Annual Report 2009

U. S. Steel Košice, s.r.o.
A Subsidiary of United States Steel

Our Policy is to distinguish ourselves
as the industry leader by building value,
being world competitive and providing
cost-effective quality products and services.

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President's Foreword

Taking a responsible approach to business is a fundamental and constant principle for our whole company, including our subsidiaries. Despite the worldwide economic downturn, we want to emphasize that we continue to behave as a responsible company which key values – safety, focus on employees and customers, on quality of products and services, environmental compliance, productivity and cost saving – have not changed and remain valid regardless of the current business conditions. We are trying to maintain the values of our predecessors, as well as creating new ones for the benefit of our employees, customers, shareholders and the community in which we work and live.

The trend of global economy slowed down at the end of 2008 as a result of the worldwide financial and economic crisis and the steelmaking industry was affected among the first. In 2009, the company experienced significant decrease in demand for our products, despite this fact our company did react very flexibly and applied all innovative ideas to maintain viability during crisis, ensuring cash liquidity, reducing overall costs and providing solid position in the long-term.

We consider it as a positive, that despite the recent difficulties, we have proved to act flexibly and made great efforts in cooperation with the trade union organizations to overcome the hard times. This crisis, such as none of us can remember, has taught us to do activities we never used to perform. We have taken over many activities from external suppliers, and we have been successful. Problems and their solutions have brought us closer together. We have not said there is anything we are not capable of doing. Thanks to all this, we will be even stronger and more successful in the future.

Nor has our enthusiasm for improving safety diminished. More than any production records, in fact more than anything else at all, we value safe working conditions and the safe performance of our employees. We are sending out clear message to them, their families, our partners and the whole community that priorities in industrial manufacturing are changing, and that safety comes first for us.

George F. Babcoke,
President U. S. Steel Košice, s.r.o.

Corporate Profile

The Košice steelworks was built in the 1960s and gradually grew to rank among the significant steel producers in Central Europe, proving itself in the steel and flat-rolled products market and becoming a member of international associations. In the year 2000, the original East Slovakian Steelworks became part of United States Steel Corporation (hereinafter "U. S. Steel" or "USS"), with which it had formed a joint-venture company to produce steel packaging materials in 1998. U. S. Steel has more than one hundred years' tradition on the American continent, and in Europe, in addition to Slovakia, it has operating facilities in Serbia.

U. S. Steel Košice, s.r.o. (hereinafter also "the Company" or "USSK") was established on 7 June 2000. Currently it is a modern company merging the great technical skills and experience of Slovak steelmakers with western managerial procedures and a strong market orientation. Its operations are focused mostly on value-added products for the automotive, packaging, electro-technical, appliance and construction industries.

Statutory representatives as of 31 December 2009	
George F. Babcoke	President
William Clyde King	Senior Vice President and Chief Financial Officer
Patrick James Mullarkey	Vice President Operations
Peter Joseph Alvarado	Vice President Commercial
Ing. Anton Jura	General Manager – U. S. Steel Canada Inc.
RNDr. Miroslav Kiraľvarga, MBA	Vice President Management Services and Administration
John Frederick Wilson	General Counsel
Traci Lynn Vaughan	Vice President BSC - Europe
Ing. Vladimír Jacko PhD., MBA	Vice President Technology
Ing. Martin Pitorák	Vice President Human Resources

Robert James Beltz was appointed as a statutory representative and Vice-president Commercial replacing Peter Joseph Alvarado and Joseph Anthony Napoli was appointed as a statutory representative and General Counsel replacing John Frederick Wilson effective from 1 February 2010.

Vision and Values

Vision of U. S. Steel

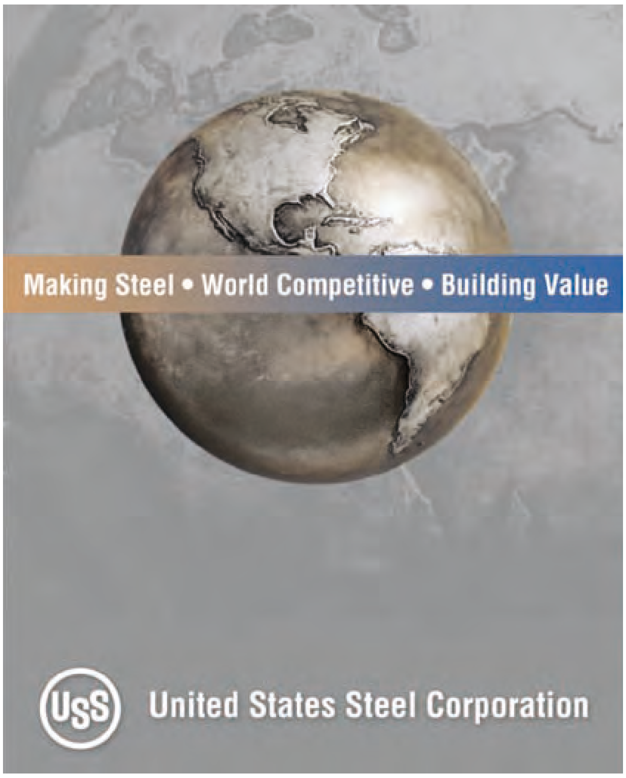
Guided by a new vision for its second century of business

MAKING STEEL – WORLD COMPETITIVE – BUILDING VALUE

U. S. Steel remains committed to making steel, what has been its core focus for more than hundred years; strengthening its position in the global marketplace to remain competitive; and building values for all stakeholders, including employees, customers, suppliers, shareholders, community and others.

The vision of U. S. Steel and its subsidiaries is to be:

- A profitable steel company that earns adequate returns for its shareholders and provides sufficient capital to assure its long-term success.
- An innovative steel company that clearly distinguishes itself as the significant industry leader in providing superior quality and service to its customers, while continuously reducing costs to achieve the status of a low-cost producer.
- A company that has respect for all employees, creates an atmosphere that motivates employees to fully utilize their talents, encourages all employees to work together, and effectively and promptly recognizes and rewards each employee for contributions to the overall success of the company.
- A company that values diversity in its workforce, fosters a safe and healthy workplace, is environmentally responsible and at all times conducts itself in an ethical manner.
- A company in which each employee takes pride in being an important and contributing member.



Business Drivers

A responsible approach to business has been an inseparable part of all companies and operations of U. S. Steel. Since beginning of the 20th century when U. S. Steel was established, the first Chairman, Elbert Gary, set the basis for ethical and transparent business by defining and implementing the "Gary Principles" (http://www.usske.sk/corpinfo/hist-e.htm). Their correctness has been confirmed over the years and demonstrated by U. S. Steel's success in the global steel industry.

The keys to our recent success of the Company are the **six principal business drivers** that are applied in production, commerce, communication with employees and partners at all U. S. Steel operations, and through which the socially responsible approach of USSK is applied:

- **Safety** - protecting the health and welfare of employees, contractors and visitors present on the Company's premises
- **Environment** - operations, which respect the environment and comply with environmental laws and regulations
- **Quality** - providing high quality products and services
- **Services** - providing excellent services to customers and business partners
- **Costs** - providing our products and services at the lowest possible cost
- **Productivity** - increasing the productivity of the Company's operations

Impact of the Company in the Environmental Sphere

Environmental protection is one of the Company's principal strategic business drivers, and its main commitments are stated in the Company's Environmental Policy drafted in compliance with the ISO 14001 standard. Concurrently with the incorporation of these standards into the normative system of the Slovak Republic, the Company has progressively implemented an **environmental management system (EMS)** in all of its division plants. The Cold Rolling Mill Division Plant was the first division plant, which already achieved EMS certificate in 1997. This phase was completed in 2003 with successful EMS certification in accordance with ISO 14001, covering the five finishing plants. In 2009 the international EMS certificate was successfully renewed for the second time, and a new EMS certificate in accordance with ISO 14001 was issued by certificating company TÜV NORD Slovakia, s.r.o., and is valid until 8 November 2012. The strengths of the EMS implemented at USSK are mainly in the Company management's goals broken down into long- and short-term environmental objectives including their implementation, targeted attentiveness to protection of individual components of the environment, high standard of internal and external communication, especially with the public and the state authorities, cooperation with professional associations, implementation of environmental projects and research involvement, as well as the process of measuring and monitoring environmental impacts. For the high standard of EMS implementation and corporate responsibility, the Company was awarded an Honorable Mention in the SR National Entrepreneur Awards for Environmental Protection 2009.


ENVIRONMENTAL POLICY


CERTIFICATE TÜV NORD

Management system as per
EN ISO 14001 : 2004

U. S. Steel Košice, s.r.o.

Protection of the Air, Water, and Waste Recycling

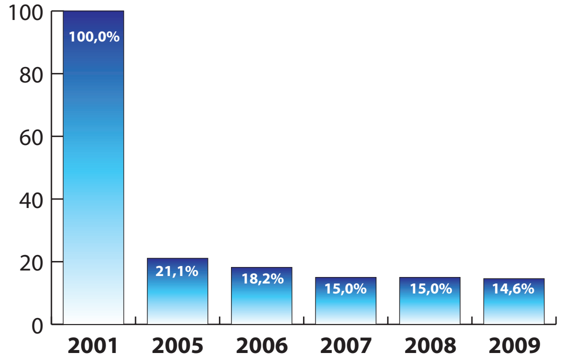
Since 2000, the Company has invested more than USD 450 million into dozens of ecological projects. The construction of a cokery gas desulfurizing plant was one of the largest ecological projects in 2009. This included the closure of the ammonia plant and the end of production of ammonium sulfate at the chemicals operation, together with the storage of sulfuric acid. By burning desulfurized cokery gas, which is used in many of the Company's operations, much less oxides of sulfur will be emitted into the atmosphere, leading to air quality and the working environment improvement at the Cokery Division Plant, in the steelworks area and its vicinity in general. Significant capital expenditures totaling USD 45 million with the objective

of changing the input fuel for power generating boilers 2 and 3 from coal to gas, were incurred to reduce CO_2 emissions. Another contribution to protect the environment included the installation of a camera system for monitoring gas outlets from the coking batteries, extractor systems for the blast furnaces and steel plants sheds in order to limit the escape of solid pollutants into the atmosphere. These air protection relating projects has resulted in a reduction of solid pollutant output by more than 85 % per ton of steel produced, as well as a reduction in SO_2 emissions from 17,000 to 7,900 tons annually.

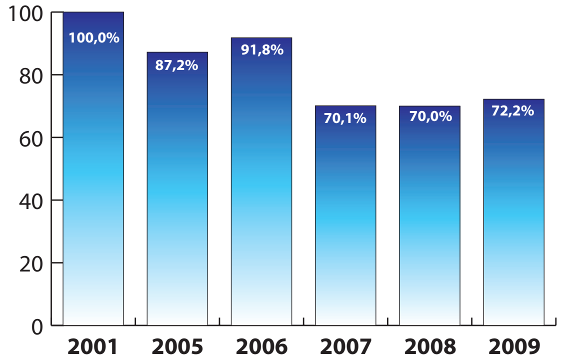
In the area of water protection, we have experienced positive trend in decreasing waste water per ton of steel produced ratio. This has been caused partly by project Ground Water Protection 3, which dealt with improving the capture and isolation of dangerous chemical substances (e.g. hydrochloric acid, ammonia or emulsion oils, etc.) from the Company's operations. The quality of waste water is moreover monitored very responsively by an accredited laboratory within the Company's operations. The increase in the amount of waste water released in 2009 was primarily due to the pumping out of ground water from the foundations of the Cokery gas desulfurization premises, as well as increased drawing off from the granulation pool. In 2009, a new Sewerage Order was issued, specifying the limit values for pollutants in waste water and setting out the procedures for dealing with undesirable events.

For a long time, the USSK waste management section has shown an improving trend in waste processing and reducing the relative share of technological waste per ton of steel produced.

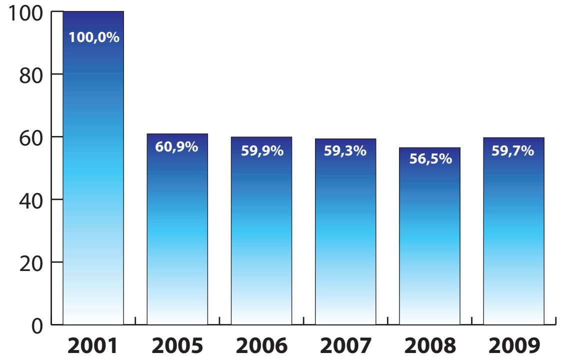
In 2009 a great effort was made to eliminate fly-tipping dumps outside the fenced Company's premises but still on the territory of the Company. This required cooperation between several USSK departments, USSK subsidiary and supplier of the Company. For many years we have been taking care over separation of waste. Bins for paper, plastic bottles and single-cell batteries have been set up at many locations around the Company. In 2009, 700 kilograms of batteries were collected and passed on to an external company for disposal; the total for plastic bottles was much greater, with 55 tons collected. There are more than 300 bins of 240-liter volume and more than 120 containers with 1,100-liter volume for separated waste around the Company.



Trend in amount of solid pollutants released per production unit between years 2001 and 2009 in percentages



Trend in waste water production per production unit between years 2001 and 2009 in percentages



Trend in technical waste production per production unit between years 2001 and 2009 in percentages

Implementation of the Kyoto Protocol and REACH

With respect to the Kyoto Protocol commitments for reducing greenhouse gas emissions, the CO_2 Emissions Trading Scheme of the European Union became effective in Slovakia in 2005. Following the National Allocation Plan for the years 2008 to 2012 as approved by the European Commission, the Ministry of Environment of Slovak Republic allocated CO_2 emission allowances to the Company. As part of the Eurofer consortium, USSK participated in review of the conception and pointed out that as long as the CO_2 emissions restrictions are applied only within the European Union, without involving the wider international community of steel producers, only European companies would incur costs which would result in their competitive disadvantage or their possible relocation to countries without emissions restrictions. Despite our reservations, our specialists from Research and Development started working on a project how CO_2 can be possibly stored or processed.

A legislation called REACH (1907/2006) (Registration, Evaluation and Authorization of Chemicals) became effective in June 2007, which requires inter alia that every chemical substance sold on the European markets is to be registered with the European Chemicals Agency. The regulation imposed a duty on us to pre-register in 2008 the substances produced or imported by U. S. Steel into European Union (EU) countries. We identified and pre-registered 59 substances, and became the exclusive representative for the registration of substances imported into EU countries from U. S. Steel operations in the USA, Serbia and Canada. During 2009 producers and importers gradually began forming associations and consortiums for the purposes of cooperation in drawing up registration documents. USSK joined several consortiums and became Principal Registrar for two substances taking over the leading role in preparing the registration and organizing the other registrants and importers.

Through communication with our suppliers we gained their full undertaking to pre-register all the substances, which are bought from them for use in our operations (over 2,000). For our customers, we issued certificates for all of our steel products confirming that they do not contain "substances of very high concern" from the first Candidate list at values exceeding the limit of 0.1 % as set by European legislation. We are preparing similar declarations based on the second and third Candidate list.

Informing and Involving Employees

The Company continuously monitors and regularly informs employees, professional and the general public about the volume of emissions and waste water quality in the corporate newspaper Oceľ Východu and on its web site www.usske.sk.

In 2009 we began new activities to raise our employees' ecological awareness. On the occasion of International Earth Day, Company managers together with workers from the Protected Workshop of subsidiary U. S. Steel Services, s.r.o. planted young trees in the protective forest around the steelworks. During few weeks, approx. 15,000 young alder, ash and sycamore trees were planted to this forest.

A competition focusing on energy saving was announced in February through the corporate newspaper and another one to raise ideas for protecting and improving our environment was announced in June. Employees shared their experience and their proposals for saving heat, electricity and water, for separating waste and eliminating fly-tipping dumps. The producers of the best proposals were awarded by cash prizes or ecological products.

Impact of the Company in Social Sphere

U. S. Steel Košice, s.r.o. is the largest private employer in Slovakia and the largest employer in the East Slovakian region with a workforce of more than 13,000 people including the subsidiaries. Since the Company became part of U. S. Steel, all activities in the area of employment are conducted to ensure that the Company is competitive in comparison with other metallurgical companies. The number of employees has been reduced only through retirement, voluntary leave or by immediate dismissal for serious violation of the employment rules so that employment commitment to Slovak government was fulfilled.

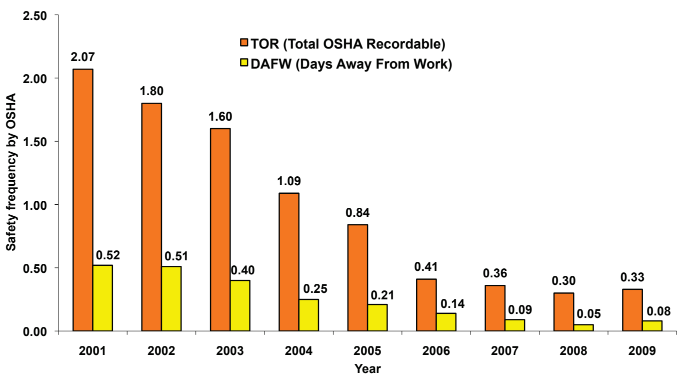
In 2009, USSK started a restructuring project called "flat and effective organization" to reduce the number of management levels, to increase the span of control and to reduce the number of administrative staff by 15 %. The responsible approach of the employer was clear from the fundamental principle of the project, which included a voluntary decision of each employee as well as close cooperation with the trade unions. Based on addendum to the Collective Agreement, the employees, whose positions were not included in the new organization structure resulting from the process analyses, could choose to be transferred to any of vacant operating positions or could apply for termination of their employment contract by agreement with the offer of a severance payment. This option was taken up by 283 employees.

The similar aim of increasing productivity, flexibility and efficiency in the steelmaking process was the basis of the OPTECH Hybrid Program, which started in the second half of the 2009 and restructured the positions of maintenance workers and equipment operators by creating combined positions. The conditions, agreed by Company management with the trade unions in the addendum to the Collective Agreement, also included the offer of a single bonus incentive payment.

"This kind of program helps us to preserve the sustainability of our business activities and a future for our employees."
George F. Babcoke
President U. S. Steel Košice, s.r.o.

Occupational Safety and Health Protection

Occupational safety and health protection (OSHP) for employees of the Company, its suppliers and partners working in the Company premises is the No. 1 priority. The use of certified personal protective equipment and complying with the cardinal safety rules has become a matter of course. With the aim of further raising the awareness of our employees in this area, we have built an interactive cardinal rules training center where every employee can try out the application of these rules in practice. Using the **OSHP Risk Management program**, managers and employees can together identify dangers and threats relating to production procedures, working activities, materials used and other conditions in the working environment. They subsequently assess the risks that could have negative impacts on the lives and health of our employees.



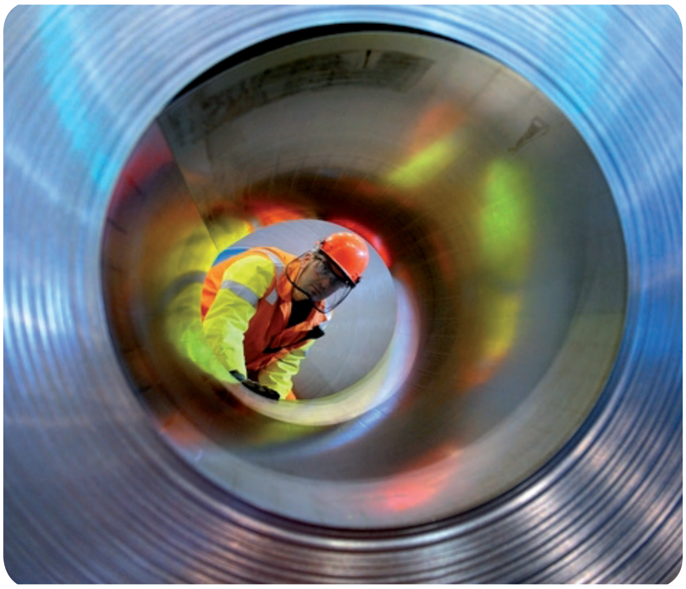
Thanks to the constant efforts made by all employees, we are seeing a continuously falling trend in the occurence of injuries. As of 31 December 2009, we have recorded a 94 % drop in the overall injury rate since 2001, and a 95 % drop in the number of registered injuries.

