate departments. The principal facilities operated by *Carnegie-Illinois Steel, Tennessee Coal Iron and Railroad, American Steel and Wire, National Tube, Columbia Steel, American and Virginia Bridge companies* include:

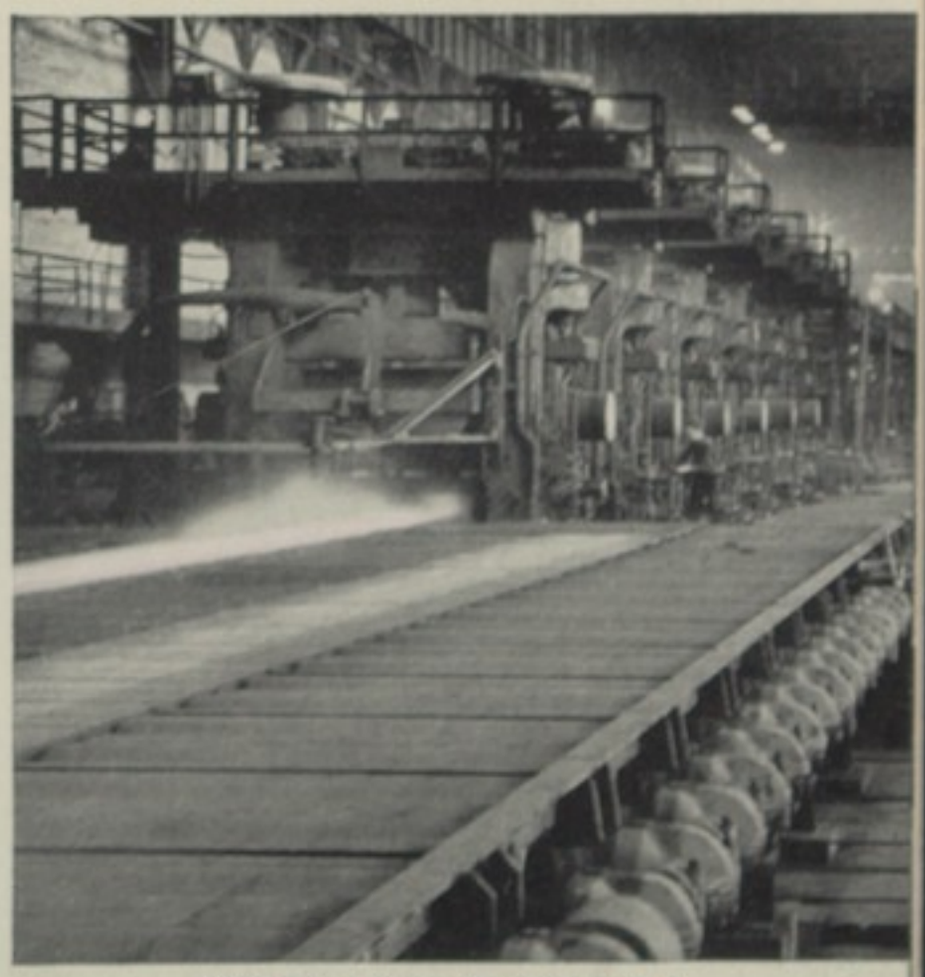
Blast Furnaces	86
Steel Works (*Converters and steel furnaces*)	369
Hot Rolling Mills (*Rail, billet, plate, shape, bar, etc.*)	290
Cold Reduction Mills (*Sheet and black plate*)	13
Wire Mills (*Wire drawing, nail, fence, etc.*)	48
Pipe and Tube Mills (*Weld furnaces and seamless mills*)	29
Tinning Departments (*Tin and terne plate*)	6
Galvanizing Departments (*Sheets*)	5
Bridge and Structural Plants	9

Other properties include: *Federal Shipbuilding and Dry Dock Company*—with complete shipyard facilities, comprising a number of shipways, fitting-out basins, dry dock, fabricating and machine shops for building destroyers, light cruisers, and other types of vessels; *Universal Atlas Cement Company*—with complete facilities for the manufacture and distribution of cement; *Scully Steel Products Company*—with commercial warehouses; *Oil Well Supply Company*—manufactures oil-well

POURING MOLTEN IRON INTO OPEN HEARTH



STRIPPING MOLDS FROM INGOTS



CONTINUOUS PLATE MILL

machinery and equipment and operates distributing stores and warehouses in the principal oil fields; *Boyle Manufacturing Company*—produces drums, various types of containers and garden tools; *The Gerrard Company*—manufactures and distributes wire-tying equipment used in a number of industrial and commercial operations.

SERVICE AND SUPPLY PROPERTIES

Subsidiaries own, operate or control electric power and water plants and natural gas and oil areas producing much of the power, water, natural gas, and some crude oil and gasoline, used in operations. Subsidiaries also operate supply stores and many retail merchandising units.

RAILROAD, MARINE, TRANSPORTATION, DOCK AND AUXILIARY FACILITIES

LAKE PORT DOCKS OWNED BY

American Steel and Wire Company
Carnegie-Illinois Steel Corporation
Duluth, Missabe and Iron Range Railway
Michigan Limestone & Chemical Company
National Tube Company
Pennsylvania and Lake Erie Dock Company
Pittsburgh & Conneaut Dock Company
Universal Atlas Cement Company

MARINE EQUIPMENT OWNED

	Lakes	*Rivers*	*Gulf*	*Ocean*	*Total*
Steamers	74	15	..	26	115
Motor Vessels	2	1	2	..	5
Barges	3	484	..	..	487
Tug Boats	4	8	..	..	12
Service Craft	4	20	..	..	24
Total	87	528	2	26	643

Pittsburgh S.S. and Bradley Transportation operate on Great Lakes; Ohio Barge Line, Warrior & Gulf Navigation on Rivers and Gulf; Isthmian S.S. on Gulf and Oceans.

