

FIRST ANNUAL REPORT

UNITED STATES STEEL CORPORATION

YEAR ENDING DECEMBER 31, 1902.

ASSETS.

Property Account:		
Properties owned and operated by the several companies.....	\$1,453,635,551.37	
Less Surplus and Subsidiary Companies at date of acquisition of their Stocks by the U. S. Steel Corporation, April 1, 1901.....	\$116,356,111.41	
Charged off to Depreciation and Extinguishment Funds.....	12,011,856.53	
	<u>128,367,967.94</u>	\$1,325,267,583.43
Deferred Charges to Operations:		
Expenditures for Improvements, Explorations, Stripping and Development at Mines, and for advanced Mining Royalties, chargeable to future operations of the properties.....		3,178,759.67
Trustees of Sinking Funds:		
Cash held by trustees on account of Bond Sinking Funds.....		459,246.14
(\$4,022,000 par value of Redeemed Bonds held by Trustees not treated as an asset.)		
Investments:		
Outside Real Estate and Other Property.....	\$1,874,872.89	
Insurance Fund Assets.....	929,615.84	2,804,488.23
Current Assets:		
Inventories.....	\$104,390,844.74	
Accounts Receivable.....	48,944,189.68	
Bills Receivable.....	4,153,291.13	
Agents' Balances.....	1,091,318.99	
Sundry Marketable Stocks and Bonds.....	6,091,840.16	
Cash.....	50,168,172.48	214,834,157.18

Audited and found correct,
PRICE, WATERHOUSE & CO.,
Auditors.
New York, March 12, 1903.

Total Assets \$1,546,544,234.65

LIABILITIES.

Capital Stock of U. S. Steel Corporation:		
Common.....	\$508,302,500.00	
Preferred.....	510,281,100.00	\$1,018,583,600.00
Capital Stock of Subsidiary Co's not held by U. S. Steel Corp'n (par val.):		
Common Stocks.....	\$44,400.00	
Preferred Stocks.....	72,800.00	
Lake Superior Consolidated Iron Mines, Subsidiary Companies.....	98,714.38	215,914.38
Bonded and Debenture Debt:		
United States Steel Corporation Bonds.....	\$308,757,000.00	
Less Redeemed and held by Trustee of Sinking Fund.....	2,898,000.00	
Balance held by the Public.....	\$301,059,000.00	
Subsidiary Companies' Bonds.....	\$60,978,900.75	
Less Redeemed and held by Trustees of Sinking Funds.....	1,324,000.00	
Balance held by the Public.....	59,654,900.75	
Debenture Scrip, Illinois Steel Company.....	40,428.02	360,754,326.77
Mortgages and Purchase Money Obligations of Subsidiary Cos.:		
Mortgages.....	\$2,901,132.07	
Purchase Money Obligations.....	6,689,418.53	9,590,550.60
Current Liabilities:		
Current Accounts Payable and Pay Rolls.....	\$18,675,080.13	
Bills and Loans Payable.....	6,202,502.44	
Special Deposits Due Employees and Others.....	4,485,546.58	
Accrued Taxes not yet due.....	1,051,605.42	
Accrued Interest and Unrepresented Coupons.....	5,398,572.96	
Preferred Stock Dividend No. 7, payable February 16, 1903.....	8,929,919.25	
Common Stock Dividend No. 7, payable March 30, 1903.....	5,083,025.00	
		49,826,251.78
		Total Capital and Current Liabilities \$1,438,970,643.53

Sinking and Reserve Funds:		
Sinking Fund on U. S. Steel Corporation Bonds.....	\$1,773,338.33	
Sinking Funds on Bonds of Subsidiary Companies.....	217,844.86	
Depreciation and Extinguishment Funds.....	1,707,610.59	
Improvement and Replacement Funds.....	16,666,190.90	
Contingent and Miscellaneous Operating Funds.....	3,413,783.50	
Insurance Fund.....	1,539,455.25	
		25,217,747.93
		4,481,246.14
Bond Sinking Funds with Accretions.....		
Represented by Cash, and by redeemed bonds not treated as assets (see contra.)		
Undivided Surplus of U. S. Steel Corporation and Subsidiary Co's:		
Capital Surplus provided in organization of U. S. Steel Corporation.....	\$25,000,000.00	
Surplus accumulated by all companies since organization of U.S. Steel Corporation.....	52,874,597.05	
		*77,874,597.05
		Total Liabilities \$1,546,544,234.65

*NOTE—In preliminary Report, submitted to stockholders at the First Annual Meeting, February 17, 1902, the accumulated surplus of all subsidiary companies to November 30, 1901, was shown as \$174,344,229.32. This total, however, included the surplus of the subsidiary companies at time of the original acquisition of their stocks by United States Steel Corporation in 1901, which surplus in this balance sheet is stated in diminution of Property Account.

INCOME ACCOUNT FOR THE YEAR.