The year 2009 was characterized by new culture in the area of occupational safety and health protection consisting of even more thorough prevention and motivation of employees when discovering potential risks and dangers, and their subsequent corrective action. **The safety programs** which were already running continued, including the Safety Conversations, the aim of which is to identify risky behavior and dangerous conditions and to involve employees in the OSHP process through open conversation. Safety programs for life-threatening risks have their own special status. Significant progress in the OSHP

area has been recorded thanks to the ongoing safety surveys, which resulted from analysis of the overall safety status and investigation of undesirable events which had happened at USSK or at other U. S. Steel's operations. During the last couple of years, this program has enabled us to eliminate more than 13,000 weak points threatening the safety of our employees. We have installed missing handrails on staircases, safety belts in trucks, protective covers for moving and rotating parts of equipment and cranes, protective eyes showers, emergency lighting and exits, glass-pane reinforcements, markings on pipes, etc. During 2009 new halogen floodlights were installed over pedestrian crossings, as well as system signaling the entry of trains into production halls, a new procedure was introduced for switching off equipment before accessing production lines and conveyor belts.

Attention has been paid to the protection of non-smokers from the harmful effects of smoking. New principles have been adopted permitting smoking only in precisely defined and marked-out places, with the aim of eliminating the threat to non-smokers as well as the threat to life in places with increased fire risk.

Constant effort of our employees to improve safety resulted in one million man-hours without injury, which was achieved during 2009 by the Shipment DP, Repair and Maintenance DP, Radiators and Pipes DP, and some specialized units of the Company Headquarters. More than two million man-hours without injury were recorded at the Cold Rolling Mill DP and some specialized units of the Company Headquarters, in addition, the employees of Research and Development managed to work for more than three million man-hours without injury. Our subsidiaries also continue with positive trend in OSHP area. VULKMONT, a.s. Košice and U. S. Steel Košice – Labortest, s.r.o., achieved significant success by working for more than one million man-hours without injury in 2009, demonstrating that our goal of a zero injury rate is achievable.



We are devoting particular attention to the safety of our suppliers, providing them with training and organizing joint meetings on a regular basis, as well as testing their employees' knowledge of the safety regulations. We inform our suppliers or other companies running business at our premises, using Safety Flash, about dangerous events which could threaten the safety of employees. We get considerable assistance in our efforts to improve OSHP efficiency from our Safety Record Keeping System, which enables us to follow up the findings from the Safety Conversations, registered incidents and safety audits, and to monitor the implementation of corrective actions within the scheduled completion date.

The overall standard of occupational safety and health protection of our employees and protection of the Company's plant and equipment is supported to a considerable extent by the steelworks fire-fighting unit, which is one of the largest and best-equipped fire brigades in Eastern Slovakia. The USSK fire-fighters provide prevention services during all the larger overhauls, and they respond to emergencies not only within the Company, but also help in protecting people and property outside the Company area.

"People should consider occupational safety in terms of a particular job being done by their child. That way they'll be better able to judge the risks and eliminate them."

Business Ethics

The principles of the **Code of Ethical Business Conduct** that all employees receive when signing their employment contract, are considered to be the foundation of the trust necessary for long-term success of the Company. The Code of Ethical Business Conduct defines acceptable standards of employee conduct in areas like discrimination, sexual harassment, unauthorized and unethical practices, protection of economic competition, conflict of interests, and political involvement. USSK is one of the leading companies enforcing business ethics and anti-corrupt practices in Slovakia. Through the USSK Intranet pages, information campaigns in the corporate newspaper "Oceľ Východu", as well as information leaflets available around the Company premises, USSK employees are regularly informed about the procedure for reporting any form of prohibited or unethical behavior. Such behavior can be reported to supervisor or by contacting U. S. Steel's Ethics Hotline, either by telephone, mail or Internet. External persons may also contact the U. S. Steel's Ethics Hotline to report prohibited or unethical behavior in relation to USSK. This Hotline is operated by an independent company in the USA on its own computer, and permanent translation is ensured. Every year the Company lays on a wide range of training courses for its employees concerning ethics and ethical behavior (anti-corruption training, prohibition of sexual harassment, compliance with antitrust requirements, etc.), either in the form of presentations, on-line internet courses or informational e-mails. In 2009, more than 1,100 administrative employees were retrained by presentations and several thousands employees through informational e-mails.

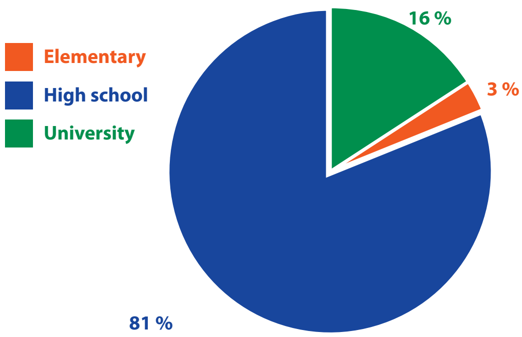
The Company requires ethical conduct not only from its employees and managers, but also from its business partners as well. For several years, USSK has used its contractual documents to oblige its business partners entering in the Company's name into relations with state authorities and representatives, municipalities and government organizations to respect the anti-corruption principles applied in the SR, EU and the USA. Not a single case occurred in 2009, in which corruption or the suspicion of corruption could be the reason for terminating cooperation.

Human Resources Development and Diversity

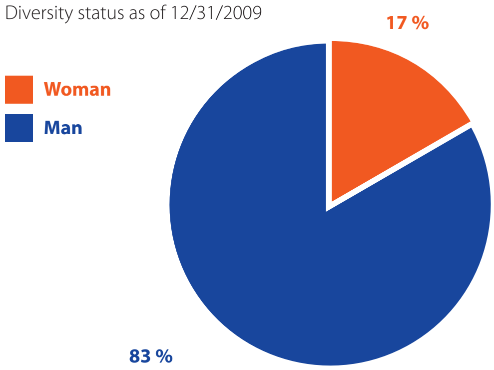
The crisis year 2009 produced a minimum of opportunities for hiring new employees. In 2009, e-learning training programs for full-time employees dominated, which enabled employees to increase their knowledge as well as to use their working time

more effectively. This form of training was applied in 2009 in the areas of safety and fire protection, quality management systems and in the development of managerial, communication and presentation skills ("soft skills"). One of the well-used tools for developing the workforce and diversity is the reciprocal occupancy of positions and exchange of employees between the operations in Slovakia, Serbia, Canada and the USA.

Education status as of 12/31/2009



Diversity status as of 12/31/2009



We see the future in supporting technically-oriented secondary schools and colleges. The Company works actively with the selected secondary schools and colleges in Košice. Hundreds of students from these schools attend the Company through work experience course or summer stay program called Summer Internship Program, which enable them to become familiar not only with its production processes, but also with the safety requirements and the corporate culture as well. Successful graduates of these schools are well set up for recruitment into selected professions, e.g., in September 2009 the Company signed employment contracts with the 17 best students from the fourth year of the Vocational School in Šaca, and a few days later with three students from the Railroad Transport School, ensuring them jobs in the Company after graduation.

Employees' Care

The Company realizes that its demanding objectives can only be fulfilled through its employees, which are qualified and properly motivated. USSK gives its employees social and economic benefits, good salaries, and conditions to ensure comprehensive personal development.

Rewarding employees who participate in the achievement of excellent results in various areas through the quality of their work, is also part of the Company's culture. This includes e.g. regular lunch meetings of the Company's President with employees achieving the best results in the safety, quality or costs-saving areas. The Company also shows its appreciation to its employees, who have worked at the steelworks for 30, 35 or 40 years and more. Various events also help to build team spirit and USSK allegiance, including Company summer and winter Olympic Games with several thousand amateur athletes participating. In August 2009 the Company organized the third annual event called "Families Do Sport", with mixed teams of parents and children competing in soccer, volleyball, table tennis, darts and chess tournaments. During the Košice Day celebrations, the Košice City Prize was awarded to an employee of the Power Engineering DP, nominated by USSK, the marathoner Imrich Pástor.

U. S. Steel Košice, s.r.o. has sophisticated social and health care programs for employees and regularly discussed their modifications with the representatives of three union

organizations (OZ Metalurg, OZ KOVO, and the Independent Christian Trade Union of Slovakia) in 2009. The social fund of the Company has been used to provide all full-time employees with non-cash compensation in the form of Relaxpass vouchers, which the employees can use for cultural or sporting events, relaxation and recuperation stays, recreation activities, or even buying vitamins etc.

A specific feature of USSK business culture and communication represents **meetings of all employees with the management of the Company**, which took place in April 2009. The top managers informed the employees about the Company's results and new plans and measures, particularly with regard to the global economic crisis and responding directly to many questions from the audience. The common tools of internal communication are the intranet and the corporate newspaper "Oceľ Východu" with almost 50 years history, which is available to employees free of charge in the Company area. In 2009 this weekly newspaper (which changed to fortnightly periodicity during the year) won two prizes at once: the national Best Corporate Media Award and the Hospodárske noviny (Economic News) Award for best content.

Equal Opportunities

Since 2002, U. S. Steel Košice, s.r.o. has been working in cooperation with the village council of Veľká Ida, the city ward of Šaca (since 2004), and the Romintegra 7777 Civil Association active within the Lunik IX residential area in Košice, running a special project for employing Romas whose unemployment rate used to be almost 100 % due to poor qualifications. The Municipal Authority of the city of Košice took over the responsibilities of Romintegra in 2008.

The employees are selected based on their willingness to work and change their way of life, support the education of their children and interest in improving their qualifications. There is extra motivation because every year the Company or its subsidiaries hire those project participants who show the best work performance and are willing and able to complete special courses (e.g. flame-cutters, conveyor belt operators), which allow them to do more qualified work in more responsible positions. Educational improvement of Romas and finding ways how to reduce the high level of job turnover will continue to be the dominant elements of this project in the next period.

This assistance in dealing with the problems of marginalized groups living in the steelworks surroundings, which can be used as a model in other regions of Slovakia, was awarded Via Bona Award in 2009 from the Pontis Foundation for responsible approach towards employees. "The Equal Opportunities – Work for the Roma" project was also awarded Gypsy Spirit Award for 2009 in the category of Companies supporting activities, which are focused on social assistance to the Roma community. U. S. Steel Košice, s.r.o. also received special award from the Ministry for Employment, Social Affairs and the Family for the creation and long-term maintenance of this project, which contributes to the solutions of long-term unemployed people situation in the region with aim to reduce unemployment and to raise the living standard of Romas.

Impact of the Company on the Community and the Region

U. S. Steel Košice, s.r.o. accepts its role as the biggest employer in Eastern Slovakia and behaves as a responsible partner to its employees, partners and the local community. It is a leading contributor to the economic, environmental and social development of Kosice and the whole of the East Slovakian region.

The Company has been interested in regional needs for a long time and supports community either directly or through its foundation **U. S. Steel Košice Foundation**, which was established in 2002. The Company's priorities focus primarily on assisting and supporting those who are directly dependent on such support, especially foster homes, crisis centers and the handicapped people, as well as organizations and clubs involved in social and charity activities. The Company has also become a partner to many non-profit organizations, which provide innovative solutions for community development.

In 2009, the Company was awarded the Crystal Spring Award by the Spring Foundation at a charity concert in Levoča for its philanthropical activities.

In April 2009, the results of the second round of the **"Together for the Region"** grant program were published, which the Company had announced in cooperation with the Carpathian Foundation. Over EUR 33,000 was allocated among the 11 winning community projects, which were focused on developing leisure-time activities for children and teenagers, environmental education, safety, sports activities and the preservation of cultural heritage.

Community Support in Education

U. S. Steel Košice, s.r.o. also actively supports secondary technical or specialist schools. The Company is involved in the legislative process concerning the modification of secondary specialist education. Long-term systematic cooperation has been developed with the Secondary Vocational School for Metallurgy in Košice-Šaca, in the area of preparing pupils for employment in the steel-making industry. Based on an agreement concerning the education and upbringing of pupils in line with the needs of the steelworks, we are cooperating now on modifying the teaching syllabuses. During the study, pupils are motivated to achieve better grades by the offer of pocket money and they get bonuses for the time spent in operational practice. The best graduates become Company employees after finishing school.

The results of the school, USSK and the Košice Self-governing Region cooperation, was the opening of a **Specialist Education Center for Steelmaking and Engineering Production** in October 2009, which will also serve students from other schools and employers in this region in improving or modifying their education or qualifications.

In 2009 the Company continued developing a similar model of cooperation with other specialist secondary schools, namely the General Technical School and the Railroad Transport School. The Company has also been in cooperation for many years with the Secondary Technical School for Metallurgy.

"Since industrial technologies are developing so rapidly, it is crucial for every employer to have educated employees. For this reason we are working very closely together with specialist technical secondary schools and colleges on improving the education and preparation of students – our Company's potential employees."

George F. Babcoke
President U. S. Steel Košice, s.r.o.

For several years U. S. Steel Košice, s.r.o. has also supported the educational project for secondary school students called "Global Ethics Program", which motivates young people to reflect on and discuss ethical values and behavior. We support this program financially, but also by sending 10 to 12 USSK specialists every year to work as voluntary consultants and jury members in this as well as other educational programs organized by the Junior Achievement Slovakia NGO - Applied Economics and Business Activities in the Tourism, or the associated competitions named Student Companies, An Idea For My Region or Young Leader.

In 2004, the Company started a **Scholarship Program** to provide access to higher education for talented students from socially disadvantaged families in the Košice and Prešov regions. By the end of the academic year 2008/2009, 176 students had been given the chance to study at Slovak or foreign institutions of higher education, and 26 students joined them in 2009/2010. Every year, dozens of students increase their theoretical knowledge, practical experience, communication and managerial skills during a summer stay called **Summer Internship Program**, which Company started in 2002. In 2009, opportunity to participate in operating and managerial activities in the Company, as well as obtain fundamental skills and knowledge, which are not part of educational program at university, was given to 33 students participating in this program. Since its commencement in 2002 a total of 354 university and college students have participated.

The Company has also been developing long-term cooperation with the Technical University in Košice. It has become the general partner of a special event focusing on promotion of university technical education: the Open Day at the Technical University in Košice. On 16 October 2009, the technical classrooms and laboratories with high-tech equipment were presented to potential students and the general public as well. USSK and the university are also jointly involved in other events to promote specialist technical education: Job Fair, Pro Educo and Career Days etc.

Mutually beneficial cooperation has also been developed between the Research and Development Unit and both the Technical University and Pavol Jozef Šafárik University in Košice. The main areas of cooperation are primary operations and ecology, power engineering, mathematical modeling, optimization, metallurgy processes control, material properties control, as well as education of new specialists. The Research and Development Unit supports schools in practical education by organizing exercises in their laboratories or providing consultancy during preparation of bachelor, masters or PhD thesis. The Research and Development employees are members of final exams and others special committees, as well as co-organizer of science conferences. USSK has also been partner of the national environmental competition EKO 2009, organized as a two year project by the Faculty of Metallurgy at the Technical University in Kosice. Our researchers with the project named "Analysis of additives influence on the fluid temperature of slag in wet bottom boiler" achieved 1st place award in the category "company employees". They achieved 3rd place award in the international round held in Třinec, Czech Republic, with the attendance of Czech and Polish specialist.

Community Support in Environment

Besides direct investment in environmental protection, the Company stresses the importance of raising employees' environmental awareness through the Continuous Improvement to the Environment (CITE) training program, as well as campaigns about energy savings, waste separation and battery collections.

"It is very important for this region and for Slovakia, but also for all of humankind and this planet itself, that we keep on raising the awareness of young people concerning environmental protection."
George F. Babcoke
President U. S. Steel Košice, s.r.o.

U. S. Steel Košice, s.r.o. also supports the development of positive attitudes toward environmental protection and improvement through several ecological projects among elementary, secondary school and college students and believes that the young generation will be the successor of its sustainability approach. **"Where and How We Will Live"** is a competition focusing on protection of air, water and nature, which USSK has been organizing together with the Sosna Civil Association since the school year of 2003/2004. Students of elementary schools, led by their teachers, participate in preparation and implementation of the projects, which result in the creation of school gardens, eco-classrooms and nature-trails. During the past six years the Company has supported environmental protection and development with grants totaling more than EUR 41,000.

Community Support in Health Care

As the biggest company in Eastern Slovakia, U. S. Steel Košice, s.r.o. receives many requests from both hospitals and individuals for support in medical care. USSK supports hospitals by providing new medical equipment which can bring benefits to big number of inhabitants. Not only the Company itself but also its employees participate in this support. In 2009, the employees helped St. Luke's Highly-specialized Geriatric Institute in Košice, the SOS Leukemia Civil Association and the Novorodenec Regional Neonatal Non-profit Organization. The Company also contributed in the collection for purchasing a portable ultra-sound machine to be used for timely diagnosis of life-threatening conditions at Anesthesiology and Intensive Medicine Clinic I. in the L. Pasteur University Hospital in Košice. USSK is traditionally also one of the active partners of the League Against Cancer, jointly organizing the public fund-raising on **Daffodil Day** to support the prevention of cancer through research and treatment.

"I participate regularly in the charity events and fund-raising organized by our Company. I'm quite sure that the money donated in this way is really used for good things, and it won't be misused for personal enrichment. I always get information about the total amount collected, and exactly how it was used."

Ľubomír Kupčo, Mechanics Division Plant

Despite of the economic crisis, which has also affected the metallurgy industry, more than 8,000 employees contributed to the pre-Christmas voluntary fund-raising, and the proceeds tripled later, because the Company as well as the U. S. Steel Košice Foundation contributed the same amount of money as the employees. The final amount of EUR 92,975.49 was used for purchasing a positionable surgery table with additional special equipment for Emergency Clinic in the L. Pasteur University Hospital in Košice.

Community Support in Social Care

USSK also directs its assistance into the social sphere, especially supporting children's foster homes, social services centers and retirement homes. For many years the Company has cooperated with the Archdiocesan Charity in Košice, making life easier for people in difficult situations. Also the Company is a long-term partner of the charity event called "Opatovská Rallye – Living at Max Revs", which brings unforgettable experiences to physically-disabled children at the combined school on Opatovská Street in Košice. USSK managers comprised two thirds of the drivers in the thirty cars driving the competition course with three children as passengers. During the Advent Market on the Main Street in Košice, the **USSK Christmas charity hut** provides space for many other non-profit organizations to present their products and services, and supports them with voluntary fund-raising. The generosity of steelmakers is also shown in the **Wishing**

Trees project, organized at USSK every year since 2005. In their free time, they go to buy gifts that will turn the specific wishes of children into reality – in 2009 these were children from foster homes in Medzilaborce and Vranov nad Topľou and at the already-mentioned combined school on Opatovská Street in Košice.

Community Support in Sports

Support for sports has been focused on traditional sports in the Košice region: ice-hockey, handball, soccer, basketball and figure-skating. For many years the Company has been a sponsor for local professional sports clubs and traditional sports and community events e.g. the Košice Peace Marathon.

USSK supports children's sports, and either talented or disadvantaged young athletes. In 2006, the Company came up with its own new program called "**Your Chance to Play**," to provide equal opportunities for children from socially-disadvantaged families to play ice-hockey, basketball and soccer. USSK supports children who fulfill the program criteria by subsidizing their club membership fees and part of the cost of buying sport equipment. During the 2008/2009 school year the Company supported 14 talented girl basketball-players, 46 young ice-hockey players and 5 soccer players. In 2009/2010 they were joined by 17 girl basketball players, 51 ice-hockey players and two soccer players. So far the Company has helped almost 270 young athletes.

In 2009 the Company also sponsored the second edition of the

annual **Schools' Sports League**, organized by the City of Košice and the Sports For All sports club. More than 3,000 children competed in eleven sports disciplines during the course of the school year. The organized sports activities not only attracted children to the sports grounds, helped to improve the young people's condition, but were also used as prevention against drugs and aimless spending of free time by children. With a similar aim the Company also supported the **Košice Sporting Summer 2009**, organized for the fifth year during the school vacation by the South city ward for children from Košice's suburban neighborhoods. Once a year we also support the **Street Basket** event with the motto "Take a Ball not Drugs", with the tenth edition taking place in September, when several hundreds of young people actively spent the day playing basketball.