RAILROAD MILEAGE & EQUIPMENT	*1st Line Track*	*2nd Line Track*	*3rd Line Track*	*Track Rights*	*Indus. Track*	*Yard & Sidings*	*Total Track*	*Locomotives**	*Freight Cars, etc.**
Duluth, Missabe and Iron Range Railway	524	199	6	26	65	378	1,198	129	13,986
Elgin, Joliet and Eastern Railway	203	75	..	367	442	290	1,377	265	12,411
Bessemer & Lake Erie R.R. & Leased Lines	202	140	10	17	23	173	565	112	12,816
Union Railroad and Leased Lines	44	30	2	..	..	206	282	134	5,855
All Other Owned Railroads	101	5	..	17	18	126	267	106	2,350
Total	1,074	449	18	427	548	1,173	3,689	746	47,418

* In addition, iron mining, manufacturing and raw material companies together own 305 locomotives and 6,859 freight and other cars.

The ocean transportation facilities bring strategic materials from distant ports to meet war and civilian needs and carry supplies to our allies and other friendly powers. The railroads, too, have an exceptionally important function in connection with the transportation of essential raw materials.

SHIP & TANK

The ingot in the heating furnace (*left*). After stripping, the large ingot is transported to a heating furnace where it is prepared for forging by slow, controlled heating to required temperature.

The rough forging operation (*right*). The next step is the rough forging of the ingot. By comparison with the worker in the foreground, a good idea may be had of the size of the ingot.

IMPROVED FACILITIES

In the interest of national security, detailed identification of the various additions, improvements and rearrangements of facilities, completed, in progress and pending, is omitted.

U. S. Steel's expenditures for additional property and plant improvements during the year were as follows:

Manufacturing Properties	$ 71,037,513
By-product Coke Plants	3,066,451
Coal Properties	3,717,263
Iron Ore Properties	3,601,981
Limestone and Flux Properties	1,236,614
Rail Transportation	19,667,590
Water Transportation	8,576,507
Miscellaneous Properties	54,493
Total Gross Expenditures	$110,958,412
Less—Net Credits for:	
Proceeds from Sales and Salvage	6,676,356
Mine Stripping and Development	3,428,217
Net Expenditures	$100,853,839

The major property improvements completed in 1941 and under way at the close of the year, including plants to be constructed for the account of the Government, were as follows:

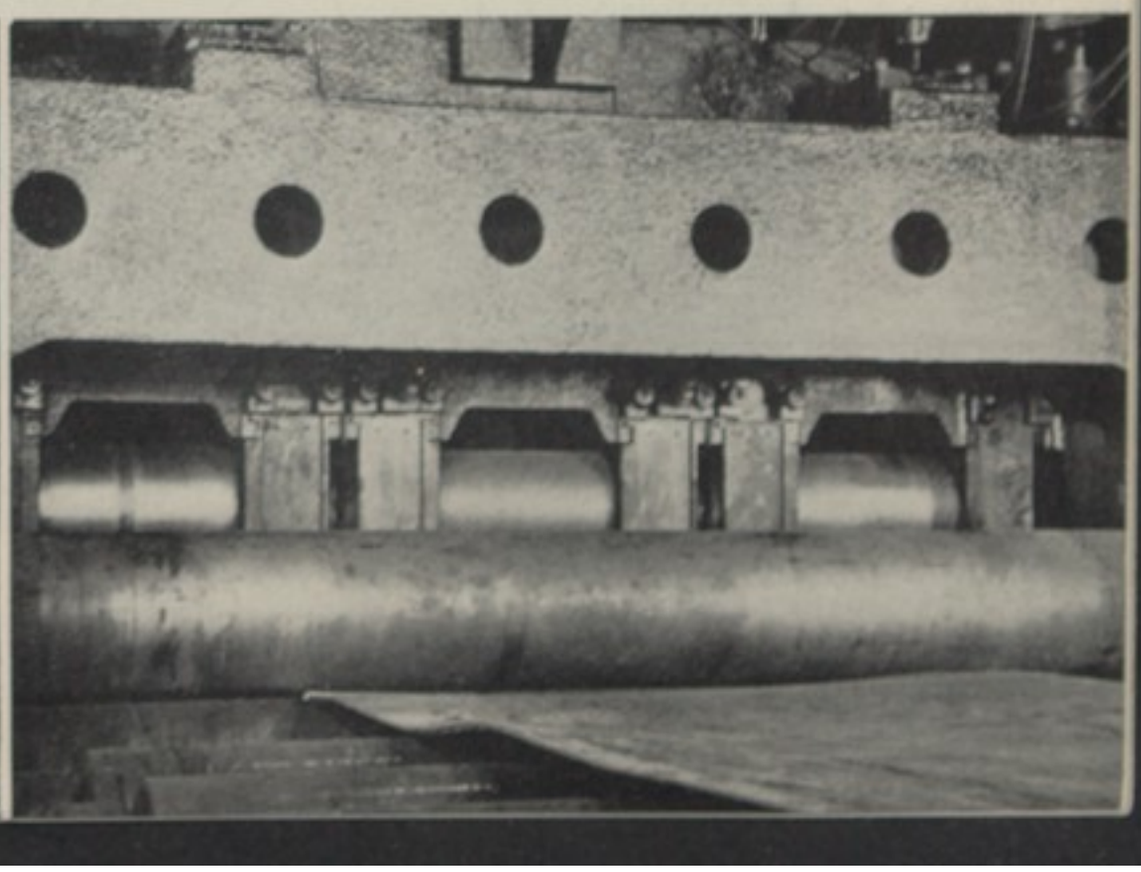
Enlargement, rebuilding and construction of coke ovens, blast furnaces, Bessemer converters, open hearth furnaces, soaking pits and cranes; construction of electric furnace plant, slabbing mill, plate mills and forge shop; installation of cold reduction mill and of additional equipment at plate and structural mills; installation of forge presses for armor plate, heat-treating equipment and facilities for producing heavy armor and deck plate, bombs, shells and shell forgings, and welded steel barges; installation of facilities for producing electrolytically-coated and other tin plate, cold rolled strip, stainless steel wire, sheet mill equipment, cold rolling mill for stainless steel strip; modernization of electric distributing system; installation of additional ore-unloading and ingot mold preparation facilities, and of screen and hardware cloth equipment; concentration of wire product manufacturing facilities; construction of commercial warehouses, power plant, cement mill, barges and cargo vessels; enlargement of shipyard facilities; reopening of, and installation of equipment at, ore and coal mines; rehabilitation of coke ovens; and purchases of a blast furnace, a hot rolled tin plate mill, and railroad equipment such as freight cars and locomotives.