The total net earnings of all properties after deducting expenditures for ordinary repairs and maintenance (approximately \$21,000,000), also interest on Bonds and fixed charges of the subsidiary companies, amounted to..... **\$133,308,763.72**

Less Appropriations for the following purposes, viz:

Sinking Funds on Bonds of Subsidiary Companies.....	\$324,064.43
Depreciation and Extinguishment Funds (regular provisions for the year).....	4,534,710.23
Extraordinary Replacement Funds (regular provisions for the year).....	9,318,614.76
Special Fund for Depreciation and Improvements.....	24,774,889.47
Balance of Net Earnings for the year.....	\$108,534,374.25

Deduct:

Interest on U. S. Steel Corporation Bonds for the year.....	\$15,187,860.00
Sinking Fund on U. S. Steel Corporation Bonds for the year.....	3,040,000.00
Balance.....	\$90,306,524.25

Dividends for the year on U. S. Steel Corporation Stocks, viz:

Preferred, 7 per cent.....	\$35,720,177.50
Common, 4 per cent.....	20,332,690.00
	\$56,052,867.50

Undivided Profits or Surplus for the year..... **\$34,253,656.75**

*The actual expenditures for ordinary repairs and maintenance were \$21,230,218.13. It cannot be stated, however, that this specific sum was taken out of the net earnings for the year, because in the manufacturing and producing properties the expenses for repairs and maintenance enter into and form a part of production cost. And as the net earnings of such properties are stated on the basis of gross receipts for product shipped, less the production cost thereof, the income for the year is charged, with outlays for repairs and maintenance only to the extent that the production during such period was actually shipped. But as the shipments in 1902 equaled practically the year's production, approximately the entire amount of the expenditures in question has been deducted before stating the net earnings as above.

GENERAL PROFIT AND LOSS ACCOUNT.

GROSS RECEIPTS.

Gross Sales and Earnings.....	\$560,510,479.39
MANUFACTURING AND OPERATING EXPENSES.	
Manufacturing and Producing Cost and Operating Expenses.....	\$411,408,818.36*
Balance.....	\$149,101,661.03
Miscellaneous Manufacturing and Operating Gains and Losses (Net).....	2,654,189.22
Rentals Received.....	474,781.48
Total Net Manufacturing, Producing and Operating Income.....	\$152,330,681.74

OTHER INCOME.

Proportion of Net Profits of Properties owned but whose operations (gross revenue, cost of product, expenses, etc.) are not included in this statement.....	1,972,315.45
Interest and Dividends on Investments and Deposits, etc.....	3,464,135.50
Total Income.....	\$157,657,083.69

GENERAL EXPENSES.

Administrative, Selling and General Expenses (not including General Expenses of Transportation Companies).....	\$13,202,398.89
Taxes.....	2,391,468.74
Commercial Discounts and Miscellaneous Interest.....	1,908,027.90
Balance of Income.....	17,501,892.53
	\$140,156,191.16

INTEREST CHARGES, ETC.

Interest on Bonds and Mortgages of the Subsidiary Companies.....	\$8,879,439.91
Interest on Bills Payable and Purchase Money Obligations of Subsidiary Cos. and Miscellaneous Interest.....	2,234,144.43
Rentals paid.....	732,842.50
Net Earnings for the Year.....	\$133,308,763.72

*Includes charges for ordinary maintenance and repairs.

MAINTENANCE, RENEWALS, AND EXTRAORDINARY REPLACEMENTS.

The physical condition of the properties has been fully maintained during the year, the cost of which has been charged to current operations. The amount expended by all properties during the year for maintenance, renewals and extraordinary replacements aggregated \$29,157,010.73.

This total is apportioned as follows:

Expended on	Ordinary Maintenance and Repairs.	Extraordinary Replacements.*	Total.
Manufacturing Properties.....	\$16,099,217.94	\$6,978,230.48	\$23,077,448.42
Coal and Coke Properties.....	\$81,804.77	94,664.39	176,469.16
Iron Ore Properties.....	355,220.12		355,220.12
Transportation Properties:			
Railroads.....	3,544,654.27	607,967.88	4,152,622.15
Steamships and Docks.....	213,801.37	192,317.80	406,119.17
Miscellaneous Properties.....	36,519.66	53,612.05	90,131.71
Total.....	\$21,230,218.13	\$7,926,792.60	\$29,157,010.73

*These expenditures were paid from funds provided from earnings to cover requirements of the character included herein.

VOLUME OF BUSINESS.

The volume of business done by all companies during the year, including sales between the companies, and the gross receipts of transportation and miscellaneous properties, aggregated the total sum of \$660,510,479.39.

PRODUCTION.

The production of the several properties for the year 1902 was as follows:

Iron Ore Mined:	Tons.	Tons.
From Marquette Range.....	1,487,370	
From Menominee Range.....	2,675,754	
From Gogebic Range.....	2,084,492	
From Vermillion Range.....	2,057,887	
From Mesaba Range.....	7,778,026	16,063,179
Coke Manufactured.....		9,521,567
Coal Mined, not including that used in making coke.....		709,267
Blas Furnace Products:		
Pig Iron.....	7,802,812	
Spiegel.....	128,265	
Ferro-Manganese and Silicon.....	44,463	7,975,530
Steel Ingot Production:		
Bessemer Ingots.....	6,759,210	9,743,918
Open Hearth Ingots.....	2,984,708	

ROLLED AND OTHER FINISHED PRODUCTS FOR SALE.