U. S. Steel Košice, s.r.o. also provides special support for developing kids' playgrounds and sport facilities, where children can spend their free time to good purpose, e.g. the Multipurpose Sports Facility for Children & Youth on Alejova Street in Košice. In 2009 together with the City of Kosice and the Faculty of Arts of the Technical University in Košice it started a new model of children's playground construction in the city ward Košice – Krásna, involving the active participation of local residents, including Company's employees.

Voluntary Programs Supporting the Community

Not only the Company itself but also its employees voluntarily assist during volunteer events. Several smaller volunteer events during the year culminate in the **USSK Volunteer Days** called "U. S. Steel for Košice", which took place on 15 - 16 May 2009. During this single weekend, employees of the Company and its subsidiaries helped out eight organizations in Košice with public-benefit activities (e.g. the "Steelmakers' Drop of Blood, collection of used clothing, tiding up premises of kindergarten, geriatric institute, animals' sanctuary). The whole event was supported by approximately 400 volunteers from U. S. Steel Košice, s.r.o., its subsidiaries and partner institutions. The long-term and systematic work in the area of corporate voluntary involvement was also appreciated by the Pontis Foundation, which awarded U. S. Steel Košice, s.r.o. their Via Bona prize at the beginning of April for encouraging employees to engage in voluntary work.

Impact of the Company in the Economic Sphere

U. S. Steel Košice, s.r.o. conducts its business primarily in Central and Western Europe and is subject to market conditions in these areas. Some factors such as worldwide demand, market prices of products, prices and availability of raw materials and energy, changes in legislation, foreign currency exchange rate fluctuations and the regulation of international trade affect market conditions, costs, shipments and prices of the Company's products.

In 2009, USSK produced 3.0 million tons of pig iron with annual iron production capacity of 4.5 million, and 3.5 million tons of steel in slabs with annual steel production capacity of 4.9 million tons. Production was significantly influenced by the impacts of the global finance and economic crisis and stopping the work of blast furnace No. 3 at the end of the year. In addition, the production was negatively impacted by the natural gas crisis in January, due to cutting off supplies of Russian gas through Ukraine. In response to these conditions, agreement was reached with the trade union organizations to introduce a shortened four-day working week with 60 % compensation for the day off work from January until June. Four-day working week with 70 % compensation for the day off work was agreed also in December. Throughout the year production was adjusted flexibly to the requirements of our customers.

Commercial strategy of the Company during the crisis period was to minimize costs at all levels while maintaining maximum flexibility and quality in meeting customers' requirements. Priority has been continuously given to sales of added-value products to the automotive, packaging, electro-technical, appliance and construction industries. It was no less important to maintain our position on the Central European and Balkan – market territories with strong economic potential.

Quality and Customer Service

Implementation of programs focusing on production quality creates conditions for improving economic efficiency and increasing our ability to compete in domestic and foreign markets. U. S. Steel Košice, s.r.o. is certificated in accordance with the international EN ISO 9001 and ISO/TS 16949 (automotive industry) standards. Quality management system performance is regularly twice a year reviewed and reported to Company management. Regularly performed internal audits of the system, processes and products, with further proposals for improvement, carried out through the corporate programs CI - Continuous Improvement and CPAR - Corrective/Preventive Action Request represent one particular mean of improving the quality management system. Workplace housekeeping audits are another mean for improvement.

In 2009, Hazard Analysis Control Critical Point (HACCP) system was implemented in the production of tinplate, which is shipped to customers in the food-processing chain. In area of pipes, the Company has had a certificated system in accordance with API Spec. Q1 for many years. An environmental management system complying with the requirements of EN ISO 14001 has also been implemented in the Company. The Company also holds several dozen individual product certificates. Several of its laboratories are accredited in compliance with ISO/IEC 17 025.

"When the market situation improves again, we want to be prepared and to have first-class quality and output, so that when customers do their decision-making about which supplier to choose, they will decide for U. S. Steel Košice."
Zoltán Baksay, GM Customer Technical Services

The shipments to the automotive industry are a top priority for USSK. The Company responds actively to current trends in this industry with capital expenditure in production, technology and research and development. The main construction material in auto-body production is galvanized sheet. Issues of its quality, research and production were addressed also by more than 20 specialists from the company Steel Strip, who visited the Company in October 2009.

USSK quality policy is an expression of the Company's strategic goal to be the leader in manufacturing and supply of high-quality products through continuous improvement of the production process and customer services. To achieve this goal, the Company pays great attention to the systematic education of all its employees.

Focusing on customer needs and satisfaction is another strategic business drivers of U. S. Steel Košice, s.r.o. Manufacturers of automobiles, electric motors, household appliances, packaging and construction materials have very demanding requirements. Top managers visit important customers personally or attend meetings with them at USSK, when signing sales contracts and cooperation agreements to deal with the customers' specific requirements. Customers are offered the chance of touring our production facilities with expert guides, which contributes to better mutual understanding of needs and technological capabilities. Customer audits carried out at USSK are another area of the customer relationship development. Through these audits the Company can demonstrate its capability as a supplier, and additionally in the case of long-term partnerships also its improvements in products and processes.

Year	No. of Audits	Average score	Ranked in category
2005	9	89	B
2006	9	92	A
2007	9	93	A
2008	4	95	A
2009	5	90.4	A

In the sales area, partnership with customers is built on mutual advantage principles, dominated by:

- long-term contracts with key customers,
- support for mutual development, technical consultancy, joint development of new steel grades based on customer requirements, and services,
- openness, correctness, corporate culture and ethics as fundamental and self-evident principles of building new partner relationship.

In the area of external quality we can state that positive development is to be observed in 2009, for example claims from customers decreased by 20.8 % compared with 2006.

In connection with the emphasis on products with higher added value, USSK developed and successfully tested and homologized some new grades of galvanized sheets cut to size for some of the world's most important automobile manufacturers in 2008. In June 2009 the U. S. Steel Corporation, together with other 18 global suppliers, became the only steel producer awarded VW Group 2009 award from the Volkswagen Corporation in Wolfsburg, Germany.

"This recognition from a company such as Volkswagen, focusing on growth and quality, could only be gained thanks to the hard work and dedication of our employees."
George F. Babcoke
President U. S. Steel Košice, s.r.o.

In the area of radiator production, we put the accent on more detailed consultation with designers of central heating system and recognition of their current needs. Their analyses as well as the presentation of new developments in Korad radiators, including their correct installation and diagnostics, were the subject of a seminar at the Medzev Training Center in September 2009.

Research and Development

New production line for galvanized sheets extended product range and has contributed to increasing our capacity for supplying sheets for qualitatively more demanding automobile parts. Successful production of new grades of rephosphorized and ultradeep-drawing steels complying with specific requirements has increased our share of materials supplied for whole range of Skoda models: Roomster, Fabia, Octavia, Superb and Yeti. The development of new micro-alloyed grades has also played its part in increasing supplies for production of the new Fiat 500, Fiat Panda and Ford Ka in Poland.

We have similarly widened our product range in the area of non-coated sheets with the production of two-phase hot-rolled sheets. Development of this quality group enables our customer to maintain the current trend in reducing automobile wheel weight while preserving the required strength properties.

We have successfully implemented the development of a Single Reduced Continuous Annealed (SRCA) canning grade for the final product Easy-Open Ends. This new grade has enabled our customer to reduce the final product thickness while preserving the product's required properties in use. In 2009 trial production was undertaken of a new high-strength canning grade suitable for producing the more complex, smaller diameter Twist-off bottle caps. Similarly, trial production took place of another new high-strength canning grade with a thickness of 0.13 mm for making pet food cans. Reduction in the steel can wall thickness while preserving the required usage characteristics leads to lower overall can weight, and thus also less energy is required for transporting the finalized cans.

In 2009, research related costs incurred by the Company totaled EUR 3.4 million.

Productivity and Cost Saving

Increased productivity in USSK's operations has been a principal goal since the acquisition. In 2000, the Company committed to spend approx. USD 700 million over the next 10 years into capital expenditure projects increasing production performance and the capability to produce higher added value products, into ecological projects and into infrastructure quality. This commitment was fulfilled in 2006, and all further capital expenditure is being made above and beyond the originally-agreed commitment. The biggest capital expenditure project was the construction of the galvanizing line No. 3 with an annual capacity of 350,000 tons. A significant project in 2009 in terms of productivity increase was the general overhaul of turbo-generator No. 2 at the Power Engineering DP. Another project - difficult replacement of the gas pipeline on blast furnace No. 3 was undertaken by in-house teams from the Project Engineering department, division plants Blast Furnaces, Repairs and Mechanics instead of external contractors. Another project, spread over several months, involved extension of the high-tension electrical input substation, and this was implemented concurrently with a project by Slovenská elektrizačná a prenosová sústava, a.s.. Two new 250 MVA transformers were installed to convert the high-tension from 400 kV to 110 kV. This project has resulted in improved reliability of the steelworks' connection to the network through new twin extra high-tension power lines (2 x 400 kV).

Productivity of operations was further improved by reconstruction and modernization, requiring several months, of line no. 2 for continuous casting of slabs, which resulted in casting speed being increased from 1.7 to 2 meters per minute, and the overall line capacity from 2.7 to 3 million tons annually.

Relationship with suppliers is considered to be crucial, as they products and services directly or indirectly affect the quality of our products, technological devices, or immediately affect the performance of our employees, respectively. Participation of suppliers on significant capital expenditure projects, as well as mutual cost savings projects has been also very important. Relationship with suppliers have been built and developed by respecting the same values in area of safety, quality, customer

service, productivity and ethics. Permanent goal to built correct supplier relationships brought benefits especially in 2009, when suppliers shared economic crises with us and made their contribution to eliminate negative impact of crisis.

Reducing production costs is crucial for success in competitive markets. The Company has succeeded in reducing production costs by introducing efficient management systems at all levels, assisted by the continuous improvement process. Many projects have been implemented, based on proposals submitted by USSK employees and managers, which have saved millions of euros annually. Their significance became particularly evident during the recent crisis period and helped to maintain adequate cash position and sufficient liquidity.

The corporate **Continuous Cost Improvement Program** (CCIP), implemented at USSK in 2008, provides access to all projects implemented within whole corporation. In 2009, individual employees and teams of the Company submitted 196 projects focused on cost reduction, which led to savings of USD 16.28 per ton of steel produced. Most of them, 73 % of the projects, proposed savings in materials costs. Separate initiatives focused on costs saving in the area of steel production support - reducing energy costs, transportation costs and maintenance costs.

Selected Financial Information

Statement of Financial Position

Selected items from statements of financial position for the last three years are:

in EUR million	Separate financial statements			Consolidated financial statements		
	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2009	31 Dec 2008	31 Dec 2007
Property, Plant and Equipment	952	962	919	972	984	938
Intangible Assets	151	190	22	152	190	22
Other Non-Current Assets	46	49	74	30	36	59
Inventories	281	418	315	288	427	322
Accounts Receivable	319	393	470	320	393	475
Other Current Assets	113	122	98	122	132	110
Total Assets	**1,862**	**2,134**	**1,898**	**1,884**	**2,162**	**1,926**
Equity	942	1,171	1,398	960	1,192	1,419
Accounts Payable	584	567	397	585	571	402
Bank Loans	200	202	-	200	202	-
Other Liabilities	136	194	103	139	197	105
Total Equity and Liabilities	**1,862**	**2,134**	**1,898**	**1,884**	**2,162**	**1,926**

The fixed assets decreased in 2009 compared to 2008 mainly due to lower capital expenditures. Intangible assets decreased as a result of lower market price of emission allowances. Change in individual items of working capital corresponds with lower production levels, decrease in raw material prices and selling prices.

Major changes in 2009 equity represent an increase in base capital and dividend declaration. External financing as well as accounts payable were at comparable levels. Change in other liabilities reflects a decrease in provision for CO_2 emissions resulting from lower production and lower market prices of emission allowances.

Statement of Comprehensive Income

Selected items from statements of comprehensive income for the last three years are:

in EUR million	Separate financial statements			Consolidated financial statements		
	2009	2008	2007	2009	2008	2007
Revenues and Other Income	1,868	3,094	2,881	1,876	3,108	3,082
Operating Profit	21	383	479	23	386	485
Profit for the year	14	341	403	11	338	406

Financial results for 2009 were influenced by the impacts of the global finance and economic crisis resulting in lower capacity utilization and significant decrease in selling prices that was partially offset by lower raw material prices.

Proposal of 2009 Profit Distribution

in EUR	
Profit for 2009	14,411,529.92
Undistributed profit from previous years	23,202,207.69
Total undistributed profit before contribution to legal reserve fund and dividends	37,613,737.61
Contribution to legal reserve fund	(720,576.50)
Proposed dividends for U. S. Steel Global Holdings I B.V.	(36,893,161.11)
Total undistributed profit after contribution to legal reserve fund and dividends	0.00

Significant Events after 2009 Reporting Period and Expected Development in 2010

Significant events occurred after the reporting period are disclosed in Notes 31 of the accompanying financial statements.

The volatile global economic environment and low demand within all segments of the European markets negatively affected the Company's business in 2009. While we are becoming more optimistic, primarily due to improvements we are starting to see in the manufacturing sector, we remain cautious in our outlook for end user demand. We anticipate that improving business conditions will result in higher capability utilization and profitability of the Company.

Although we believe that global economies are in the stage of a gradual recovery, the effects of any further market changes on the Company's future financial position can not be reliably predicted. However, the management of the Company believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances so that the USSK is successful in the long-term.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Slovensko, s.r.o.
Námestie 1. mája 18
815 32 Bratislava
Slovak Republic
Telephone +421 (0) 2 59350 111
Facsimile +421 (0) 2 59350 222

Report on Verifying Consistency of the Annual Report with the Consolidated and Separate Financial Statements,

as required by § 23 of Act No. 540/2007 Coll.
(Addendum to the Independent Auditor's Report)

To the member and executives of U. S. Steel Košice, s.r.o:

We have audited the accompanying consolidated and separate financial statements of U. S. Steel Košice, s.r.o ("the Company") at 31 December 2009, on which we issued an unqualified Auditor's Report on 31 May 2010 and which is included in attached annual report.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's annual report at 31 December 2009 is consistent with the audited consolidated and separate financial statements referred to above.

Statutory Body's Responsibility for the Annual Report

The Company's statutory body is responsible for the preparation, accuracy, and completeness of the annual report in accordance with the Slovak Accounting Act.

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements

Our responsibility is to express an opinion on whether the accounting information presented in the annual report is consistent, in all material respects, with the information in the Company's audited consolidated and separate financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the annual report is free from accounting information that would significantly differ from the information stated in the consolidated and separate financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the annual report is consistent with the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the annual report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. We did not verify those data and information in the annual report that were not derived from the consolidated and separate financial statements.

We believe that the procedures performed provide a sufficient and appropriate basis for our opinion.

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2009 is consistent, in all material respects, with the audited consolidated and separate financial statements referred to above.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Ing. Peter Mrnka
SKAU licence No. 975

Slovenská komora auditorov
SKAU
Č.licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Bratislava, 31 May 2010

Translation note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

U. S. Steel Košice, s.r.o.

Consolidated financial statements for the year ended 31 December 2009

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

This version of the accompanying consolidated financial statements is a translation of the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language of the consolidated financial statements shall take precedence over this translation.

PRICEWATERHOUSECOOPERS

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Námestie 1. mája 18
815 32 Bratislava
Slovak Republic
Telephone +421 (0) 2 59350 111
Facsimile +421 (0) 2 59350 222

INDEPENDENT AUDITOR'S REPORT

To the shareholder and executives of U. S. Steel Košice, s.r.o.:

We have audited the accompanying consolidated financial statements of U. S. Steel Košice, s.r.o. ("the Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Statutory Body's Responsibility for the Consolidated Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

Slovenská Komora auditorov
SKAU
Č.licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Peter Mrnka
SKAU licence No.: 975

Bratislava, 31 May 2010

Translation note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

U. S. Steel Košice, s.r.o.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

U. S. Steel Košice, s.r.o.

Consolidated financial statements for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union have been approved and authorized for issue by the statutory representatives of the Company on 31 May 2010. Neither the Company's shareholder nor the executives have the power to amend the consolidated financial statements after issue.

Košice, 31 May 2010

George F. Babcoke	William C. King	Ing. Silvia Gaálová, FCCA	Ing. Adam Dudič, FCCA
President (statutory representative)	Senior Vice President and Chief Financial Officer (statutory representative)	General Manager General Accounting and Consolidation (responsible for accounting)	Director Accounting Compliance and External Reporting (responsible for financial statements preparation)

U. S. Steel Košice, s.r.o.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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(All amounts are in thousands of EUR)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2009	31 December 2008
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**971,659**	984,067
Intangible assets	6	**151,567**	190,229
Investment in associate	7	**330**	505
Financial assets available-for-sale		**259**	259
Long-term receivables	11	**861**	-
Deferred income tax asset	8	**19,616**	23,481
Other non-current assets	9	**9,888**	11,131
Total non-current assets		**1,154,180**	**1,209,672**
Current Assets			
Inventories	10	**287,605**	427,383
Trade and other receivables	11	**319,730**	393,046
Derivative financial instruments	12	**1,039**	14,415
Current income tax receivable	25	**244**	6,866
Cash and cash equivalents	13	**118,294**	108,522
Other current assets	14	**3,188**	2,409
Total current assets		**730,100**	**952,641**
Total Assets		**1,884,280**	**2,162,313**
EQUITY AND LIABILITIES			
Equity			
Base capital	15	**839,357**	587,842
Other reserves	15	**63,833**	74,515
Retained earnings		**56,580**	529,545
Total equity attributable to the Company's equity holders		**959,770**	**1,191,902**
Minority interests		**-**	-
Total Equity		**959,770**	**1,191,902**
Liabilities			
Non-Current Liabilities			
Long-term loans and borrowings	16	**200,026**	202,425
Long-term provisions for liabilities and charges	17	**16,167**	17,505
Long-term employee benefits payable	18	**18,031**	18,176
Deferred income tax liability	8	**984**	712
Other non-current liabilities		**-**	23
Total non-current liabilities		**235,208**	**238,841**
Current Liabilities			
Trade and other payables	19	**584,574**	571,392
Current income tax liability	25	**2**	47
Derivative financial instruments	12	**2,082**	4,879
Deferred income		**55**	9
Short-term provisions for liabilities and charges	17	**101,862**	151,202
Short-term employee benefits payable	18	**727**	4,041
Total current liabilities		**689,302**	**731,570**
Total Liabilities and Equity		**1,884,280**	**2,162,313**

The accompanying notes on pages 34 to 87 are an integral part of these consolidated financial statements.