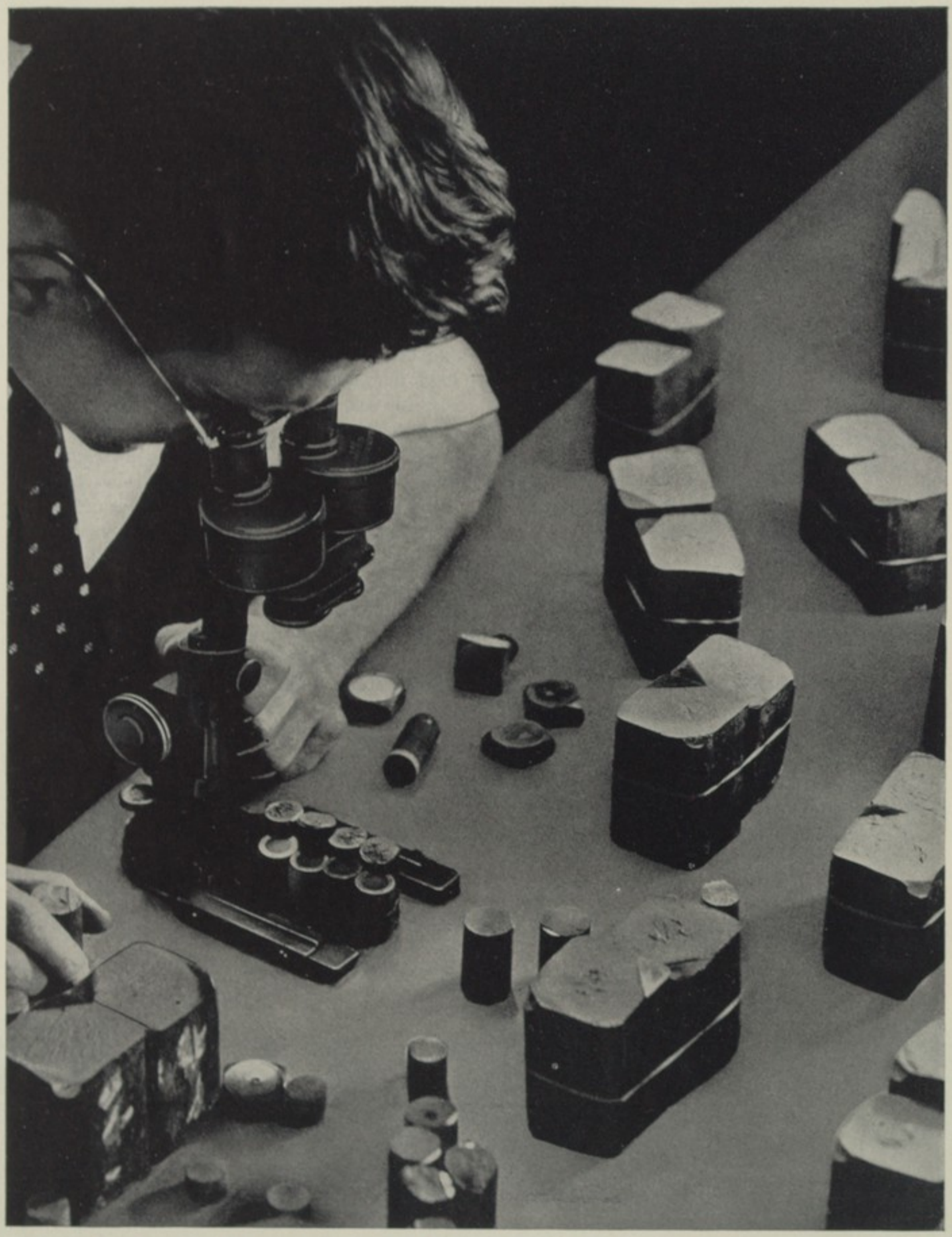
Plans for additional extensions of facilities for defense requirements comprising blast furnaces, open hearth and electric furnaces, additions to rolling mills, and expansion of light armor and airplane tubing equipment are being reviewed.