	Tons.	Tons.
Steel Rails.....	1,920,786	
Blooms, Billets, Slabs, Sheet and Tin Plate Bars.....	732,637	
Plates.....	649,541	
Merchant Steel, Skelp, Shapes, Hoops, Bands and Cotton Ties.....	1,254,560	
Tubing and Pipe.....	744,062	
Rods.....	109,330	
Wire and Products of Wire.....	1,122,809	
Sheets—Black, Galvanized and Tin Plates.....	783,578	
Finished Structural Work.....	481,029	
Angle and Splice Bars and Joints.....	139,354	
Spikes, Bolts, Nuts and Rivets.....	42,884	
Axles.....	196,787	
Sundry Iron and Steel Products.....	29,177	
Total.....	8,197,223	
Spelter.....	23,892	
Copperas.....	14,224	
Cement.....	486,357	

ORDERS ON HAND.

The tonnage of unfilled orders on the books at the close of 1902 equaled 5,247,253 tons of all kinds of manufactured products. At the corresponding date in preceding years the orders booked equaled 4,497,749 tons. In many of the classes of heavier products, like rails plates and structural material, practically the entire capacity of the mills is sold up until nearly the end of the year 1902.

PURCHASE MONEY OBLIGATIONS, PILLS PAYABLE AND SPECIAL DEPOSITS.

The unsecured liabilities of the Subsidiary Companies of the above character were reduced during the fiscal year of 1902, and also during the period from April 1, 1901 (date of organization of U. S. Steel Corporation), to December 31, 1902, by the following respective amounts, viz:

	Paid Off Between April 1, 1901, and December 31, 1901.	Paid Off During Year of 1902.	Total Reduction, December 31, 1902.
Purchase Money Obligations and Bills Payable.....	\$8,678,856.01	\$12,884,558.85	\$21,563,414.86
Special Deposits.....	2,369,134.66	767,809.09	3,136,943.65
Total.....	\$11,047,970.57	\$13,652,367.94	\$24,700,338.51

The funds for the payment of the above liabilities were provided entirely from the surplus net earnings of the organization—no new capital or bonded or other liability has been created in lieu thereof, although practically all of such payments might properly be funded, as the liabilities were those of the Subsidiary Companies prior to or at the time of organization of U. S. Steel Corporation for the acquisition of additional property or for moneys borrowed, which were in turn used for purchase of property and construction expenditures. As shown by the General Balance Sheet, the amount of these liabilities outstanding on December 31, 1902, is as follows:

Purchase Money Obligations.....	\$6,889,418.53
Bills Payable.....	6,202,502.44
Special Deposits.....	4,485,546.58
Total.....	\$17,377,467.55

PROPERTY ACCOUNT.

The expenditures made during the year by all the properties and charged to Property Account equaled, less credits for property sold, the total sum of \$18,656,531.77. These outlays were made for the completion of construction work at manufacturing properties under way when the U. S. Steel Corporation was organized, also for necessary additions and extensions authorized since its organization, for the acquisition of additional ore and coal property, the opening and development of new mines and plants, for additional equipment and facilities demanded by the growing requirements of the business of the transportation properties, to secure material reduction in cost of manufacture, transportation of raw and unfinished materials, and distribution of finished products, etc.

The outlays as above are classified by properties as follows:

Expended by:

United States Steel Corporation, on account of acquisition of stocks of subsidiary companies.....	\$258,473.31
Manufacturing Properties.....	9,743,125.78
Ore Properties.....	1,971,542.08
Coal and Coke Properties.....	2,045,168.61
Transportation Properties.....	3,741,552.51
Miscellaneous Properties.....	171,430.82
Total.....	\$18,656,531.77

EMPLOYES AND PAY-ROLLS.

The average number of employees in the service of all properties during the entire year was..... 168,127

The aggregate amount paid during the year for salaries and wages of employees was..... \$120,628,343

The following shows the classification of the number of employees and pay rolls between the several departments named:

Employees of	Number.
Manufacturing Properties.....	125,328
Coal and Coke Properties.....	16,519
Iron Mining Properties.....	13,465
Transportation Properties.....	11,160
Miscellaneous Properties.....	1,657
Total.....	168,127

NUMBER OF STOCKHOLDERS.

The following shows the number of stockholders in the United States Steel Corporation in March, 1903, in comparison with the number at corresponding date in preceding years:

Preferred.....	25,296	31,789	6,503
Common.....	17,723	26,830	9,107
Total.....	43,019	58,629	15,610

The foregoing does not include the subscriptions for preferred stock by 27,979 employees under plan offered them under date of December 31, 1902.

Complete copies of the detailed Annual Report in pamphlet form will be mailed stockholders on and after April 13th. Copies may also be obtained after that date at the office of the Secretary, 71 Broadway, New York.