(All amounts are in thousands of EUR)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2009	2008
Revenue	20	**1,741,658**	2,838,005
Other income	20	**133,858**	269,631
Materials and energy consumed	21	**(1,180,552)**	(1,797,846)
Salaries and other employees benefits	22	**(282,276)**	(305,942)
Depreciation and amortization	5, 6	**(85,333)**	(81,816)
Repairs and maintenance		**(20,345)**	(71,091)
Transportation services		**(101,566)**	(121,871)
Advisory services		**(13,972)**	(18,732)
Foreign exchange (losses) / gains		**(1,520)**	22,605
Impairment loss – CO_2 emissions allowances	6	**(697)**	(99,196)
Other operating expenses	23	**(166,681)**	(247,279)
Profit from Operations		**22,574**	**386,468**
Finance income	24	**826**	2,097
Finance cost	24	**(6,961)**	(8,118)
Share of profit of associate	7	**410**	1,101
Profit Before Tax		**16,849**	**381,548**
Income tax expense	25	**(5,572)**	(43,171)
Profit After Tax		**11,277**	**338,377**
Profit after tax is attributable to:			
- Minority interest		**-**	-
- Equity holders of the Company		**11,277**	338,377
Total Profit After Tax		**11,277**	**338,377**
Currency translation differences			
- Group		**(111)**	3,239
- Associate (Note 7)		**85**	(219)
Changes in fair value of hedging derivatives		**(7,196)**	6,899
Changes in revaluation reserve		**3,855**	-
Other		**(42)**	-
Other Comprehensive Income, net of tax		**(3,409)**	**9,919**
Total Comprehensive (Loss) / Income for the Year		**7,868**	**348,296**
Total comprehensive (loss)/income is attributable to:			
- Minority interest		**-**	-
- Equity holders of the Company		**7,868**	348,296
Total Comprehensive Income for the Year		**7,868**	**348,296**

(All amounts are in thousands of EUR)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Company				Minority interest	Total
	Base capital	Other reserves	Retained earnings	Subtotal		
Balance as of 1 January 2009	**587,842**	**74,515**	**529,545**	**1,191,902**	**-**	**1,191,902**
Profit for 2009	-	-	11,277	**11,277**	-	**11,277**
Other comprehensive income	-	(3,500)	91	**(3,409)**	-	**(3,409)**
Total comprehensive income	**-**	**(3,500)**	**11,368**	**7,868**	-	**7,868**
Transactions with owners:						
Increase in base capital	251,515	-	(251,515)	**-**	-	**-**
Contribution to legal reserve fund	-	27	(27)	**-**	-	**-**
Euroconversion at Subsidiaries	-	(7,209)	7,209	**-**	-	**-**
Dividends	-	-	(240,000)	**(240,000)**	-	**(240,000)**
Total transactions with owners	**251,515**	**(7,182)**	**(484,333)**	**(240,000)**	**-**	**(240,000)**
Balance as of 31 December 2009	**839,357**	**63,833**	**56,580**	**959,770**	**-**	**959,770**

	Attributable to equity holder of the Company				Minority interest	Total
	Base capital	Other reserves	Retained earnings	Subtotal		
Balance as of 1 January 2008	**587,842**	**67,304**	**763,460**	**1,418,606**	**-**	**1,418,606**
Profit for 2008	-	-	338,377	**338,377**	-	**338,377**
Other comprehensive income	-	7,085	2,834	**9,919**	-	**9,919**
Total comprehensive income	**-**	**7,085**	**341,211**	**348,296**	**-**	**348,296**
Transactions with owners:						
Contribution to legal reserve fund	-	126	(126)	**-**	-	**-**
Dividends	-	-	(575,000)	**(575,000)**	-	**(575,000)**
Total transactions with owners	**-**	**126**	**(575,126)**	**(575,000)**	**-**	**(575,000)**
Balance as of 31 December 2008	**587,842**	**74,515**	**529,545**	**1,191,902**	**-**	**1,191,902**

(All amounts are in thousands of EUR)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Total consolidated	
		2009	**2008**
Profit before tax		**16,849**	**381,548**
Non-cash Adjustments for			
Depreciation of property, plant and equipment	5	**83,586**	79,877
Amortization of intangible assets	6	**1,747**	1,939
Amortization of deferred income from CO_2 emission allowances	20	**(128,123)**	(264,990)
Charge for provision for CO_2 emissions emitted – 2009	17, 23	**92,747**	137,633
Reversal of unused provision for CO_2 emissions emitted – 2008	23	**(2,483)**	-
Impairment loss – CO_2 emission allowances	6	**697**	99,196
Loss on disposal of property, plant and equipment and intangible assets	23	**8,792**	4,062
Losses / (gains) from fair value changes of derivative financial instruments	23	**(14,897)**	(19,410)
Share of profit of associate	7	**(410)**	(1,101)
Interest income	24	**(826)**	(2,046)
Interest expense	24	**6,961**	8,118
Foreign exchange (gains) / losses on operating activities		**(204)**	1,671
Changes in working capital			
Decrease / (increase) in inventories	10	**139,778**	(105,456)
Decrease in trade and other receivables and other current assets		**71,602**	82,474
Decrease in trade and other payables and other current liabilities		**(52,041)**	(58,514)
Cash generated from operations		**223,775**	**345,001**
Interest paid		**(7,983)**	(3,524)
Income taxes received / (paid)		**5,870**	(51,322)
Net receipts from derivative financial instruments		**16,649**	17,729
Net cash generated from operating activities		**238,311**	**307,884**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(75,652)**	(134,005)
Proceeds from sale of property, plant and equipment		**1,303**	7,227
Purchases of intangible assets	6	**(22,616)**	(6,276)
Proceeds from sale of intangible assets		**10,916**	-
Proceeds from sale of intangible assets – CO_2 emission allowances		**40,079**	-
Decrease / (increase) of cash restricted in its use		**1,241**	(3,003)
Interest received		**902**	2,188
Dividends received from associate	7	**670**	556
Net cash (used in) / provided by investing activities		**(43,157)**	**(133,313)**
Cash flows from financing activities			
Proceeds from borrowings		**-**	230,000
Repayment of borrowings		**-**	(30,000)
Dividends paid to the Company's shareholder		**(185,382)**	(373,522)
Net cash used in financing activities		**(185,382)**	**(173,522)**
Net increase in cash and cash equivalents		**9,772**	**1,049**
Cash and cash equivalents at beginning of year	13	**108,522**	107,473
Cash and cash equivalents at end of year	13	**118,294**	**108,522**

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 1 General Information

U. S. Steel Košice, s.r.o. (hereinafter also "the Company") was established as a limited liability company on 7 June 2000 and incorporated in the Commercial Register on 20 June 2000 in Slovakia (Commercial Register of the District Court Košice I in Košice, Section Sro, Insert 11711/V).

The Company's registered office is:

Vstupný areál U. S. Steel
Košice
044 54
Identification No.: 36 199 222
Tax identification No.: 2020052837
VAT identification No.: SK2020052837

In October 2009, the U. S. Steel Košice, s.r.o. requested the Slovak tax authority for VAT registration as a U. S. Steel Košice, s.r.o. Group (Note 31 Events After the Reporting Period).

Business activities of the Group

The principal activity of the Company and its subsidiaries (hereinafter "the Group") is the production and sale of steel products (Notes 20 and 32).

Liability in other business entities

The Group does not have unlimited liability in other business entities.

Average number of staff

The average number of the Group's employees is presented in Note 22.

The Company's management

Statutory representatives as of 31 December 2009 were as follows:

George F. Babcoke	President
William Clyde King	Senior Vice President and Chief Financial Officer
Patrick James Mullarkey	Vice President Operations
Peter Joseph Alvarado	Vice President Commercial
Ing. Anton Jura	General Manager – U. S. Steel Canada Inc.
RNDr. Miroslav Kiraľvarga, MBA	Vice President Management Services and Administration
John Frederick Wilson	General Counsel
Traci Lynn Vaughan	Vice President BSC - Europe
Ing. Vladimír Jacko, PhD., MBA	Vice President Technology
Ing. Martin Pitorák	Vice President Human Resources

Emoluments of statutory representatives are disclosed in Note 30.

Shareholder of the Company

As of 31 December 2009, the only shareholder of the Company was U. S. Steel Global Holdings I B.V., Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands. The shareholder owns a 100% share of the base capital, representing 100% of voting rights.

The General Meeting approved the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union ("EU") for the previous accounting period on 1 June 2009.

These consolidated financial statements are deposited in the Collection of documents of the District Court Košice I, Štúrova 29, 041 51 Košice, Slovakia and are also available at the registered address of the Company stated above and also at internet web page www.usske.sk.

The Group is included in the consolidated financial statements of its parent company U. S. Steel Global Holdings I B.V, which are part of the consolidated financial statements of the ultimate controlling party of the Company – United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA. The consolidated financial statements of the consolidated group are prepared by United States Steel Corporation ("U. S. Steel") in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") and are available directly at the registered address stated above and internet web page www.ussteel.com.

Note 2 Significant Accounting Policies

The principal accounting policies applied in the preparation of the Group's consolidated financial statements (hereinafter "the consolidated financial statements") are set out below.

2.1 Statement of Compliance

These consolidated financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of 31 December 2009 and effective for annual periods then ended.

2.2 Basis of Consolidated Financial Statements Preparation

The Act on Accounting effective in the Slovak Republic requires the Company to prepare consolidated financial statements for the year ended 31 December 2009 in compliance with IFRS as adopted by the EU.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of intangible assets representing the carbon dioxide emissions allowances and by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

These consolidated financial statements have been prepared on the going concern basis.

The preparation of consolidated financial statements in compliance with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions in the process of applying the Group's accounting policies that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of reporting period and the reported amounts of revenues and expenses during the year. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.3 Changes in Accounting Policies

The accounting policies have been consistently applied to all the periods presented except for following new and amended IFRS and IFRIC interpretations, which have been adopted by the Group as of 1 January 2009 and have implications on these consolidated financial statements (Note 4.1):

- *IAS 1 (Amendments) Presentation of Financial Statements: a Revised Presentation*,
- *IAS 23 (Amendment) Borrowing Costs,*
- *IFRS 7 (Amendment) Improving Disclosures about Financial Instruments.*

2.4 Foreign Currency Translations

Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured in the currency of the primary economic environment in which the particular company operates (“the functional currency“). These consolidated financial statements are prepared in Euro (“EUR“), which is the functional currency of the Company, all of its subsidiaries except for U.S. Steel Košice–Bohemia a.s. and presentation currency of the Group. Slovak subsidiaries changed their functional currency from SKK to EUR effective 1 January 2009, after the Slovak Republic’s entry into the Eurozone.

Transactions and balances

Until 31 December 2008 the Company kept its books and records in the Slovak koruna, which was different from its functional currency. Transactions in currencies other than the Slovak koruna were translated into the Slovak koruna using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the Slovak koruna, and from the translation of monetary assets and liabilities denominated in currencies other than the Slovak koruna at year-end exchange rates were recognized in the statement of comprehensive income. As of 31 December 2008, all amounts were translated into the functional currency in accordance with *IAS 21 The Effects of Changes in Foreign Exchange Rates* producing materially the same amounts in the functional currency as would have occurred had the items been recorded initially in the functional currency.

Effective 1 January 2009, after the Slovak Republic’s entry into the Eurozone, the accounting books and records are kept in functional currency euro. Transactions in currencies other than the euro are translated into the euro using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the euro, and from the translation of monetary assets and liabilities denominated in currencies other than the euro at year-end exchange rates are recognized in the statement of comprehensive income.

Group companies

The subsidiaries are financially, economically and organizationally autonomous. Their functional currencies are the respective local currencies. The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each statement of comprehensive income are translated at average exchange rates; and

c) all resulting exchange differences are recognized as a translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Principles of Consolidation

Subsidiaries

The consolidated financial statements of the Group include separate financial statements of U. S. Steel Košice, s.r.o. and the companies that it controls (Note 32). This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 % of an entity's share capital or is authorized to execute more than 50 % of the voting rights of the entity and is able to govern the financial and operating policies of an entity so as to benefit from its activities. The companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests

Minority interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. This interest forms a separate component of the Group's equity.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

Associates

Investments in associated companies (generally investments of 20% to 50% in a company's equity) where significant influence is exercised by the Group are accounted for using the equity method and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate, against the investment in the associate. Unrealized losses are also eliminated but only to the extent that there is no evidence of impairment of the asset transferred.

2.6 Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items such as purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs for long-term construction projects if the recognition criteria are met (Note 2.10).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one year or if the spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment.

Land, art collections and construction in progress are not depreciated. Depreciable amount of other property, plant and equipment items is allocated on a straight-line basis over their estimated useful lives, as follows:

Buildings	35 years
Machinery and equipment	5 – 15 years
Other non-current tangible assets	2 – 5 years

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such component.

Commencement of depreciation is the date when the asset is first available for its intended use.

When asset is disposed of or it is determined that no future economic benefits are expected to arise from the continued use of the asset, the cost and accumulated depreciation of the assets are derecognized and any gain or loss resulting from its disposal is recognized in the statement of comprehensive income.

The residual values and useful lives for assets are reviewed and adjusted, if appropriate, at each end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is the higher of an assets fair value less costs to sell and value in use. Gains and losses on assets' disposals are determined by comparing related proceeds with carrying amount. These are included in the statement of comprehensive income.

2.7 Intangible Assets

Intangible assets other than emissions allowances are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

After initial recognition, intangible assets other than emissions allowances are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The amortization period and method are reviewed at each end of reporting period.

Research and development costs

Research costs are expensed in the period in which they were incurred. The development costs that relate to a clearly defined product or process where the technical feasibility and the possibility of sale or internal use can be demonstrated and the Group has sufficient resources to complete the project, to sell it or to utilize its results internally, are capitalized up to the amount that is expected to be recovered from future economic benefits. If the conditions for capitalization are not fulfilled, development costs are expensed in the period in which they were incurred.

Software

Acquired computer software is measured at cost less accumulated amortization and any accumulated impairment losses and is classified as an intangible asset if it is not an integral part of the related hardware. Software is amortized on a straight-line basis over estimated useful lives (2 – 5 years). Expenditures to enhance or extend the software performance beyond its original specification are capitalized and added to the original cost of the software.

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 5 years.

Emissions allowances

Purchases, sales or swaps of emission allowances are recognized on trade-date. Purchased emission allowances are recognized as intangible assets and measured at acquisition costs. When the emission allowances are swapped, the purchase and sale transactions are recognized separately. When the emission allowances are sold, the intangible asset is derecognized and the gain or loss is recognized in statement of comprehensive income.

Carbon dioxide emissions allowances which are allocated to emitting facilities annually free of charge by the Slovak Government for a period of one year are recognized as an intangible asset as of the date the allowances were credited to the National Registry of Emission Rights (hereinafter “NRER”). The allowances were issued free of charge and are initially measured at fair value. The fair value of allowances issued represents their market price on the European Energy Stock Exchange as of the date they are credited to the NRER.

As no amount has been paid to acquire this intangible asset, it was recognized in compliance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* as deferred income on the acquisition date and subsequently recognized as income on a straight-line basis over the compliance period for which the emissions allowances have been allocated, regardless of whether the emissions allowances are held or sold.

As emissions are made, a provision is recognized for the obligation to deliver the emissions allowances equal to emissions that have been made. This provision is disclosed under short-term provisions for liabilities and charges. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of reporting period, which represents the market price of the number of allowances required to cover emissions made up to the end of reporting period.

The intangible asset representing the emissions allowances is carried at market value with revaluation surplus recorded in equity. Revaluation decreases are recorded as an impairment loss in the statement of comprehensive income to the extent that they exceed the revaluation surplus previously recorded in equity. Unused emission allowances, which can not be transferred to subsequent trading period, are written off.

2.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill on acquisitions of associates is included in ‘investments in associates’. Goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.9 Impairment of Property, Plant and Equipment and Intangible Assets

Goodwill, intangible assets not yet available for use and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each end of reporting period.

2.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Accounting for Leases

Leases of assets are classified as

- finance leases when substantially all the risks and rewards of ownership are transferred to the Group,
- operating leases when substantially all the risks and rewards of ownership are effectively retained by the lessor.

Asset items acquired under finance leases are recognized as assets at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments.

Each lease payment is allocated between the lease obligation liability and finance charges so as to achieve a constant rate of interest on the remaining liability balance. The interest element is charged to finance cost of the statement of comprehensive income over the lease period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Rental income or lease payments under an operating lease (net of any incentives received from the lessor) are recognized as revenue or expense on a straight-line basis over the lease term.

2.12 Financial Assets

Financial assets include cash and cash equivalents, receivables, loans and borrowings, quoted and unquoted financial instruments and derivative financial instruments.

The Group classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss, hedging derivatives and financial assets available-for-sale. The classification depends on the purpose for which the financial assets were acquired and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets not at fair value through profit or loss are initially measured at their fair value plus transaction costs that are incremental and directly attributable to the acquisition or origination.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, net of provision made for impairment, if any.

A provision for impairment to loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the originally agreed upon terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and payments outstanding for more than 180 days after agreed upon due date are considered to be indicators that the loan or the receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the instrument's original effective interest rate. The carrying amount of the asset is reduced using a provision account, and the amount of the impairment loss is recognized in the statement of comprehensive income. When the asset is uncollectible, it is written off against the related provision account.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Management designates financial instruments into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel.

Derivatives are categorized as held for trading unless they qualify for hedge accounting (Note 2.25). Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 after the end of reporting period.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income.

Financial assets available-for-sale

Financial assets available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of reporting period.

Financial assets available-for-sale are measured at cost because their fair value can not be reliably determined.

Derecognition of financial assets

Financial assets are derecognized when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

The cost of raw material inventories is assigned by using the first-in, first-out (FIFO) cost formula. The cost of work in progress, semi-finished production and finished products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

2.14 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, money deposited with financial institutions that can be withdrawn without notice and other short-term highly liquid investments that are subject to insignificant risk of changes in value and have maturity of three months or less from the date of acquisition.

2.15 Equity and Reserves

Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement at initial recognition.

Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instruments are classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is not genuine at the time of issuance or settlement is required only in case of the issuer's liquidation, in which case the instrument is classified as equity.

Reserves

(a) Legal reserve funds

The legal reserve funds are set up in compliance with the Commercial Code. Contributions to the legal reserve funds of the Group are made from net income up to 10% of the base capital for limited liability companies and up to 20% of the base capital for joint stock companies. A legal reserve fund is not distributable and may be used only to cover losses of a company.

(b) Other reserve funds

Other reserve funds include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting (Note 2.25) and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the corresponding assets, the cumulative revaluation reserves are transferred to retained earnings. The transfer is not made through the profit or loss of the current period.

(c) Translation reserve

The translation reserve is used for translation differences arising on consolidation of financial statements of foreign entities. Upon disposal of the corresponding foreign entities, the cumulative translation reserves are recognized as income or expenses in the same period in which the gain or loss on disposal is recognized.

2.16 Financial Liabilities

Financial liabilities include loans and borrowings, trade payables and accruals and derivative financial instruments.

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss, hedging derivatives or other financial liabilities.

Loans and borrowings

Loans and borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost; any difference between the amount at initial recognition and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortized cost.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2.17 *Dividends*

Dividends are recognized in the Group's accounts in the period in which they are approved by shareholders.

2.18 *Government Grants*

Government grants are recognized only if there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. They are deferred and recorded on a systematic basis into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in these consolidated financial statements. Income relating to government grants is recognized as Other Income.

2.19 *Provisions*

Provisions are recognized when, and only when, the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in the provision reflecting the passage of time is recognized as interest expense.

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2.20 *Current and Deferred Income Tax*

Income tax expense comprises current and deferred tax expense. Current and deferred tax expense are recognized in the statement of comprehensive income, except when they relate to items recognized directly to equity, in which case the tax is also recognized directly in equity.

The current income tax charge is calculated based on taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income because of items like the allowed tax credit, items of income or expense that are taxable or deductible in different years and items that are never taxable or deductible. The current income tax liability is calculated using tax rates (and tax laws) that have been enacted, or substantively enacted, at the end of reporting period in the countries where the Company and its subsidiaries and associate operate and generate taxable income, and any adjustment to taxes payable in respect of previous years. Management of the Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided for using the statement of financial position liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by end of reporting period and are expected to apply when the related asset is realized or the liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and other temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for the cases where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Employee Benefits

Defined contribution pension plan

The Group makes contributions to the mandatory government and private defined contribution pension plans at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost.

For employees of U. S. Steel Košice, s.r.o. who choose to participate in a supplementary pension savings scheme, the Company makes monthly contributions to the supplementary pension savings scheme in amounts determined in the Collective Labor Agreement.

Employee retirement obligation

The Group is committed to make payments to the employees upon retirement in accordance with Slovak legislation. Employees of U. S. Steel Košice, s.r.o. and two other subsidiaries are entitled to benefits at their first retirement, upon acquiring the entitlement to an early old age pension, an regular old age pension or an invalidity (disability) pension, when decrease in ability to perform earning activity is more than 40 %, as follows:

- if an employee terminates labour contract in the month in which he or she acquires the entitlement to an old age pension, in the amount of his or her average monthly pay plus an amount of up to EUR 1,659.70 based on the years of employment with the Company;

- in other cases, in the amount of his or her average monthly earnings.

The liability in respect of this employee benefit represents the present value of the defined benefit obligation at the end of reporting period, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by U. S. Steel actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to statement of comprehensive income over the remaining working lives of the employees entitled to the benefits. Amendments to the benefit plan are charged to statement of comprehensive income over the average period until the amended benefits become vested.

Work and life jubilees

The Group also pays certain work and life jubilee benefits. Employees of U. S. Steel Košice, s.r.o. and two other subsidiaries are entitled to work and life jubilee benefits upon reaching specific age and/or reaching a specific period of employment in accordance with the Collective Labor Agreement.

The liability in respect of the work and life jubilee benefits plan represents the value of the defined benefit obligation at the end of reporting period and is calculated annually by U. S. Steel actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to statement of comprehensive income when incurred. Amendments to the work and life jubilees benefit plan are charged to statement of comprehensive income immediately.