ARMOR PLATE

Surfacing and reforging (left). After rough forging to required size, the heavy armor plate is conditioned to improve the surface. It is then reheated in the furnace and reforged to exact size.

Precision levelling (right). Armor plate for tanks, mobile equipment and ships must be made with precision. Here light armor plate enters the leveller to come out flat on the far side.





Chemical and microscopic research aid the steel industry to produce quality products. With a binocular microscope, a laboratory worker examines the grain structure of steel to determine effects of heat treatment.

U. S. STEEL RESEARCH

Research activities of U. S. Steel have properly undergone changes within the past year. The tempo of the laboratories has been quickened. From the normal endeavor to learn as much as possible of the whole science of metals, as applied to steel-making and treating, there has been a trend toward *developing, rapidly, adequate information about the many items of steel technology which are especially involved in waging war against the enemy.* The accent has been placed more sharply upon applied science.

Fortunately, the continued pursuit of basic principles throughout U. S. Steel's research efforts of past years is bearing fruit in the present situation. Day by day, those well substantiated principles of steel technology are serving as useful guides toward effective means of armament production. Without such exact technical experience, valuable time would be consumed in belated experiment and trial. For example, the most discriminative and effective use of the now precious alloying elements is possible because of the long established study of the fundamental characteristics of various alloy steel systems. Substitutions, when and as necessary, can be made with greater assurance of success. Suitable heat treatments for steel intended for special purposes are now quickly developed on the basis of scientific investigations already completed.

With the war now expanded to a world-wide basis and with increased emphasis on such products as bullet steel, aircraft material, armor plate, bombs and shell steel, and the like, the transition is the more readily made, on existent foundations, from the excellent steels heretofore developed for peacetime applications. Innovations which have conferred extra properties on products for civilian uses will be more than ever fruitful in the utilization of steel for the tools of war. Each added increment of strength or toughness or wear resistance will contribute something of significance to a fighting superiority.

A large portion of the aggregate time of U. S. Steel's technically trained personnel has been devoted to constructive cooperative work which has for its objective the most, of the best, in the shortest time. Many of the technologists have been and are working with governmental agencies and the Services, also in collaboration with other producers—all in the interest of supplying the needs generated by the war. Specifications have been sifted and revised to make them as effective as possible. Various important committee assignments, dealing with critical problems in the production, treatment, and utilization of steel, have been undertaken by U. S. Steel's scientists and technologists. The facilities of the laboratories are recurrently at the service of government arsenals and have been used extensively for the development of definitive and guiding data.

The nominally secondary services of steel to war are only barely secondary in importance. Advances continue in the selection, manufacture and treatment of steel for land and sea transportation, for the working of other metals, for machine tools, for the handling of plastics, petroleum, food and chemicals, at high and low temperatures.

What of the future? Although long range problems have given way to many projects of an urgent nature, the thread of continuity has not necessarily been broken. It is a gratifying condition of war-time research that the gains which are made in the technology of steel can be carried forward in large part to peacetime practices. The economical use of the alloying elements, the intensification of certain sets of desirable properties, the efficient modifications of processes, and the new methods of control developed under the pressure of the emergency will stand the industry in good stead during the post-war period. Thus the possible needs of that era, and the part that steel will play in the peaceful pursuits of business, are not being neglected while the primary efforts of all current research activities and functions are being devoted to the winning of the war.

U. S. STEEL PRODUCTS

National security in time of war precludes the detailed indication of specialized activities and the identification of all products manufactured for war and defense purposes. Subsidiaries are producing all kinds of rolled and finished steel and related products deemed essential to the successful prosecution of the war efforts of the United Nations. Among the direct war products not enumerated below are armor and protective deck plate, bomb casings, shells, shell forgings, gun firing mechanisms, military pipe lines, naval propulsion equipment, submarine cable, torpedo impulse flasks, fabricated landing mats, wire netting for camouflage, steel for cartridge clips and bullet-core steel. In addition, the following are produced to insure a steady flow of material to manufacturers throughout the country who are turning out products for the Army, the Navy, the Maritime Commission and other government agencies, and for export to our allies and to other friendly powers:

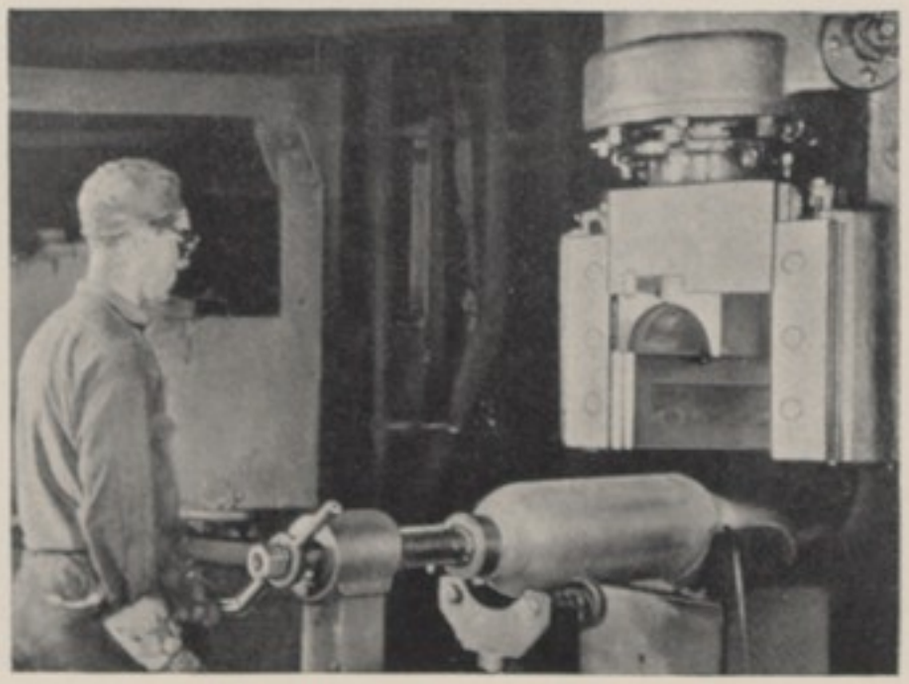
Ships such as armored cruisers and destroyers for the U. S. Navy; cargo ships, passenger vessels and tankers for the U. S. Maritime Commission and others; freight lighters, steel barges and hulls for canal, river and harbor service; wharf boats, sea-going ferries and floating dry-docks.

Rolled and forged steels in the form of bars, angles, channels, beams, piling and flooring—for fabrication and construction of buildings, bridges, docks and dams; rails, switches, crossings, track accessories, wheels and axles, and locomotive frames for the railroad industry; cars, steel timbers and accessories for mining; plate liners and grinding balls for crushing and pulverizing equipment; forgings for war ordnance; special steels in many grades for machining, forging, forming, heat-treating, and for machine tools; abrasion-resisting steel for chutes and bins; and corrosion-resisting steel for purposes where this characteristic is of importance.

Flat rolled steel such as plates for boilers, pressure vessels and storage tanks, structural girders and columns, machinery, cars and ships; cold rolled, hot rolled and annealed sheets and strip for pressed and stamped metal products, fabricating and automotive industries; copper steel sheets, electrical sheets and strip, galvanized sheets for metal work of all kinds, formed sheets and steel shingles for roofing and siding; terne plate and terne sheets for roofing, gutters, gasoline and vacuum tanks; black plate; tin plate for various types of containers and tinware.

Seamless and welded tubular products such as black and galvanized pipe, and scale-free pipe for industrial uses; tubing, casing and pipe for oil fields; dipped, wrapped and coated pipe; cement-lined pipe for handling acids and other liquids; boiler, superheater, condenser and heat-exchanger tubing, welded and seamless, for power plant, oil field, railroad and marine boilers; tubular steel poles, masts and booms for flag and lighting poles, and marine applications; alloy steel tubing for automotive and airplane parts, fuselage and engine supports, pressure vessels for special uses, machined parts and oil stills.

Finished oil-well equipment such as boilers and superheaters, drilling engines and machinery, feed controls, hoists, traveling and crown blocks,

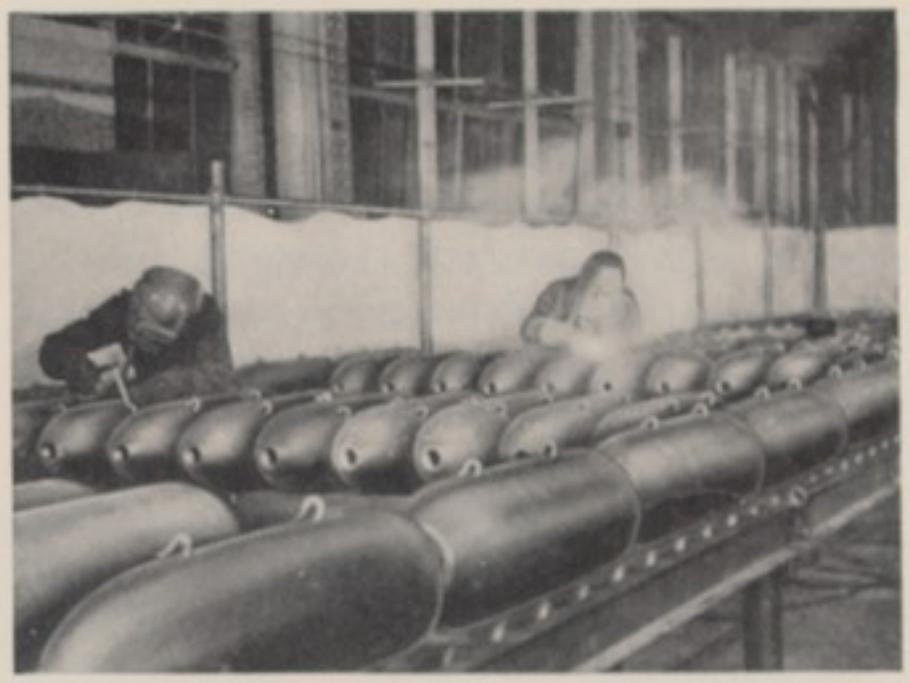


SHAPING A BOMB CASING

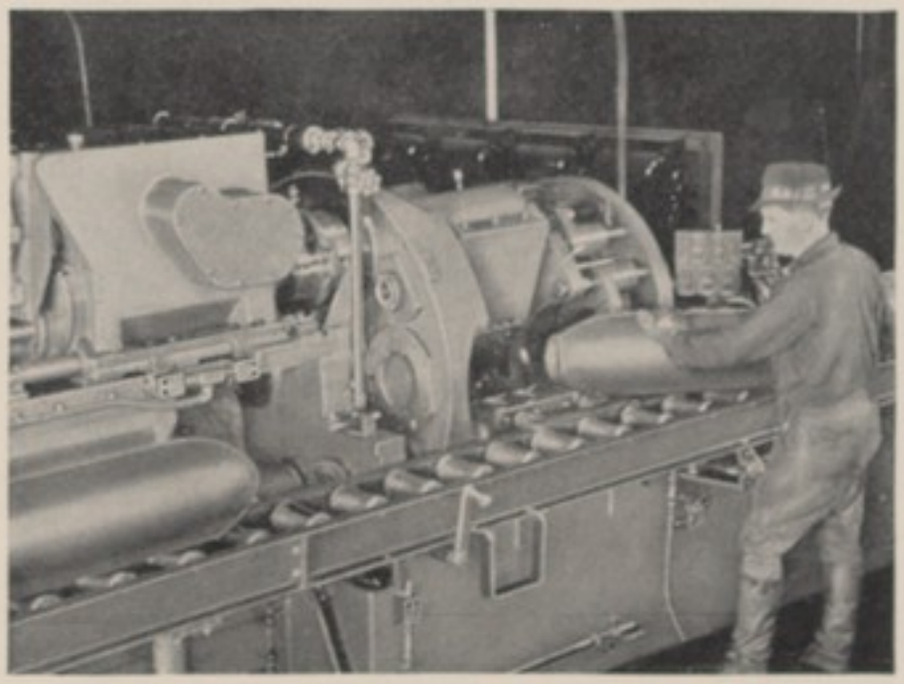
sucker and pull rods, pumping units, and other articles used in oil and gas fields.

The wire product manufacturing facilities make wire of all types, gauges and shapes for nails and spikes, staples and tacks, springs, wire rope and cable, airplane strand and cords, welding wire and rods, hoops and bale ties, and electric wires; woven wire and chain link fencing, barbed wire and wire netting, steel fence posts and gates of various types, screen and hardware cloth; wire fabric for reinforcing concrete work; highway guard and woven wire conveyor belting; cable, wire strand and rope for armament, industrial, mine and oil field equipment, and for suspension bridges and aerial tramways; electrical wire and cable for motors, communication and power lines; rail, signal and power bonds for railroads and utilities.

High tensile steel products are supplied in the form of structural shapes, plates, sheets and tubes for railroad, automotive, mine, industrial and construction equipment, and for use in construction of bridges, buildings and towers where the qualities of corrosion and wear resistance, durability, greater strength and weight reduction are essential or desirable; heat-resisting steel for high temperature furnaces and stills in oil and chemical industries; stainless steel products in the form of cold rolled sheets and strip, hot rolled sheets and plates, shapes, bars and special sections, tubes and pipe—for light weight mobile equipment, for aircraft, canning, chemical and processing industries, and for other uses where the desirable qualities of stainless steel are essential; special open hearth and electric alloy steel products, other than stainless, in many forms for aircraft, automotive, machine tool, electrical, railroad and construction industries.



WELDING SUSPENSION LUGS ON CASINGS



MACHINING A CASING NOSE AND TAIL

Other commodities produced for sale comprise semi-finished products such as ingots, blooms, billets, slabs, sheet and tin plate bars, wire rods and skelp; pig iron for conversion into steel and for use in foundries; slag for soil conditioning and for cement and concrete work; coke plant by-products such as tar, tar distillation products, ammonium sulphate, benzol, phenol, and toluol for explosives, and raw materials such as iron ore and limestone.

Fabricated and erected steel buildings and hangars for aircraft and ordnance industries, bridges and other war structures; prefabricated building units for construction of army and navy cantonments; railroad turntables, car dumpers, water tanks and towers; floodlight, observation and radio towers; electric power transmission towers and sub-stations; emergency dams or gates for flood and river control, and electric furnaces for producing steel ingots and castings. Other fabricated products include steel drums, pails, refuse disposal cans and containers.

Cement of various types for war and other construction purposes such as foundations, buildings, dams, bridges and highways, and for such concrete work as traffic markers and reflecting curbs, stucco and special mortars; special grades for rush concrete work and for purposes requiring waterproof, corrosion-resisting qualities and quick full working strength; oil-well cement.

U. S. STEEL EMPLOYES

The number of employes of U. S. Steel in 1941 was the highest on record, being considerably greater than the number employed in 1929, 1937 and 1940. The employment data in each of the quarters and for the full year of 1941 are:

1941 Quarters	*Av. No. Employes**	*Total Payroll**	*Av. Hrs. Per Wk.*	*Earnings Per Hr.*	*Earnings Per Wk.*
First	280,104	$126,018,747	38.4	90.9¢	$34.92
Second	295,814	148,249,100	38.5	99.9	38.47
Third	320,453	161,528,472	37.1	103.1	38.27
Fourth	320,621	165,320,734	38.3	102.5	39.21
Year	304,248	$601,117,053	38.1	99.4¢	$37.91

**Includes construction employes and payroll.*

EMPLOYE PENSIONS

During the year pensions were granted under the voluntary pension plan to 1,413 employes who retired. At the close of the year, there were 14,254 pensioners.