Termination benefits

Termination benefits are payable either when employment is terminated by the Group as a result of specific organizational reasons or employee health reasons, or whenever an employee accepts voluntary redundancy in exchange for termination or similar benefits, e.g. one-off wage for long-term employment. The Group recognizes these benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination or similar benefits in exchange for an offer made to encourage voluntary redundancy. In case of an offer made to encourage voluntary redundancy, the measurement of these benefits is determined based on the number of employees, who accepted the offer. Termination benefits due more than 12 months after the end of reporting period are discounted to present value.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in Liability to employees and social security. Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

2.22 *Revenue Recognition*

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales and dividend income within the Group.

Sale of own production and goods

Revenue from sales of own production and goods is recognized when the Group has transferred significant risks and rewards of ownership to the buyer and has retained neither continuing managerial involvement nor effective control over the own production and goods sold.

Rendering of services

Revenue from sale of services is recognized in the period in which the services are rendered by reference to the stage of completion. The stage of completion is measured by reference to the actual service provided as a proportion of the total service to be provided.

Interest income

Interest income is recognized using the effective interest method. Interest income is included in finance income in the statement of comprehensive income.

Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

2.23 *Operating Segments*

An operating segment is a component of the Group which is either (a) engaged in business activity from which the Group may earn revenues and incur expenses or (b) whose operating results are regularly reviewed by the Group's chief operating decision maker or (c) for which discrete financial information is available.

As the Group has neither issued any debt or equity instruments which are publicly traded nor files its consolidated financial statements with security commission or other regulatory organization for the purpose of issuing any class of instruments in a public market, no operating segments are presented in these consolidated financial statements in accordance with *IFRS 8 Operating Segments*.

2.24 *Contingent Liabilities and Contingent Assets*

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.25 Accounting for Derivative Financial Instruments

Derivative financial instruments, mainly short-term currency contracts, are initially recognized in the statement of financial position at fair value (excluding transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in statement of comprehensive income.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive income.

Forward foreign exchange contracts embedded in the host raw material purchase contracts denominated in U.S. dollars are considered to be closely related to the host contracts because raw material prices are routinely denominated in U.S. dollars in commercial transactions in the economic environment in which the Group operates.

<u>Hedge Accounting</u>

The Group uses derivatives – forward transactions – to hedge future cash flows. The criteria to meet the application of hedge accounting are: (a) the hedging relationship between the hedged item and the hedging instrument is clearly documented and (b) the hedge is highly effective. The hedging instruments are measured at fair value. Gains or losses relating to the effective portion of the derivatives are initially recognized in equity. If a hedge of forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability then the Group reclassifies the associated gains and losses that were recognized directly in equity into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of comprehensive income.

The Group has documented a strategy of financial risk management. Hedging targets are determined in compliance with this strategy. The Group documents the relationship between the hedged item and the hedging instrument at the inception of the transaction, as well as at the end of reporting period and at settlement date of the trade to assess whether the derivatives which are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity is subsequently recognized in the statement of comprehensive income.

2.26 Fair Value Estimation

Fair value of emission allowances represents their market value as of the measurement date.

Financial instruments, which are measured at fair value, are classified into three categories depending on how the data for measurement were obtained (Note 28):

- Level 1 represents quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 represents inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 are those derived from valuation techniques that include inputs that are not based on observable market data.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2.27 Events After the Reporting Period

Events after the reporting period that provide evidence of condition that existed at the end of reporting period (adjusting events), are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.28 Changes in Presentation

Where necessary, certain adjustments of corresponding figures have been made to conform to the current year presentation.

In 2009, the Group made adjustments in the comparatives as required by the amended standard IAS 1. These adjustments did not affect any statement of financial position and therefore, in management’s opinion, omission of opening statement of financial position as of 1 January 2008 is not material and should not influence the economic decisions of the users of the consolidated financial statements.

Note 3 Significant Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangible assets; provision for impairment of receivables, inventories and deferred income tax assets; environmental liabilities; liabilities for potential tax deficiencies and potential litigation claims and settlements; and assets and obligations related to employee benefits. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as certain significant judgements made by the Group in applying its accounting policies are outlined below.

Functional currency of the Group

The U. S. Steel Košice, s.r.o.'s functional currency has been determined to be the euro based on the underlying economic conditions and operations. The functional currencies of subsidiaries are their local currencies (Note 2.4). This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Company evaluates among other factors, the sources of revenue, risks associated with activities and denomination of currencies of its operations. The Company based its judgment on the fact that it operates internationally on markets mainly influenced by the euro and its major activity is the sale of steel in Western and Central Europe. Also, a majority of capital expenditures and a significant portion of costs are denominated in the euro and effective 1 January 2009, the Slovak Republic introduced the euro as its national currency.

Impact of economic crisis

The current volatile global economic environment significantly increased the overall risk and negatively affected the Group's business. The full extent of the impact of the ongoing financial crisis is difficult to anticipate or completely guard against. Currently, the effects of any further market changes on the Group's future financial position can not be reliably predicted, however, the management of the Group believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances. The short-term priorities are concentrated in the areas of maximizing liquidity, reducing costs and effective usage of resources so that the long-term strategy of the Group is met.

Estimated useful life of property, plant and equipment

The average useful life of depreciable Property, plant and equipment represents approximately 16 years (2008: 16 years). A revision of the average useful life by 1 year would change the annual depreciation charge by EUR 5 million (2008: EUR 5 million).

Impairment of property, plant and equipment

The Group evaluates impairment of its property, plant and equipment whenever circumstances indicate that the carrying amount exceeds its recoverable amount. The change in business conditions in the fourth quarter of 2008 and during whole year 2009 was considered to be an indicator as defined by *IAS 36 Impairment of Assets* and subsequently the Group's assets were tested for impairment. The tested assets include property, plant and equipment (Note 2.6) and intangible assets excluding emission allowances, which are measured at fair value (Note 2.7). The assets of individual Group companies are considered to be a separate cash generating unit. Asset impairments are recognized when the carrying amount of the assets exceeds their value in use. Discounted cash flows for the assets were calculated using conservative estimates of future market conditions over the average estimated useful life of the assets and discount rate of 10%. The testing did not indicate that the assets were impaired as of 31 December 2009 as well as 31 December 2008. However, if future cash flow projections are not realized, either because of an extended recessionary period or other unforeseen events, impairment charges may be required in future periods. A 10 % change in the discount rate would not result in recognition of an impairment.

The sensitivity of other variables can not be reliably quantified because the change in any input would, at the same time, result in a change of other variables, however, management of the Group believes that such change would not result in an impairment.

Spare parts

As stated in Note 2.6, major spare parts and stand-by equipment are capitalized to property, plant and equipment. The capitalization threshold to qualify as major spare parts was determined by management to be EUR 10 thousand (2008: EUR 10 thousand). Their useful life was derived from average life of related property, plant and equipment and estimated to be 7 years. If the threshold increased to EUR 30 thousand, the net income would decrease by EUR 1 million (2008: EUR 11 million). If the estimated useful life decreased by 1 year, the net income would decrease by EUR 5 million (2008: EUR 4 million). If the estimated useful life increased by 1 year, the net income would increase by EUR 3 million (2008: EUR 4 million).

Net realizable value of inventories

The Group reviews the value of its inventories whenever circumstances indicate that the carrying amount exceeds its net realizable value (NRV). The change in business conditions in the fourth quarter of 2008 and during whole year 2009 indicated that carrying amount of certain inventories may exceed their NRV as defined by *IAS 2 Inventories* and the inventories were written down when the condition was met (Note 10). For internally produced inventories, the net realizable value was estimated comparing the cost with the best estimate of expected selling price of finished products, in which they will be incorporated, less costs to complete. If the estimate of actual selling price increased by 10%, the impairment charge would decrease by EUR 0.3 million (2008: EUR 3.6 million). If the estimate of actual selling price decreased by 10%, the impairment charge would increase by EUR 1.7 million (2008: EUR 12.6 million).

Taxation

U. S. Steel Košice, s.r.o. was granted a tax credit (Note 8) available through 31 December 2009. Management believes that all tax credit conditions were met for the preceding periods. If a condition is not met for a period, the tax credit claimed for the related period would have to be repaid including related tax penalties. During 2006, the Slovak tax authority audited and confirmed that the Company fulfilled all of the necessary conditions for claiming the tax credit for the years 2000 through 2005.

Certain areas of Slovak tax law have not been sufficiently tested in practice. As a result, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations become available. The Group's management is not aware of any circumstances that may give rise to a future material expense in this respect. During 2008, the Slovak tax authority issued protocols with respect to completed audits of the 2005 and 2006 income taxes of the U. S. Steel Košice, s.r.o. without significant findings. Fiscal periods remain open to review by the tax authorities for five years after the year in which the tax return is filed.

Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. Any changes in these assumptions will impact the carrying amount of employee benefits obligations.

The appropriate assumptions are determined by U. S. Steel actuaries at the end of each year. Additional information is disclosed in Note 2.21 and Note 18.

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards, which are effective in 2009, were adopted by the Group and have implications on these consolidated financial statements (Note 2.3)

IAS 1 (Amendments) Presentation of Financial Statements: a Revised Presentation (effective for periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income, which also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group has adopted the standard effective 1 January 2009 and has elected to present one statement of comprehensive income.

The revised IAS 1 also requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change. This could include presenting profit or loss and each item of other comprehensive income in the statement of changes in equity. Management of the Group considered materiality and concluded that it is sufficient for an entity to present such information only in the statement of comprehensive income and that repeating the same information in the statement of changes in equity, is not a material omission of information. In reaching this conclusion, Management of the Group considered the examples provided in the guidance on implementing, which accompanies the revised IAS 1, but is not a mandatory part of that standard.

IAS 23 (Amendment) Borrowing Costs (effective for periods beginning on or after 1 January 2009). IAS 23 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. In accordance with the transitional provisions of the revised standard, the Group has adopted the standard on a prospective basis effective 1 January 2009. The borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2009, EUR 368 thousand of borrowing costs have been capitalized on qualifying assets included in construction in progress at average capitalization rate of 2.9% p.a.

IFRS 7 (Amendment) Improving Disclosures about Financial Instruments (effective for periods beginning on or after 1 January 2009). The amendment amends and adds disclosures about fair value measurement and liquidity risk. It requires entities to classify fair value measures they use into three categories similar to US GAAP requirements: quoted prices, other observable market data and unobservable inputs. Other disclosures to be provided include analysis of fair value amounts by these categories, transfers between the categories, movements between opening and closing balances and sensitivity analysis. Changes in disclosures relating to liquidity risk include different approach for maturity analysis of derivative financial liabilities. Required disclosures are presented in Note 28.

4.2 Standards, amendments and interpretations to published standards, which are effective in 2009 and were adopted by the Group but they are not relevant or do not have any material implications to the consolidated financial statements

IFRS 8 Operating Segments (effective for periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the guidance in Accounting Standards Codification (ASC) 280 Segment Reporting. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group concluded that it is not required to present information for operating segments in accordance with this new standard as disclosed in revised Note 2.23.

IFRS 2 (Amendment) Share-Based Payment: Vesting Conditions and Cancellations (effective for periods beginning on or after 1 January 2009). The amended standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of share based payments are not vesting conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have material implication on these consolidated financial statements.

IAS 32 and IAS 1 (Amendments) Puttable Financial Instruments and Obligations Arising on Liquidation (effective for periods beginning on or after 1 January 2009). The amendments require classification as equity of some financial instruments that meet the definition of a financial liability. The amended standards do not have material implication on these consolidated financial statements.

IFRS 1 and IAS 27 (Amendments) Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate (effective for periods beginning on or after 1 January 2009). The amendments allow first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying amount as deemed cost in the separate financial statements. The amendments also require distributions from pre-acquisition net assets of investees to be recognized in profit or loss rather than as a recovery of the investment. The amended standards do not have material implication on these consolidated financial statements.

The management of the Group has assessed effects of the annual projects *Improvements to IFRSs* as published by IASB in May 2008, in April 2009 and in May 2010. Improvements to IFRSs as published in May 2010 have not yet been endorsed by the EU. The improvements do not have material implication on these consolidated financial statements.

IFRIC 13 - Customer Loyalty Programmes (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. The interpretation does not have material implications on these consolidated financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate (effective for periods beginning on or after 1 January 2009). IFRIC 15 provides guidance whether revenue from construction of real estate is recognized in compliance with IAS 11 Construction Contracts or IAS 18 Revenue. It specifies that IAS 11 applies if the buyer is able to specify major structural elements of the design of the real estate before construction begins or when construction is in progress. If the buyer has only limited ability to influence the design then the revenue is recognized in accordance with IAS 18. Percentage of completion method also applies even if the agreement is within the scope of IAS 18 but the control and significant risks and rewards of the ownership of the real estate is being transferred as work progresses. The interpretation is not relevant to the Group.

IFRIC 16 – Hedges of Net Investment in a Foreign Operation (effective for periods beginning on or after 1 October 2008). IFRIC 16 determines criteria for hedge accounting that is applied by an entity that hedges the foreign currency risk arising from its net investments in foreign operations. It provides guidance on (a) identifying the foreign currency risks that qualify as a hedged risk in the hedge of net investment in a foreign operation, (b) where, within a group, the hedging instrument can be held and (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and hedged item. The interpretation does not have material implication on these consolidated financial statements.

4.3 Standards, amendments and interpretations to existing standards which have been published and are mandatory for the accounting periods beginning on 1 January 2010 or later

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for periods beginning on or after 1 July 2009). The amendment clarifies (a) when inflation can be designated as a hedged item in a financial instrument under the hedge accounting provisions in IAS 39 and (b) how hedge accounting can be applied to hedges where a hedging instrument is an option contract. The Group has not early adopted the amendment and does not expect material consolidated financial statements implications relating to the adoption of this amendment in the future.

IFRS 3 (Revised) Business Combinations (effective for periods beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure the fair value of every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is to be measured as the difference at acquisition date, between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs are to be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer has to recognize at the acquisition date a liability for contingent purchase consideration. Changes in the value of that liability after the acquisition date are to be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The disclosures required to be made in relation to contingent consideration are to be enhanced. The revised IFRS 3 brings in its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group has not early adopted the revised standard and does not expect material consolidated financial statements implications relating to the adoption of this revised standard in the future.

IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009). The amended standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognized in statement of comprehensive income. The amended standard does not have material implication on these consolidated financial statements.

IAS 32 (Amendment) Financial Instruments: Presentation: Classification of Rights Issue (effective for periods beginning on or after 1 February 2010). The amended standard clarifies that a rights issue offerred pro rata to all of an entity's existing shareholders on the exercise of which the entity will receive a fixed amount of cash for a fixed number of the entity's own equity instruments is classified as an equity instrument regrdless of the currency in which the exercise price is denominated. The Group has not early adopted the amendment and does not expect material consolidated financial statements implications relating to the adoption of this amendment in the future.

IFRS 2 (Amendment) Share-Based Payment: Group Cash-settled Share-based Payment Transactions (effective for periods beginning on or after 1 January 2010). The amended standard clarifies the scope of IFRS 2 and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when the entity has no obligation to settle the transaction, i.e. its parent company or another entity in the group must pay those suppliers. The amendment also incorporate into IFRS 2 the guidance previously included in the interpretations IFRIC 8 – Scope of IFRS 2 and IFRIC 11 – IFRS 2 Group and Treasury Share Transactions. The Group has not early adopted the amendment and does not expect material consolidated financial statements implications relating to the adoption of this amendment in the future.

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2013). IFRS 9 replaces part of IAS 39 and reduces categories of financial assets to those measured at amortized cost and those measured at fair value. The classification of financial instruments is made at initial recognition based on result of business model test and cash flow characteristics test. IFRS 9 contains an option to designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The entity can make an irrevocable election at initial recognition to measure equity investments, which are not held for trading, at fair value through other comprehensive income with only dividend income recognized in profi t or loss. The standard has not yet been endorsed by the EU. The Group has not early adopted the standard and is currently assessing consolidated financial statements implications relating to the adoption of this standard in the future.

IFRS 1 (Revised) First Time Adoption of IFRS (effective for periods beginning on or after 1 July 2009). The revision improves standard's structure with an intention to better accommodate future changes to the standard, reorganize most of the standard's exceptions and exemptions and move them to the appendixes. The Group has not early adopted the revised standard and does not expect material consolidated financial statements implications relating to the adoption of this revised standard in the future.

IFRS 1 (Amendment) Additional Exemptions for First-time Adopters (effective for periods beginning on or after 1 January 2010). The amendment introduces three new exemptions to existing IFRS for first time adopters. It provides for a new "deemed cost" exemption for certain oil and gas assets. It also requires entity using this "deemed cost" exemption to recognize difference in decommissioning, restoration and similar liability calculated between IFRS and previous GAAP in retained earnings. In addition, it provides for an exemption in terms of assessment in accordance with IFRIC 4, whether entity's arrangements contain leases. The amendment has not yet been endorsed by the EU. The Group has not early adopted the amendment and does not expect material consolidated financial statements implications relating to the adoption of this amendment in the future.

IAS 24 (Revised) Related Party Disclosures (effective for periods beginning on or after 1 January 2011). The revised standard eliminates some disclosure requirements that would otherwise apply to entities that are controlled or significantly influenced by a state in relation to transactions with other entities controlled or influenced by this state. It also clarifies some definitions to eliminate inconsistencies. The revised standard has not yet been endorsed by the EU. The Group has not early adopted the revised standard and does not expect material consolidated financial statements implications relating to the adoption of this revised standard in the future.

IFRIC 9 and IAS 39 (Amendment) Embedded Derivatives (effective for periods beginning on or after 30 June 2009). The amendment clarifies that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category. The amendment further clarifies that the assessment should be made on the basis of the circumstances that existed when the entity first became a party to the contract. Finally, the amendment clarifies that, if the entity concludes that the derivative requires fair value accounting but is unable to measure the fair value of the embedded derivative separately, the entity has to continue to account for the entire instrument at fair value through profit or loss. The Group has not early adopted the amendments and does not expect material consolidated financial statements implications relating to the adoption of these amendments in the future

IFRIC 14 (Amendment) – Prepayments of a Minimum Funding Requirement (effective for periods beginning on or after 1 January 2011). The amended interpretation removes unintended consequence of IFRIC 14 to expense certain prepayments subject to a minimum funding requirement and treats this prepayment, like any other prepayment, as an asset. The amendment has not yet been endorsed by the EU. The Group has not early adopted the amendment and does not expect material consolidated financial statements implications relating to the adoption of this amendment in the future.

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for periods beginning on or after 1 July 2009). IFRIC 17 clarifies that (a) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, (b) an entity should measure the dividend payable at fair value of the net assets to be distributed and (c) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group has not early adopted the interpretation and does not expect any material consolidated financial statements implications relating to the adoption of this interpretation in the future.

IFRIC 18 – Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009). IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The Group has not early adopted the interpretation and does not expect any material consolidated financial statements implications relating to the adoption of this interpretation in the future.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for periods beginning on or after 1 July 2010). The interpretation provides guidance on how a debtor should account for its equity instruments issued in full or partial settlement of financial liability following renegotiation of the terms of the liability, so called. debt-for-equity swap. It also provides guidance on the presentation of any gains and losses resulting from a debt-for-equity swap. The interpretation has not yet been endorsed by the EU. The Group has not early adopted the interpretation and does not expect any material consolidated financial statements implications relating to the adoption of this interpretation in the future.