	1941	*1940*
Pensions Granted	1,413	1,472
Pensions Ceasing	1,035	893
Net Increase	378	579
Pensions in Force Dec. 31	14,254	13,876

Pensions paid in 1941 amounted to $8.8 million as compared with $8.7 million in 1940. In addition, $6.8 million was paid in 1941 to trustees for future pensions. The average length of service of employes pensioned in 1941 and in 1940 was 34.1 and 34.8 years respectively. The average monthly pension paid, adjusted for public pension payment, was $36.53 to those pensioned in 1941 and $38.10 to 1940 pensioners.

In 1941, under the Contributory Pension Plan, contributions of $596,936 were made by the participating employes and payments of $955,098 were made by the employing companies, to provide for pensions to participating employes when retirement age is attained.

SAFETY PROGRAM

Through cooperative effort, the program of accident prevention was intensified during 1941, in order to minimize hazards arising from the increased rate of operations, thus further safeguarding employes. Reports of the U. S. Department of Labor and the National Safety Council indicate that in 1940 the safety record of the entire steel industry was the best in its history. In that year the industry ranked fourth among the thirty leading manufacturing industries. The expenditures of U. S. Steel chargeable to accident prevention and related items in 1941 totaled $6.4 million, and the record of U. S. Steel in the year just closed represented a notable improvement over the year 1940 despite the higher rate of operations and the greater number of employes engaged.

GROUP LIFE INSURANCE

Under the Employes' Group Life Insurance Plan, beneficiaries of 1,705 employes received death benefits in the amount of $3,675,425 during the year. As of December 31, 1941, 267,961 employes were insured to a total of $600,642,500.

EMPLOYES AND THE WAR

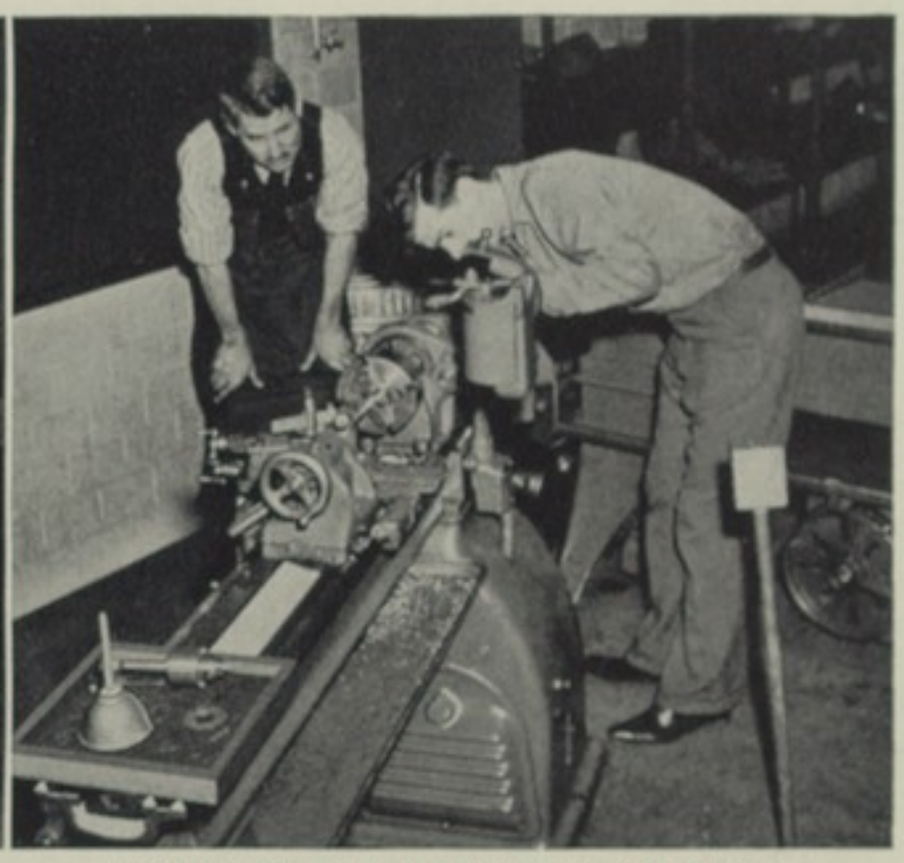
To meet pressing war-time requirements and to provide for personnel replacements as a result of America's participation in the war, more than 18,000 employes of subsidiaries are receiving intensive training for skilled jobs, the program being one of the largest in the history of the nation's entire industry. The training program of U. S. Steel is being coordinated at all points with national objectives.

These training programs, which have been in effect for some time, have contributed materially to the increase in the output of steel and other products which are vitally important to the war effort. Thus the need for enlarging the army of skilled men is being met by U. S. Steel as the tempo of war production rises. Training of men to operate the machines of industry is keeping pace with the training of the nation's land, sea and air combat forces.

Policies relating to the status of employes affected by the Selective Training and Service Act of 1940 and the National Guard Training Act of 1940 were revised in accordance with the Service Extension Act of 1941.