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 5 Property, Plant and Equipment

The movement in property, plant and equipment during 2009 is as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
1 January 2009	**381,803**	**971,981**	**13,222**	**65,461**	**1,432,467**
Additions	-	-	-	75,652	**75,652**
Disposals	(255)	(39,169)	(819)	(77)	**(40,320)**
Reclassifications	-	2	(2)	-	**-**
Transfers to base	3,988	82,514	1	(86,503)	**-**
Currency translation differences	15	18	-	21	**54**
31 December 2009	**385,551**	**1,015,346**	**12,402**	**54,554**	**1,467,853**
Accumulated Depreciation and Impairment Losses					
1 January 2009	**(62,297)**	**(375,987)**	**(10,116)**	**-**	**(448,400)**
Depreciation for the year	(9,874)	(73,510)	(202)	-	**(83,586)**
Disposals	242	35,552	2	-	**35,796**
Currency translation differences	(4)	-	-	-	**(4)**
31 December 2009	**(71,933)**	**(413,945)**	**(10,316)**	-	**(496,194)**
Carrying amount	**313,618**	**601,401**	**2,086**	**54,554**	**971,659**

The movement in property, plant and equipment during 2008 is as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
1 January 2008	**356,652**	**908,947**	**22,909**	**23,385**	**1,311,893**
Additions	-	-	-	134,005	**134,005**
Disposals	(1,373)	(5,511)	(8,099)	(1,469)	**(16,452)**
Reclassifications	-	4,170	(4,170)	-	**-**
Transfers to base	25,822	62,107	2,825	(90,754)	**-**
Currency translation differences	702	2,268	(243)	294	**3,021**
31 December 2008	**381,803**	**971,981**	**13,222**	**65,461**	**1,432,467**
Accumulated Depreciation and Impairment Losses					
1 January 2008	**(53,730)**	**(301,889)**	**(18,166)**	**(16)**	**(373,801)**
Depreciation for the year	(9,282)	(70,550)	(45)	-	**(79,877)**
Disposals	856	714	4,751	-	**6,321**
Reclassifications	-	(3,057)	3,057	-	**-**
Impairment losses	-	-	-	16	**16**
Currency translation differences	(141)	(1,205)	287	-	**(1,059)**
31 December 2008	**(62,297)**	**(375,987)**	**(10,116)**	-	**(448,400)**
Carrying amount	**319,506**	**595,994**	**3,106**	**65,461**	**984,067**

No property, plant and equipment of the Group was pledged in favor of a creditor or restricted in its use as of 31 December 2009 and 31 December 2008.

(All amounts are in thousands of EUR, unless otherwise indicated)

Insurance

Property, plant and equipment are insured by Generali Slovensko poisťovňa, a. s. The insurance covers damage caused by theft, disaster and other causes of machinery failure while maximum insurance compensation for one insurance claim is USD 750 million (i.e. EUR 520 million using the exchange rate at the end of reporting period) (2008: USD 750 million (i.e. EUR 532 million using the exchange rate as of 31 December 2008)). Compensation sublimits for individual risks are specified in the insurance contract. Own participation is USD 25 million per claim.

Note 6 Intangible Assets

The movement in intangible assets during 2009 is as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
1 January 2009	**17,405**	**264,990**	**409**	**20,570**	**303,374**
Additions	-	128,124	-	22,616	**150,740**
Disposals	(82)	(279,345)	-	(11,516)	**(290,943)**
Revaluation surplus	-	4,759	-	-	**4,759**
Transfers to base	1,488	13,611	38	(15,137)	**-**
31 December 2009	**18,811**	**132,139**	**447**	**16,533**	**167,930**
Accumulated Amortization and Impairment Losses					
1 January 2009	**(13,768)**	**(99,196)**	**(181)**	**-**	**(113,145)**
Amortization for the year	(1,675)	-	(72)	-	**(1,747)**
Disposals	30	99,196	-	-	**99,226**
Impairment losses	-	(697)	-	-	**(697)**
31 December 2009	**(15,413)**	**(697)**	**(253)**	**-**	**(16,363)**
Carrying amount	**3,398**	**131,442**	**194**	**16,533**	**151,567**

The movement in intangible assets during 2008 is as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
1 January 2008	**15,597**	**7,390**	**1,016**	**17,439**	**41,442**
Additions	-	264,990	-	6,276	**271,266**
Disposals	(99)	(7,390)	(706)	(1,174)	**(9,369)**
Transfers to base	1,893	-	81	(1,974)	**-**
Currency translation differences	14	-	18	3	**35**
31 December 2008	**17,405**	**264,990**	**409**	**20,570**	**303,374**
Accumulated Amortization and Impairment Losses					
1 January 2008	**(11,840)**	**(7,099)**	**(650)**	**-**	**(19,589)**
Amortization for the year	(1,886)	-	(53)	-	**(1,939)**
Disposals	99	7,099	706	-	**7,904**
Impairment losses	-	(99,196)	-	-	**(99,196)**
Currency translation differences	(141)	-	(184)	-	**(325)**
31 December 2008	**(13,768)**	**(99,196)**	**(181)**	**-**	**(113,145)**
Carrying amount	**3,637**	**165,794**	**228**	**20,570**	**190,229**

(All amounts are in thousands of EUR, unless otherwise indicated)

No intangible assets of the Group were pledged in favor of a creditor or restricted in its use as of 31 December 2009 and 31 December 2008.

Insurance

Intangible assets are not insured.

Emissions allowances

U. S. Steel Košice, s.r.o. was allocated free of charge CO_2 emissions allowances by the Slovak Government. They were measured at fair value initially as of allocation date and subsequently at the end of reporting period. The European Energy Stock Exchange is used to obtain fair value of the emissions allowances. The liability for the obligation to deliver the emissions allowances was settled within a few months after the end of reporting period in accordance with applicable legislation.

The balances included in the consolidated statement of financial position in respect of the emissions allowances are as follows:

	31 December 2009	31 December 2008
Emissions allowances (intangible asset)	**131,442**	165,794
Liability for the obligation to deliver allowances (provision) (Note 17)	**92,747**	137,633

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 126,683 thousand as of 31 December 2009 (31 December 2008: EUR 165,794 thousand). Events after the reporting period are disclosed in Note 31.

Note 7 Investment in Associate

The Group has a 50% interest in U.S. STEEL KOSICE (UK) LIMITED, Essex, United Kingdom, which is involved in selling steel products.

	2009	2008
The Group´s share of net assets as of 1 January	**505**	179
Share of profit of associate	**410**	1,101
Dividends paid	**(670)**	(556)
Translation adjustment and other	**85**	(219)
The Group's share of net assets as of 31 December	**330**	**505**

Summarized financial information of the associate is following:

	2009[1]	2008
Total assets	**14,559**	20,664
Equity	**723**	1,394
Total revenues	**23,573**	64,640
Profit for the period	**495**	1,461

[1] Financial information for 2009 is unaudited.

The Group's ownership interests in the associate were not pledged as of 31 December 2009 and 31 December 2008.

There are no significant restrictions on the associate's ability to transfer funds to the investor in the form of cash, dividends or otherwise.

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 8 Deferred Income Taxes

Differences between IFRS as adopted by the EU and Slovak taxation regulations give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed in the following table and is recorded at the rate of 19% (2008: 19%):

	1 January 2009	Recognized in profit or loss	Recognized in equity	31 December 2009
Property, plant and equipment	17,168	(18,283)	-	**(1,115)**
Inventories	5,732	(1,917)	-	**3,815**
Employee benefits	3,400	150	-	**3,550**
Deferred charges	720	(217)	-	**503**
Provision for impairment to receivables	1,276	1,068	-	**2,344**
Unused tax loss 2009	-	16,032	-	**16,032**
Emission allowances transactions	(5,351)	(1,097)	(904)	**(7,352)**
Other items	(176)	(601)	1,632	**855**
Total	**22,769**	**(4,865)**	**728**	**18,632**
Deferred tax asset	23,481			**19,616**
Deferred tax liability	(712)			**(984)**

	1 January 2008	Recognized in profit or loss	Recognized in equity	31 December 2008
Property, plant and equipment	18,730	(1,562)	-	**17,168**
Inventories	4,858	874	-	**5,732**
Employee benefits	7,889	(4,489)	-	**3,400**
Deferred charges	2,129	(1,409)	-	**720**
Provision for impairment to receivables	83	1,193	-	**1,276**
Tax credit	16,806	(16,806)	-	**-**
Emission allowances transactions	-	(5,351)	-	**(5,351)**
Other items	(926)	2,183	(1,433)	**(176)**
Total	**49,569**	**(25,367)**	**(1,433)**	**22,769**
Deferred tax asset	50,171			**23,481**
Deferred tax liability	(602)			**(712)**

The expected timing of the reversal of temporary differences is as follows:

	31 December 2009	31 December 2008
Deferred tax to be realized within 12 months	**15,371**	18,522
Deferred tax to be realized after 12 months	**3,261**	4,247

The Group had no unrecognized potential deferred tax assets as of 31 December 2009 and 31 December 2008.

Tax loss 2009

In 2009, U. S. Steel Košice, s.r.o. has recognized a deferred tax asset for the full loss in accordance with IAS 12 Income Taxes. The 2009 tax loss amounts to EUR 84,380 thousand and can be carried forward over a period of five years.

(All amounts are in thousands of EUR, unless otherwise indicated)

Tax credit

The Slovak Income Tax Act provides an income tax credit which is available to U. S. Steel Košice, s.r.o. if certain conditions are met. In order to claim the tax credit in any year, at least 60 percent of the Company's sales revenues must be derived from export sales, the Company must reinvest the tax credits claimed in qualifying capital expenditures during the year in which the credit is claimed and the following four years, and the Company must meet other specific administrative requirements.

The provisions of the Slovak Income Tax Act permit the Company to claim a tax credit of 100% of its income tax liability for the years 2000 through 2004 and 50% for the years 2005 through 2009. As a result of conditions imposed when the Slovak Republic joined the European Union (EU) and which were amended by a September 2004 settlement agreement with the EU, the total tax credit granted to the Company for the period 2000 through 2009 was limited to USD 430 million, all of which has been used as of 31 December 2009. The terms of Slovak Republic's accession to the EU also limited the Company's annual production of flat-rolled products and its sale of these products into the EU and the September 2004 settlement additionally required the Company to make two income tax prepayments of USD 16 million each to the Slovak Government in 2004 and 2005, respectively.

During 2006, the Slovak tax authority audited and confirmed that the Company fulfilled all of the necessary conditions for claiming the tax credit for the years 2000 through 2005.

In 2008, the Group has recognized a deferred tax asset for the tax credit in accordance with *IAS 12 Income Taxes*. The amount recognized at each period end represents the unused portion of the total tax credit which is translated into EUR using the closing exchange rate.

Note 9 Other Non-Current Assets

	31 December 2009	31 December 2008
Cash restricted in its use (Notes 27 and 28)	**9,880**	11,121
Loans to employees	**8**	10
Total	**9,888**	**11,131**

The major part of cash restricted in its use represents long-term cash deposits made by U. S. Steel Košice, s.r.o. which can be used only for closure, reclamation and monitoring of landfills after their closure (Note 17). The effective interest rate on restricted cash in bank is disclosed in Note 13.

The balances are neither past due nor impaired. Credit risk of cash restricted in its use is disclosed in Note 27.

Note 10 Inventories

	31 December 2009	31 December 2008
Raw materials	**140,965**	218,231
Work-in-progress	**40,191**	48,710
Semi-finished production	**44,085**	63,884
Finished goods	**61,515**	91,216
Merchandise	**849**	5,342
Total	**287,605**	**427,383**

(All amounts are in thousands of EUR, unless otherwise indicated)

The inventory items are shown net of write-down allowance resulting from lower net realizable value totaling EUR 4,175 thousand (31 December 2008: EUR 8,394 thousand). No inventories were pledged or restricted in use as of 31 December 2009 and 31 December 2008.

The movement of inventories' write-down allowance was as follows:

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
1 January 2009	**522**	**2,585**	**2,519**	**2,768**	**-**	**8,394**
Allowance made	3,313	555	77	83	-	**4,028**
Allowance used	(251)	(2,585)	(2,519)	(2,763)	-	**(8,118)**
Allowance reversed	(124)	-	-	(5)	-	**(129)**
31 December 2009	**3,460**	**555**	**77**	**83**	**-**	**4,175**

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
1 January 2008	**571**	**1,768**	**891**	**164**	**-**	**3,394**
Allowance made	596	6,825	6,533	3,008	-	**16,962**
Allowance used	(645)	(4,751)	(4,668)	(291)	-	**(10,355)**
Allowance reversed	(5)	(1,257)	(237)	(113)	-	**(1,612)**
Foreign exchange differences	5	-	-	-	-	**5**
31 December 2008	**522**	**2,585**	**2,519**	**2,768**	**-**	**8,394**

Note 11 Trade and Other Receivables

	31 December 2009	31 December 2008
Trade receivables	**228,959**	297,827
Related party accounts receivable (Note 30)	**71,812**	62,358
Total trade receivables (Note 28)	**300,771**	**360,185**
Advance payments made	**2,319**	2,299
VAT receivable	**35,546**	50,962
Other receivables	**839**	1,139
Trade and other receivables (gross)	**339,475**	**414,585**
Less provision for impairment	**(18,884)**	(21,539)
Trade and other receivables (net)	**320,591**	**393,046**
Long-term receivables	**861**	-
Short-term receivables	**319,730**	**393,046**

No receivables of the Group were pledged in favor of a bank or other entities as of 31 December 2009 and 31 December 2008. The maximum credit risk exposure at the end of reporting period is the carrying amount of each class of receivable mentioned above. Information about collateral or other credit enhancements and overall credit risk of the Group is disclosed in Note 27.

(All amounts are in thousands of EUR, unless otherwise indicated)

The carrying amount of trade receivables, including related party accounts receivable, is denominated in the following currencies:

	31 December 2009	31 December 2008
U. S. Steel Košice, s.r.o.		
SKK	**-**	9,951
EUR	**274,687**	315,584
USD	**20,679**	24,537
other	**7,149**	10,705
Subsidiaries and consolidation adjustments		
Not analyzed	**(1,744)**	(592)
Total	**300,771**	**360,185**

The structure of trade receivables is as follows:

	31 December 2009	31 December 2008
U. S. Steel Košice, s.r.o.		
Receivables not yet due and not impaired	**189,875**	235,533
Receivables past due but not impaired	**19,516**	41,149
Receivables individually impaired	**18,128**	18,877
Subsidiaries and consolidation adjustments		
Not analyzed	**1,440**	2,268
Trade receivables	**228,959**	**297,827**
U. S. Steel Košice, s.r.o.		
Receivables not yet due and not impaired	**9,302**	21,249
Receivables past due but not impaired	**63,796**	40,920
Receivables individually impaired	**359**	3,049
Subsidiaries and consolidation adjustments		
Not analyzed	**(1,645)**	(2,860)
Related party accounts receivable	**71,812**	**62,358**
Total	**300,771**	**360,185**

Receivables not yet due and not impaired, excluding receivables in subsidiaries and consolidation adjustments, can be analyzed based on internal credit ratings as follows:

	31 December 2009	31 December 2008
No or low-risk counterparties	**93,493**	167,469
Marginal or high-risk counterparties	**96,382**	68,064
Trade receivables	**189,875**	**235,533**
No or low-risk counterparties	**1,451**	3,038
Marginal or high-risk counterparties	**7,851**	18,211
Related party accounts receivable	**9,302**	**21,249**
Total	**199,177**	**256,782**

(All amounts are in thousands of EUR, unless otherwise indicated)

Ageing structure of trade receivables past due but not impaired, excluding receivables in subsidiaries and consolidation adjustments, is as follows:

	31 December 2009	31 December 2008
Past due 0 – 30 days	**17,703**	30,155
Past due 30 – 90 days	**661**	9,775
Past due 90 – 180 days	**250**	1,219
Past due more than 180 days	**902**	-
Trade receivables	**19,516**	**41,149**
Past due 0 – 30 days	**3,429**	7,360
Past due 30 – 90 days	**4,933**	11,773
Past due 90 – 180 days	**55,434**	21,787
Related party accounts receivable	**63,796**	**40,920**
Total	**83,312**	**82,069**

Ageing structure of trade receivables individually impaired, excluding receivables in subsidiaries and consolidation adjustments, is as follows:

	31 December 2009	31 December 2008
Past due 0 – 30 days	**32**	5,860
Past due 30 – 90 days	**110**	6,259
Past due 90 – 180 days	**1,263**	383
Past due 180 – 365 days	**3,784**	21
Past due over 365 days	**12,939**	6,354
Trade receivables	**18,128**	**18,877**
Past due 180 – 365 days	**304**	1,124
Past due over 365 days	**55**	1,925
Related party accounts receivable	**359**	**3,049**
Total	**18,487**	**21,926**

The movement of provision for impairment to accounts receivable was as follows:

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
1 January 2009	**19,830**	**1,510**	**183**	**16**	**21,539**
Provision made	6,783	359	78	30	**7,250**
Receivables written-off	(3,175)	-	(18)	(4)	**(3,197)**
Provision reversed	(5,199)	(1,510)	(2)	(3)	**(6,714)**
Foreign exchange differences	6	-	-	-	**6**
31 December 2009	**18,245**	**359**	**241**	**39**	**18,884**

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
1 January 2008	**12,456**	**1,269**	**784**	**12**	**14,521**
Provision made	14,541	1,515	83	13	**16,152**
Receivables written-off	(6,038)	(750)	(680)	-	**(7,468)**
Provision reversed	(1,122)	(322)	(4)	(17)	**(1,465)**
Foreign exchange differences	(7)	(202)	-	8	**(201)**
31 December 2008	**19,830**	**1,510**	**183**	**16**	**21,539**

Accounts receivable totaling EUR 3,946 thousand were written off in 2009 (2008: EUR 7,487 thousand).

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 12 Derivative Financial Instruments

The Group has entered into forward foreign exchange contracts, which are not traded and were agreed with the banks on specific contractual terms and conditions. These derivative instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market foreign exchange rates.

The Group applied hedge accounting effective 1 January 2008. There was no ineffective portion recognized in the 2009 profit or loss arising from cash flow hedges (2008: EUR 1,994 thousand).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the Other reserve funds in equity (Note 15) on forward foreign exchange contracts as of 31 December 2009 will be recognized in the statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the statement of comprehensive income. This is generally within 12 months after the end of reporting period.

The aggregate fair values of derivative financial assets can fluctuate significantly from time to time. The table below sets out fair values, at the end of reporting period, of the Group's forward foreign exchange contracts:

	31 December 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
foreign exchange forwards – cash flow hedges	**1,039**	**2,082**	11,845	4,303
foreign exchange forwards – non-effective hedges	**-**	**-**	2,570	576
Total	**1,039**	**2,082**	**14,415**	**4,879**

Balances as of 31 December 2009 and 31 December 2008 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Group has entered into forward foreign exchange contracts with ING Bank N.V., Citibank (Slovakia) a.s., PNC Bank and Fifth Third Bank as of 31 December 2009 and with ING Bank N.V., Citibank (Slovakia) a.s., The Bank of Nova Scotia, PNC Bank, RBS/Citizens Bank and Fifth Third Bank as of 31 December 2008. The rating of the banks is available on their internet websites.

The table below reflects gross positions before the netting of any counterparty positions and covers the contracts with settlement dates after the respective end of reporting period. The contracts are short term in nature:

	31 December 2009	31 December 2008
payable on settlement in EUR thousand	**(129,503)**	(257,840)
receivable on settlement in USD thousand	**185,000**	375,600

Note 13 Cash and Cash Equivalents

	31 December 2009	31 December 2008
Cash on hand	**70**	49
Cash at bank	**118,224**	108,473
Total (Note 28)	**118,294**	**108,522**

Cash at bank earns approx. 0.2% p.a. for EUR deposits and 0.1% p.a. for USD deposits as of 31 December 2009 (31 December 2008: 1.2% p.a. for EUR deposits, 2.7% p.a. for SKK deposits and 0.0% p.a. for USD deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances at the bank accounts are not material.

(All amounts are in thousands of EUR, unless otherwise indicated)

Cash restricted in its use is shown in Other non-current assets (Note 9).

All balances are neither past due nor impaired. Credit risk of cash and cash equivalents is disclosed in Note 27.

Note 14 Other Current Assets

The balance of other current assets represents prepaid expenses totaling EUR 3,188 thousand as of 31 December 2009 (31 December 2008: EUR 2,409 thousand).

Note 15 Equity

Base capital

The Group's registered and fully paid in capital is EUR 839,357 thousand. The Group does not have unregistered increased base capital as of 31 December 2009. Adopting the euro as the Slovak Republic's national currency, the base capital was translated using the conversion foreign exchange rate of 30.1260 Slovak koruna per one euro effective 1 January 2009. The difference between historical amount and converted amount of base capital resulted in an increase of base capital up to the amount of EUR 839,357 thousand from retained earnings as of 1 January 2009. There were no changes in base capital during 2008.