For the convenience of employes, U. S. Steel is cooperating with the United States Treasury Department and offering a voluntary monthly payment plan, effective February 1, 1942, for the purchase of United States Defense Savings Bonds. Under this plan, employes may purchase Series E Defense Bonds of any denomination by authorizing the deduction of a designated amount from their earnings each month.

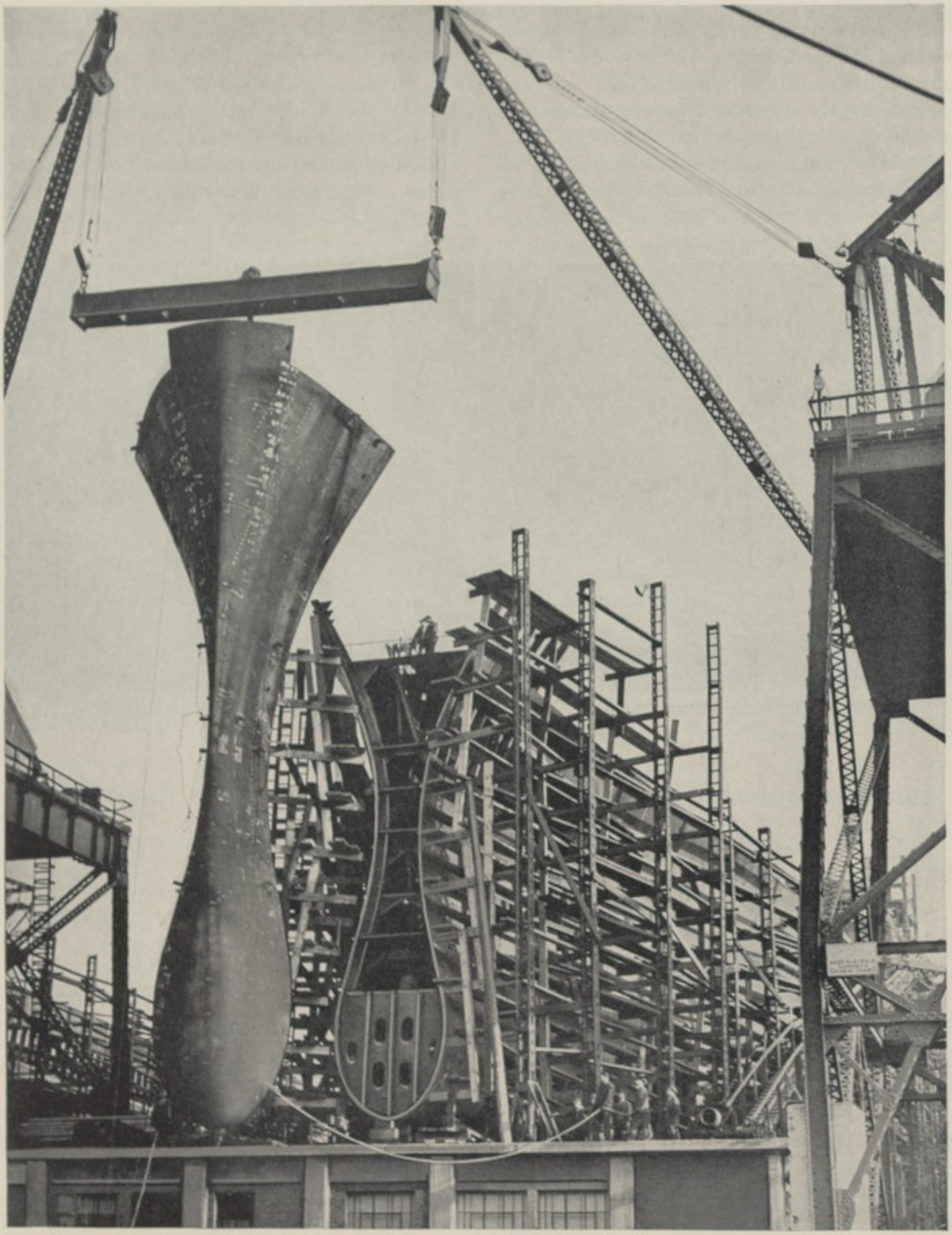
APPRENTICE STUDYING BLUEPRINTS



TRAINING APPRENTICE MACHINIST

1929-1941—NUMBER OF EMPLOYES, PAYROLL, HOURS AND EARNINGS

Year of Operation	*Number of Employes*	*Total Payroll*	*Weekly Hours*	*Hourly Earnings*	*Weekly Earnings*
1929	253,138	$420,072,851	46.2	$ .686	$31.69
1930	251,782	391,271,366	43.3	.687	29.71
1931	215,223	266,871,413	34.3	.691	23.73
1932	164,330	133,912,809	25.4	.614	15.57
1933	172,577	163,149,503	30.4	.596	18.14
1934	189,881	210,503,533	30.1	.705	21.26
1935	194,820	251,576,808	33.9	.731	24.77
1936	222,372	338,866,121	39.6	.737	29.16
1937	261,293	442,927,683	37.6	.864	32.51
1938	202,108	282,209,332	29.7	.902	26.80
1939	223,844	368,577,711	35.2	.897	31.59
1940	254,393	438,621,292	36.7	.898	32.97
1941	304,248	601,117,053	38.1	.994	37.91



A welded bow section of a new tanker being erected on a shipway. The assembly of large hull units in the shop constitutes one of the modern methods of speeding-up the emergency shipbuilding program.

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