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve funds	Other reserve funds	Translation reserve	Total
1 January 2009	**449**	**59,443**	**6,914**	**7,709**	**74,515**
Currency translation differences					
- Group	-	-	-	(111)	**(111)**
- Associate (Note 7)	-	-	-	85	**85**
Contributions to legal reserve fund	-	27	-	-	**27**
Changes in fair value of hedging derivatives	-	-	(7,196)	-	**(7,196)**
Changes in revaluation reserve - CO_2 emission allowances	-	-	3,855	-	**3,855**
Euroconversion in subsidiaries	73	142	-	(7,424)	**(7,209)**
Other	(161)	29	-	(1)	**(133)**
31 December 2009	**361**	**59,641**	**3,573**	**258**	**63,833**

	Other capital funds	Legal reserve funds	Other reserve funds	Translation reserve	Total
1 January 2008	**3,374**	**59,317**	**15**	**4,598**	**67,304**
Currency translation differences					
- Group	-	-	-	3,330	**3,330**
- Associate (Note 7)	-	-	-	(219)	**(219)**
Contributions to legal reserve fund	-	126	-	-	**126**
Changes in fair value of hedging derivatives	-	-	6,899	-	**6,899**
Reversal of other reserve funds in subsidiaries	**(2,925)**	-	-	-	**(2,925)**
31 December 2008	**449**	**59,443**	**6,914**	**7,709**	**74,515**

(All amounts are in thousands of EUR, unless otherwise indicated)

The total distributable earnings of the Group before contributions made to legal reserve funds of subsidiaries represent EUR 55,858 thousand as of 31 December 2009 (31 December 2008: EUR 529,545 thousand).

The consolidated profit for 2008 was distributed as follows:

	2008
Contribution to legal reserve fund	27
Transfer to retained earnings	338,350
Total	**338,377**

Dividends

Dividends from 2008 retained earnings totaling EUR 240 million were approved for distribution in June 2009. Dividends from 2007 retained earnings totaling EUR 575 million were approved for distribution in June 2008. Declared but unpaid dividends totaled EUR 329,990 thousand as of 31 December 2009 (31 December 2008: EUR 275,372 thousand) (Notes 19 and 30). No dividends from 2009 retained earnings were approved by the date when these consolidated financial statements were authorized for issue.

Note 16 Loans and Borrowings

	31 December 2009	31 December 2008
EUR 200 million credit facility	**200,026**	202,425
	200,026	**202,425**
Current portion of loans and borrowings	**-**	-
Non-current portion of loans and borrowings	**200,026**	202,425

As of 2 July 2008, U. S. Steel Košice, s.r.o. entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank, N.V. London Branch. Interest on borrowings under the facility is based on spread over EURIBOR, and the agreement contains customary terms and conditions. As of 31 December 2009, one borrowing denominated in EUR was drawn in full available amount against this facility (31 December 2008: two borrowings in full available amount). Carrying amounts of the borrowings as of 31 December 2009 and 31 December 2008 are measured at amortized costs. Fair values of the borrowings as of 31 December 2009 and 31 December 2008 approximate their carrying amounts. Events after the reporting period are disclosed in Note 31.

Management of capital is disclosed in Note 26 and information about other credit facilities available to the Group and interest rate risk exposure is disclosed in Note 27.

Note 17 Provisions for Liabilities and Charges

Movement in provisions for liabilities and charges was as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
1 January 2009	**22,981**	**4,477**	**137,633**	**3,616**	**168,707**
Provision made	343	531	92,747	443	**94,064**
Provision used / reversed	(3,458)	(427)	(137,633)	(3,224)	**(144,742)**
31 December 2009	**19,866**	**4,581**	**92,747**	**835**	**118,029**
Long-term provisions	16,051	-	-	116	**16,167**
Short-term provisions	3,815	4,581	92,747	719	**101,862**

(All amounts are in thousands of EUR, unless otherwise indicated)

	Landfill	Litigation	CO_2 emissions	Other	Total
1 January 2008	**20,969**	**4,144**	**291**	**720**	**26,124**
Provision made	4,129	1,338	137,633	3,480	**146,580**
Provision used / reversed	(2,117)	(1,005)	(291)	(584)	**(3,997)**
31 December 2008	**22,981**	**4,477**	**137,633**	**3,616**	**168,707**
Long-term provisions	17,338	-	-	167	**17,505**
Short-term provisions	5,643	4,477	137,633	3,449	**151,202**

Movement of provisions caused by passage of time (i.e. accretion expense) in 2009 and 2008 was considered to be immaterial.

Landfill

Provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Act on Waste. In 2009, the Group has been operating three landfills; two for non-hazardous waste and one for hazardous waste. One non-hazardous waste landfill was closed in July 2009. The Group started reclamation, cost of which was charged against the provision. The short-term portion relates to cash outflows that are expected to be settled within 12 months.

Litigation

The Group uses external legal counsel to act in some legal proceedings and internal legal counsels in other proceedings. The Group's management has made its best estimate of the probabilities and the contingent loss amounts associated with all legal proceedings in both Slovakian and foreign jurisdictions and has recorded a provision accordingly. These proceedings are at different stages and some may proceed for undeterminable periods of time. Further disclosures about the litigation proceedings could prejudice the Group's position in the disputes and therefore are not made.

CO_2 emissions

A provision was recognized for CO_2 emissions emitted in 2009. It is calculated as a multiple of estimated volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Energy Stock Exchange. The provision was charged to Other operating expenses (Note 23). Amortization of related deferred income is recognized in Other income (Note 20).

Other

Other provisions include provisions for warranty and other business risks.

Note 18 Employee Benefits Obligations

Employee retirement obligation

The Group is committed to make payments to the employees upon retirement in accordance with the Labor Code and Collective Labor Agreement. The defined benefit obligation is calculated annually by U. S. Steel actuaries using the projected unit credit method.

Work and life jubilees

The Group also pays certain work and life jubilee benefits. The liability is calculated consistently with the employee retirement obligation except that actuarial gains and losses and past services costs are recognized immediately in the statement of comprehensive income.

(All amounts are in thousands of EUR, unless otherwise indicated)

Termination benefit

The 2008 amount totaling EUR 1,820 thousand represents reversal of termination benefit expense recorded in 2007 for voluntary early retirement program offered in 2007. No liability was recorded as of 31 December 2009 (31 December 2008: EUR 4,133 thousand).

The movement in the accrued liability over the years is as follows:

	2009	2008
1 January	**22,217**	**52,004**
Total expense charged in the statement of comprehensive income – pension	**887**	3,273
Total expense charged in the statement of comprehensive income – jubilees	**1,266**	1,040
Total expense charged in the statement of comprehensive income – termination	**4,858**	955
Benefits paid	**(10,470)**	(35,055)
31 December	**18,758**	**22,217**
Long-term employee benefits payable	**18,031**	18,176
Short-term employee benefits payable	**727**	4,041

The amounts recognized in the statement of financial position are determined as follows:

	31 December 2009	31 December 2008
Present value of the obligation – pension	**13,374**	9,177
Present value of the obligation – jubilees	**7,022**	6,407
Present value of the obligation – termination	**-**	4,041
Unrecognized actuarial gains	**(1,580)**	2,678
Unrecognized past service costs	**(58)**	(86)
Total liability in the statement of financial position	**18,758**	**22,217**

The amounts recognized in the statement of comprehensive income are determined as follows:

	2009	2008
Current service costs – pension	**751**	1,411
Current service costs – jubilees	**402**	327
Current service costs – termination	**4,858**	(1,820)
Interest costs	**1,163**	1,110
Net actuarial losses / (gains) recognized	**(163)**	(428)
Foreign exchange losses	**-**	4,668
Total	**7,011**	**5,268**

Service cost and net actuarial losses / (gains) are presented in Salaries and other employee benefits (Note 22) of statement of comprehensive income. Foreign exchange losses are included in the Foreign exchange gains / (losses) of the statement of comprehensive income and interest costs in the finance result.

(All amounts are in thousands of EUR, unless otherwise indicated)

Principal actuarial assumptions used to determine employee benefits obligations as of 31 December were as follows:

	2009	2008
Discount rate	**5.50%**	6.00%
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover (1)	**max 5.00%**	max 5.00%

(1) Staff turnover is replaced by termination table that varies by employee's age and years of service but does not exceed 5% annually.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in other liabilities. Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

Defined contribution pension plan

Throughout the year, the Group made contributions to the mandatory government and private defined contribution plans amounting to 23.6% (2008: 24.3%) of gross salaries up to a monthly salary ceiling between EUR 1,003.09 to EUR 2,674.90 until 30 June 2009, respectively EUR 1,084.55 to EUR 2,892.12 after this date (EUR 934.14 to EUR 2,491.00 until 30 June 2008, respectively EUR 1,003.09 to EUR 2,674.90 after this date). The amount of contributions made is presented in Note 22.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Group made contributions to the supplementary scheme amounting up to 1.7% from the monthly accounted wage in 2009 (2008: 2.0%).

Note 19 Trade and Other Payables

	31 December 2009	31 December 2008
Trade payables	**122,310**	111,427
Related party accounts payable (Note 30)	**17,458**	80,715
Assigned trade payables	**23,761**	3,831
Uninvoiced deliveries and other accrued expenses	**53 904**	59,928
Trade payables and accruals (Note 28)	**217,433**	**255,901**
Advance payments received	**2,922**	903
Liability to employees and social security institutions	**25,881**	27,999
Dividends payable (Notes 15 and 30)	**329,990**	275,372
VAT and other taxes and fees	**5,554**	8,428
Other payables	**2,794**	2,789
Total	**584,574**	**571,392**

Ageing structure of trade and other payables is presented in the table below:

	31 December 2009	31 December 2008
Trade and other payables not yet due	**577,181**	557,652
Trade and other payables past due	**7,393**	13,740
Total	**584,574**	**571,392**

(All amounts are in thousands of EUR, unless otherwise indicated)

The carrying amount of trade payables and accruals is denominated in the following currencies:

	31 December 2009	31 December 2008
EUR	**163,076**	68,723
SKK	**-**	64,245
USD	**28,933**	109,653
other	**25,424**	13,280
Total	**217,433**	**255,901**

Contributions to and withdrawal from the social fund during the accounting period are shown in the following table:

	2009	2008
1 January	**1,393**	**1,376**
Group contribution (group costs)	**3,808**	1,656
Employees contribution (repayments)	**458**	657
Withdrawals	**(3,004)**	(2,296)
31 December	**2,655**	**1,393**

The social fund is used for social, medical, relaxing and similar needs of the Group's employees in accordance with social fund law. The balances are included in the Liability to employees and social security institutions caption of the table above.

Note 20 Revenue and Other Income

The main activities of the Group are production and sale of flat rolled steel products, steel plates, tubes, raw iron, coke, refractory materials, packaging and other services and production and distribution of electricity, heat and gas.

Revenue consists of the following:

	2009	2008
Sales of own production	**1,708,666**	2,663,676
Sales of merchandise (1)	**20,813**	156,797
Rendering of services	**12,179**	17,532
Total	**1,741,658**	**2,838,005**

(1) Sales of merchandise represent primarily sales of raw materials to U. S. Steel Serbia d.o.o., a related party under common control of U. S. Steel (Note 30), and sales of Serbian products by the Group in the European market.

Other income

Other income consists of the following:

	2009	2008
Amortization of deferred income - CO_2 emission allowances	**128,123**	264,990
Rental income	**2,398**	2,304
Income from contractual penalties	**2,603**	613
Other income	**734**	1,724
Total	**133,858**	**269,631**

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 21 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2009	2008
Materials consumed	**(1,001,482)**	(1,576,171)
Energy consumed	**(96,855)**	(103,159)
Costs of merchandise sold (Note 20)	**(22,919)**	(156,702)
Changes in inventory	**(55,397)**	53,536
Inventory write-down allowance (Note 10)	**(3,899)**	(15,350)
Total	**(1,180,552)**	**(1,797,846)**

Note 22 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2009	2008
Wages and salaries	**(196,111)**	(197,586)
Profit sharing expense	**(1,238)**	(20,722)
Termination benefits (Note 18)	**(4,858)**	1,820
Social insurance – defined contribution plan (Note 18)	**(66,727)**	(74,483)
Other social expenses	**(12,352)**	(13,661)
Pension expenses – retirement and work and life jubilees (Note 18)	**(990)**	(1,310)
Total	**(282,276)**	**(305,942)**

The average number of employees of the Group was:

	2009	2008
U. S. Steel Košice, s.r.o.	**11,465**	12,227
Other Group companies	**2,199**	2,418
Total	**13,664**	**14,645**

Note 23 Other Operating Expenses

	2009	2008
Cleaning and waste	**(6,734)**	(7,899)
Rent	**(4,004)**	(4,676)
Advertising and promotion	**(2,460)**	(3,226)
Intermediary fees	**(4,584)**	(3,759)
Training	**(1,165)**	(3,692)
Charge for provision for CO_2 emissions (Note 17)	**(92,747)**	(137,633)
Reversal of unused provision for CO_2 emissions – 2008	**2,483**	-
Impairment of receivables –(loss) / reversal and receivables written-off (Note 17)	**(1,390)**	(14,706)
Loss on disposal of material	**(1,173)**	(1,054)
Loss on disposal of of property, plant and equipment and intangible assets	**(8,792)**	(4,062)
Gain on derivative instruments transactions	**14,897**	19,410
Real estate tax and other taxes	**(4,865)**	(5,323)
Other operating expenses [1]	**(56,147)**	(80,659)
Total	**(166,681)**	**(247,279)**

[1] Other operating expenses include various types of services not exceeding EUR 5 million individually.

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 24 Finance Income and Finance Cost

	2009	2008
Interest income	**826**	2,046
Interest expense	**(6,961)**	(8,118)
Foreign exchange differences on borrowings	**-**	51
Total	**(6,135)**	**(6,021)**

Note 25 Income Taxes

As of 31 December 2009, the Group had an income tax receivable totaling EUR 244 thousand arising mainly in U. S. Steel Košice, s.r.o. from income tax prepayments which exceeded income tax liability for 2009 and income tax payable totaling EUR 2 thousand (31 December 2008: income tax receivable totaling EUR 6,866 thousand and income tax payable totaling EUR 47 thousand).

The income tax expense consists of following:

	2009	2008
Current tax	**(707)**	(17,804)
Deferred tax (Note 8)	**(4,865)**	(25,367)
Total	**(5,572)**	**(43,171)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the Group as follows:

	2009	2008
Profit before tax	**16,849**	381,548
Tax calculated at 19% tax rate	**3,201**	72,494
Non-deductible expenses	**1,538**	2,128
Effect of functional currency on temporary differences [1]	**1,051**	(31,385)
Effect of different tax rate in other jurisdictions	**(218)**	(66)
Tax charge	**5,572**	**43,171**

[1] As SKK/EUR foreign exchange rate changed by 10% annually and tax basis of substantially all assets and liabilities of the Group was carried in SKK, the translation to EUR functional currency affected 2008 reconciliation favorably.

The effective tax rate was 33% (2008: 11%). Information about tax credit is disclosed in Note 8.

(All amounts are in thousands of EUR, unless otherwise indicated)

The tax (charge) / credit relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax	**Tax (charge) / credit**	**After tax**	**Before tax**	**Tax (charge) / credit**	**After tax**
Currency translation differences						
- Group	**(111)**	**-**	**(111)**	3,239	-	3,239
- Associate (Note 7)	**85**	**-**	**85**	(219)	-	(219)
Changes in fair value of hedging derivatives	**(8,828)**	**1,632**	**(7,196)**	8,332	(1,433)	6,899
Changes in revaluation reserve	**4,759**	**(904)**	**3,855**	-	-	-
Other	**(42)**	**-**	**(42)**	-	-	-
Other comprehensive income	**(4,137)**	**728**	**(3,409)**	**11,352**	**(1,433)**	**9,919**
Current tax		-			-	
Deferred tax (Note 8)		728			(1,433)	
		728			**(1,433)**	

Note 26 Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to pay obligations as they come due. The Group's overall strategy did not change from 2008.

The capital structure of the Group consists of debt (Note 16) totaling EUR 200,026 thousand as of 31 December 2009 (31 December 2008: EUR 202,425 thousand) and equity (Note 15) totaling EUR 959,770 thousand as of 31 December 2009 (31 December 2008: EUR 1,191,902 thousand) that includes base capital, other reserves and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include minimum level of base capital totaling EUR 5 thousand. U. S. Steel Košice, s.r.o. complied with the regulatory capital requirements as of 31 December 2009 and 31 December 2008.

Note 27 Financial Risk Management

Financial risk is managed in compliance with policies and procedures of U. S. Steel. The use of risk management instruments is controlled by U. S. Steel management which has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations of certain commodities and foreign currency transactions. The use of derivative instruments could materially affect the Group's results of operations in particular accounting periods; however, management believes that the use of these instruments will not have a material adverse effect on the financial position or liquidity of the Group.

The Group is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange rate risk and other price risk).

(All amounts are in thousands of EUR, unless otherwise indicated)

Credit risk

The Group is exposed to credit risk in the event of non-payment by customers principally within the automotive, steel, container and construction industries. Changes in these industries may significantly affect management's estimates and the Group's financial performance. All industries that we sell our products to have reported substantially lower customer demand in 2009 due to the ongoing global recession. As a result of low end customer demand, some of the customers of the Group may experience difficulties in obtaining credit or maintaining their ability to qualify for trade credit insurance, which may result in further reduction in purchases and an increase in the Group's credit risk exposure. The duration of the recession and recovery time of these industries may have a significant impact on the Group. In addition, the expiration of governmental stimulus programs may have a negative impact on the levels of customer demand.

All customers of the U. S. Steel Košice, s.r.o. are assigned an internal risk rating in accordance with approved internal policies and procedures. A customer's credit rating is determined by considering its financial situation, payment behavior, past experience and other factors. Customers of subsidiaries were not internally rated as of 31 December 2009 and 31 December 2008. Individual credit limits are established based on internal ratings and the amounts and utilization of the limits are periodically re-evaluated and monitored. The management of the Group carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and relating credit limits accordingly.

The Group is exposed to overall credit risk arising from financial instruments as summarized below:

31 December 2009

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables	-	300,771
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	1,039	-
Cash and cash equivalents (Note 13)		
ING Bank N.V. [1]	-	44,193
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky [1]	-	35,111
HSBC Bank plc, pobočka zahraničnej banky [1]	-	20,040
Citibank (Slovakia) a.s. [1]	-	14,018
Slovenská sporiteľňa, a.s. [1]	-	4,569
Other banks	-	293
Cash on hand	-	70
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. [1]	-	9,880
Total	**1,039**	**428,945**

(1) Rating of the bank is available on the bank's internet website.

(All amounts are in thousands of EUR, unless otherwise indicated)

31 December 2008

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables	-	360,185
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	14,415	-
Cash and cash equivalents (Note 13)		
ING Bank N.V. [(1)]	-	60,705
Citibank (Slovakia) a.s. [(1)]	-	44,008
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky [(1)]		3,011
Slovenská sporiteľňa, a.s. [(1)]	-	402
Other banks	-	347
Cash on hand	-	49
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. [(1)]	-	11,121
Total	**14,415**	**479,828**

[(1)] Rating of the bank is available on the bank's internet website.

The Group mitigates credit risk for approximately 75% (2008: 75%) of its revenues by requiring bank guarantees, letters of credit, credit insurance, prepayment or other collateral. Information about collateral or other credit enhancements is as follows:

	2009	2008
Credit insurance	**50 %**	53 %
Letters of credit and documentary collection	**7 %**	7 %
Bank guarantees	**4 %**	2 %
Other credit enhancements	**14 %**	13 %
Secured receivables	**75 %**	**75 %**
Unsecured receivables	**25 %**	25 %
Total	**100 %**	**100 %**

The majority of the Group's customers are located in Central and Western Europe. No single customer accounts for more than 10% of gross annual revenues.

Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to cover the liquidity risk in accordance with its financing strategy. Management of the Group is monitoring expected and actual cash flows and cash position of the Group on a daily basis in accordance with approved internal policies and procedures. Excess funds are invested to liquid financial assets and time deposits not to exceed USD 100 million or equivalent in other currency for sole obligor. The investment exposure by country is also monitored separately.

In short-term, given the current economic environment, the management of the Group is focused on maximizing liquidity. The volume of available financing has significantly reduced and the terms and conditions for obtaining new borrowings or re-finance existing borrowings are currently unclear, however, the management believes that the Group is not exposed to significant liquidity risk.

In 2009, the Group renewed a EUR 40 million credit facility. The renewed credit facility expires on 8 October 2012. This credit facility may be used for drawing short-term loans, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Group is obligated to pay a commitment fee on undrawn amounts. There were no borrowings against this facility as of 31 December 2009 and 31 December 2008.

(All amounts are in thousands of EUR, unless otherwise indicated)

In addition, a multi-use credit facility of EUR 20 million, which was also renewed in 2009, is available to the Group. This credit facility may be used until 10 December 2012 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Group is obligated to pay a commitment fee on the undrawn portion of the facility. As of 31 December 2009 the credit facility has been used in the amount of EUR 5,298 thousands for bank guarantees and letters of credit (31 December 2008: EUR 5,504 thousands).

On 11 December 2009 the Group entered into an EUR 10 million Agreement with ING Bank N.V., pobočka zahraničnej banky. This credit facility may be used until 11 January 2011 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Group is obligated to pay a commitment fee on the undrawn portion of the facility. There were no borrowings against this facility as of 31 December 2009.

The table below summarizes the expected undiscounted cash flows in relation to agreed maturities of financial assets and financial liabilities.

31 December 2009

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Trade and other receivables	299,910	861	-	**300,771**
Derivative financial instruments	128,419	-	-	**128,419**
Total	**428,329**	**861**	**-**	**429,190**
Liabilities				
Trade payables and accruals	217,433	-	-	**217,433**
Derivative financial instruments	129,503	-	-	**129,503**
Loans and borrowings	726	200,000	-	**200,726**
Total	**347,662**	**200,000**	**-**	**547,662**

31 December 2008

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Trade and other receivables	360,185	-	-	**360,185**
Derivative financial instruments	266,572	-	-	**266,572**
Total	**626,757**	**-**	**-**	**626,757**
Liabilities				
Trade payables and accruals	255,901	-	-	**255,901**
Derivative financial instruments	257,840	-	-	**257,840**
Loans and borrowings	12,433	218,667	-	**231,100**
Total	**526,174**	**218,667**	**-**	**744,841**

Market risk

(a) Interest rate risk

The Group is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facility (Note 16). If the interest rate had been 1%

(All amounts are in thousands of EUR, unless otherwise indicated)

higher/lower as of 31 December 2009, it would have resulted to EUR 0.2 million higher/lower interest expense charged to statement of comprehensive income (2008: EUR 0.9 million).

The Group's income is substantially independent of changes in market interest rates. The Group had no significant interest income other than short term bank deposits and cash at bank accounts as of 31 December 2009 and 31 December 2008.

(b) Currency risk

The Group is exposed to the risk of price fluctuations due to the effects of foreign exchange rates on revenues and operating costs, capital expenditures and existing assets or liabilities denominated in currencies other than the euro, particularly the U. S. dollar. The Group, prior to the Slovak Republic's entry into the Eurozone on 1 January 2009, also had foreign currency exchange rate risk related to fluctuations between the Slovak koruna and the euro.

The structure of cash and cash equivalents and restricted cash by currency is as follows:

31 December 2009

	Cash and cash equivalents	Restricted cash
EUR	94,812	9,880
USD	15,941	-
other	7,541	-
Total	**118,294**	**9,880**

31 December 2008

	Cash and cash equivalents	Restricted cash
EUR	81,936	-
SKK	11,250	11,121
USD	12,836	-
other	2,500	-
Total	**108,522**	**11,121**

The Group manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance Group, using a limited number of forward foreign exchange contracts. As of 31 December 2009, the Group had open EUR forward sales contracts for U.S. dollars (total notional value of approximately EUR 129.5 million; 31 December 2008: EUR 257.8 million).

As of 31 December 2009, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, it would have resulted in a EUR 23 million charge/credit to the statement of comprehensive income.

As of 31 December 2008, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, it would have resulted in a EUR 1 million charge/credit to the statement of comprehensive income.

(All amounts are in thousands of EUR, unless otherwise indicated)

(c) Other price risk

In the normal course of its business, the Group is exposed to price fluctuations related to the production and sale of steel products. The Group is also exposed to price risk related to the purchase or production or sale of coal, coke, natural gas, steel scrap, iron ore and pellets, and zinc, tin and other nonferrous metals used as raw materials.

The Group is exposed to commodity price risk on both the purchasing and sales sides, and manages the risk through natural hedge. The Group's market risk strategy is in compliance with U. S. Steel's strategy that has generally been to obtain competitive prices for our products and services and allow operating results to reflect the market price movements dictated by supply and demand in the statement of comprehensive income. The Group did not carry out any material derivative transaction mitigating commodity price risk and had no outstanding commodity derivatives as of 31 December 2009 and 31 December 2008.

Note 28 Financial Instruments by Category

The following table provides a reconciliation of classes of financial assets and liabilities with the measurement categories as determined by the *IAS 39 Financial Instruments: Recognition of Measurement*:

31 December 2009

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Receivables	300,771	-	-	**300,771**
Derivative financial instruments	-	1,039	-	**1,039**
Cash and cash equivalents	118,294	-	-	**118,294**
Restricted cash	9,880	-	-	**9,880**
Total	**428,945**	**1,039**	**259**	**430,243**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Bank loans	-	200,026	**200,026**
Trade payables and accruals	-	217,433	**217,433**
Derivative financial instruments	2,082	-	**2,082**
Total	**2,082**	**417,459**	**419,541**

(All amounts are in thousands of EUR, unless otherwise indicated)

31 December 2008

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Receivables	360,185	-	-	**360,185**
Derivative financial instruments	-	14,415	-	**14,415**
Cash and cash equivalents	108,522	-	-	**108,522**
Restricted cash	11,121	-	-	**11,121**
Total	**479,828**	**14,415**	**259**	**494,502**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Bank loans	-	202,425	**202,425**
Trade payables and accruals	-	255,901	**255,901**
Derivative financial instruments	4,879	-	**4,879**
Total	**4,879**	**458,326**	**463,205**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

31 December 2009

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	1,039	-	**1,039**
Total	**-**	**1,039**	**-**	**1,039**
Liabilities				
Hedging derivatives	-	2,082	-	**2,082**
Total	**-**	**2,082**	**-**	**2,082**

31 December 2008

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	14,415	-	**14,415**
Total	**-**	**14,415**	**-**	**14,415**
Liabilities				
Hedging derivatives	-	4,879	-	**4,879**
Total	**-**	**4,879**	**-**	**4,879**

During the reporting period ending 2009, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Note 29 Contingent Liabilities and Contingent Assets

Operating leases

The future aggregated minimum lease payments under non-cancellable operating leases (payments in foreign currency are stated using the exchange rate at the end of reporting period) are as follows:

(All amounts are in thousands of EUR, unless otherwise indicated)

	2009	2008
Not later than 1 year	**1,002**	948
Later than 1 year and not later than 5 years	**3,025**	5,957
Later than 5 years	**25**	-
Total	**4,052**	**6,905**

Capital commitments and commitments to the Slovak Republic

Capital expenditures of EUR 40 million had been committed under contractual arrangements as of 31 December 2009 (31 December 2008: EUR 21 million).

U. S. Steel Košice, s.r.o. has the following commitments to the Slovak Government:

- a capital investment program of USD 700 million, subject to certain conditions, over a period of 10 years from November 2000. The Company has fulfilled this commitment to the Slovak Government in August 2006.
- retention of the employment (except for natural attrition and termination for cause) for a period of 10 years from November 2000.
- supporting foreign investment in Slovakia for a period of 2 years from November 2000. The Company fulfilled this commitment to the Slovak Government.

Environmental commitments

As part of an agreement with the Slovak Government, the Government has agreed to indemnify and hold harmless the Company, United States Steel Corporation, their affiliates and the officers, directors, employees, agents and contractors for remediation, restoration, compensation, indemnity and other matters, as defined in the agreement, relating to environmental conditions existing prior to completion of the acquisition of the Group by United States Steel Corporation on 24 November 2000. Some aspects of this indemnification gradually expired between 2001 and 2004. In light of the indemnification contained in the agreement with the Slovak Government, management of the Group has assessed that there is no need for any accrual of costs related to the remediation of environmental damage existing as of the acquisition date. Under the current status of legislation in the Slovak Republic, the Group has not incurred material obligations to remedy environmental damage caused by its operations.

The Group is also committed to invest in production equipment to comply with valid environmental legislation. There are no legal proceedings pending against the Group involving environmental matters.

Air, water and solid waste – The Group's obligations with regard to air, water and solid waste pollution are set by Slovak legislation. In 2009, the environmental expenses totaled approximately EUR 11 million (2008: EUR 12 million).

Carbon dioxide (CO_2) emissions – To comply with the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change, the European Commission ("EC") has created an Emissions Trading System ("ETS"). Under the ETS, the EC establishes CO_2 emissions limits for every EU member state and approves allocations of CO_2 emission allowances to individual emitting entities pursuant to national allocation plans that are proposed by each of the member states. Emission allowances can be bought and sold by emitting entities to cover the quantities of CO_2 they emit in their operations.

(All amounts are in thousands of EUR, unless otherwise indicated)

In July 2008, following approval by the EC of the Slovak Republic‘s national allocation plan for the second CO_2 trading period of 2008 through 2012 (“NAP II“), the Ministry of Environment of Slovak Republic allocated to U. S. Steel Košice, s.r.o. more CO_2 emission allowances per year than the Company received for the 2005 to 2007 trading period. Based on actual CO_2 emissions in 2008 and 2009 and projected production in 2010 - 2012, the management of the Group believes that U. S. Steel Košice, s.r.o. will have sufficient emission allowances for the NAP II period without purchasing additional allowances.

Contingent assets

Pursuant to an agreement that was signed in relation to the sale of interests in FINOW Verwaltungs- und Service GmbH to a third party, the Group is entitled to certain contingent payments. The third party also has the option to pay the compensation as a lump-sum amount of EUR 5 million by 31 December 2010.

The Group has no other significant contingent assets as of 31 December 2009 and 31 December 2008.

Note 30 Related Party Transactions

The statement of financial position includes the following amounts resulting from transactions with related parties:

	Receivables		Payables	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
U.S. STEEL KOSICE (UK) LIMITED (1)	**303**	1,308	**-**	1
U. S. Steel Global Holdings I B.V. (2)	**-**	-	**329,990**	275,372
United States Steel Corporation (3)	**357**	260	**13,623**	77,643
U. S. Steel Serbia d.o.o. (4)	**70,935**	60,479	**262**	1,902
USS International Services, LLC (5)	**201**	311	**1,500**	1,169
U. S. Steel Canada Inc (6)	**16**	-	**2,073**	-
Total	**71,812**	**62,358**	**347,448**	**356,087**

(1) Associate
(2) Parent company
(3) Ultimate parent company
(4, 5, 6) Companies under common control of U. S. Steel

As of 31 December 2009, provision for impairment to receivables due from U. S. Steel Serbia d.o.o. was recognized totaling EUR 359 thousand (31 December 2008: EUR 1,503 thousand).

The following amounts of revenues and expenses resulting from transactions with related parties were recorded in the Group’s statement of comprehensive income:

	Revenues		Expenses	
	2009	2008	2009	2008
U.S. STEEL KOSICE (UK) LIMITED (1)	**4,583**	19,143	**-**	-
United States Steel Corporation (3)	**2,368**	13,172	**52,354**	65,360
U. S. Steel Serbia d.o.o. (4)	**117,067**	177,026	**25,010**	12,212
USS International Services, LLC (5)	**25**	23	**7,792**	12,602
U. S. Steel Canada Inc (6)	**121**	-	**-**	-
Total	**124,164**	**209,364**	**85,156**	**90,174**

(1) Associate
(3) Ultimate parent company
(4, 5, 6) Companies under common control of U. S. Steel

(1) Receivables and revenues arise from sales of steel products to the associated company U.S. STEEL KOSICE (UK) LIMITED.

(All amounts are in thousands of EUR, unless otherwise indicated)

(2) The balances payable to U. S. Steel Global Holdings I B.V. represent outstanding dividends declared by U. S. Steel Košice, s.r.o. (Notes 15 and 19).

(3) Transactions relate to purchases of raw material from United States Steel Corporation and services and recharges provided to United States Steel Corporation.

(4) Intercompany receivables from U. S. Steel Serbia d.o.o. represent shipments of raw materials and slabs including freight costs.

(5) USS International Services, LLC provides managerial services to U. S. Steel Košice, s.r.o.

(6) Transactions relate to purchases of raw materials from U. S. Steel Canada Inc. and services and recharges provided to U. S. Steel Canada Inc.

Emoluments of the statutory representatives

(a) Slovak and foreign statutory representatives of the Company did not receive any cash or non-cash benefits from the Group in 2009 and 2008 that arise from their positions of statutory representatives. They are employed and paid only based on their employment contracts with the Company and USS International Services, LLC, respectively. Compensation of foreign statutory representatives of the Company is included in the charges paid to USS International Services, LLC shown above. Compensation of Slovak statutory representatives is included in the salaries and other employee benefits (Note 22) of Company's key management employees at amounts shown in the following table:

	2009	2008
Wages and salaries	**12,267**	9,237
Profit sharing expense	**13**	273
Social insurance – defined contribution plan	**2,250**	2,052
Total	**14,530**	**11,562**

(b) Shares or share options of U. S. Steel granted to the Company's executives do not represent a material amount in these consolidated financial statements.

(c) No loans or advance payments were provided to statutory representatives of the Company by the Group.

Note 31 Events After the Reporting Period

Statutory representatives

Robert James Beltz was appointed as a statutory representative and Vice-president Commercial effective from 1 February 2010, Joseph Anthony Napoli was appointed as a statutory representative and General Counsel effective from 1 February 2010.

Other

In October 2009, the U. S. Steel Košice, s.r.o. requested the Slovak tax authority for VAT registration as a U. S. Steel Košice, s.r.o. Group. Effective 1 January 2010, a new VAT registration number SK7020000119 was assigned to U. S. Steel Košice, s.r.o. Group, which comprises U. S. Steel Košice, s.r.o. and its Slovak subsidiaries.

In January through May 2010, U. S. Steel Košice, s.r.o. entered into transactions to sell a portion of the excess emissions allowances and to swap a portion of the excess EUA emission allowances to CER emission allowances. The related gain from the transactions was recorded in the first half of 2010. In addition, on 27 April 2010 the Company delivered CO_2 emission allowances for 2009 fulfilling its obligation for the second year of the NAP II period.

(All amounts are in thousands of EUR, unless otherwise indicated)

As of 23 March 2010, U. S. Steel Košice, s.r.o. entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V. Interest on borrowings under the facility is based on a fixed rate of 6.80%, and the agreement contains customary terms and conditions. As of 31 March 2010, one borrowing totalling EUR 207 million was drawn against this facility and was used to repay EUR 200 million credit facility.

After 31 December 2009, no other significant events have occurred that would require recognition or disclosure in the 2009 consolidated financial statements.

Note 32 List of Subsidiaries

The activities of the subsidiaries shown below are closely connected with the principal activity of the Group. None of the subsidiaries is listed on any stock exchange.

The following subsidiaries have been consolidated as of 31 December 2009 and 31 December 2008 respectively:

Entity	Place of Incorporation	Principal Activities	Group's Ownership Interest	
			31 December 2009	**31 December 2008**
U. S. Steel Košice – Labortest, s.r.o.	Slovakia	Testing laboratory	**100.00 %**	100,00 %
U.S. Steel Košice – SBS, s.r.o.	Slovakia	Security services	**100.00 %**	100.00 %
VULKMONT, a.s. Košice [(1)]	Slovakia	Maintenance and vulcanization services	**100.00 %**	100.00 %
Refrako s.r.o.	Slovakia	Refractory production	**100.00 %**	100.00 %
Reliningserv s.r.o. [(1)]	Slovakia	Refractory services	**-**	100.00 %
U. S. Steel Services s.r.o.	Slovakia	Various services	**100.00 %**	100.00 %
OBAL-SERVIS, a.s. Košice	Slovakia	Packaging	**100.00 %**	100.00 %
U. S. Steel Kosice – Belgium S.A.	Belgium	Steel trading	**100.00 %**	100.00 %
U.S. Steel Košice–Bohemia a.s.	Czech Republic	Steel trading	**100.00 %**	100.00 %
U.S. Steel Kosice – France S.A.	France	Steel trading	**99.94 %**	99.94 %
U.S. Steel Kosice–Germany GmbH	Germany	Steel trading	**100.00 %**	100.00 %
U.S. Steel Kosice – Austria GmbH	Austria	Steel trading	**100.00 %**	100.00 %

[1)] Reliningserv s.r.o. merged with VULKMONT, a.s. Košice on 1 October 2009.

In 2009, the Company increased carrying amount of the investment in VULKMONT, a.s. Košice by merger with Reliningserv, s.r.o. totaling EUR 1,390 thousand effective 1 October 2009.

Company's ownership interests in subsidiaries were not pledged as of 31 December 2009 and 31 December 2008.

There are no significant restrictions on the subsidiaries' ability to transfer funds to the parent company in the form of cash, dividends or otherwise.

(All amounts are in thousands of EUR, unless otherwise indicated)

Note 33 Foreign Exchange Rates

	Average exchange rate in 2009	Exchange rate as of 31 December 2009	Average exchange rate in 2008	Exchange rate as of 31 December 2008
Slovak koruna / Euro	**-**	**-**	31.284	30.126
Swiss franc / Euro	**-**	**-**	1.587	1.496
Czech koruna / Euro	**26.4550**	**26.4730**	24.947	26.637
U.S. dollar / Euro	**1.3948**	**1.4406**	1.465	1.409
British pound / Euro	**0.8909**	**0.8881**	0.792	0.974

U. S. Steel Košice, s.r.o.

Separate financial statements
for the year ended 31 December 2009

prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

This version of the accompanying separate financial statements is a translation of the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language of the separate financial statements shall take precedence over this translation.

PricewaterhouseCoopers Slovensko, s.r.o.
Námestie 1. mája 18
815 32 Bratislava
Slovak Republic
Telephone +421 (0) 2 59350 111
Facsimile +421 (0) 2 59350 222

INDEPENDENT AUDITOR'S REPORT

To the shareholder and executives of U. S. Steel Košice, s.r.o.:

We have audited the accompanying financial statements of U. S. Steel Košice, s.r.o. ("the Company"), which comprise the statement of financial position at 31 December 2009, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as of 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko
PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

Slovenská komora auditorov SKAU Č.licencie 161 PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Peter Mrnka
SKAU licence No.: 975

Bratislava, 31 May 2010

Translation note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

U. S. Steel Košice, s.r.o.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

U. S. Steel Košice, s.r.o.

Separate financial statements for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union have been approved and authorized for issue by the statutory representatives of the Company on 31 May 2010. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, 31 May 2010

George F. Babcoke	William C. King	Ing. Silvia Gaálová, FCCA	Ing. Adam Dudič, FCCA
President (statutory representative)	Senior Vice President and Chief Financial Officer (statutory representative)	General Manager General Accounting and Consolidation (responsible for accounting)	Director Accounting Compliance and External Reporting (responsible for financial statements preparation)

U. S. Steel Košice, s.r.o.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Table of Contents

(All amounts are in thousands of EUR)

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2009	31 December 2008
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**952,365**	962,176
Intangible assets	6	**151,386**	189,962
Investments	7	**14,799**	14,628
Financial assets available-for-sale		**259**	259
Long-term receivables	11	**861**	-
Deferred income tax asset	8	**19,463**	23,177
Other non-current assets	9	**9,880**	11,123
Total non-current assets		**1,149,013**	**1,201,325**
Current Assets			
Inventories	10	**281,411**	418,013
Short-term receivables	11	**319,412**	392,873
Derivative financial instruments	12	**1,039**	14,415
Current income tax receivable	25	**160**	6,421
Cash and cash equivalents	13	**108,382**	98,782
Other current assets	14	**3,032**	2,283
Total current assets		**713,436**	**932,787**
Total Assets		**1,862,449**	**2,134,112**
EQUITY AND LIABILITIES			
Equity			
Base capital	15	**839,357**	587,842
Other reserves	15	**65,046**	68,387
Retained earnings		**37,613**	514,717
Total Equity		**942,016**	**1,170,946**
Liabilities			
Non-Current Liabilities			
Long-term loans and borrowings	16	**200,026**	202,425
Long-term provisions for liabilities and charges	17	**16,051**	17,338
Long-term employee benefits payable	18	**15,964**	16,153
Total non-current liabilities		**232,041**	**235,916**
Current Liabilities			
Trade and other payables	19	**583,824**	567,141
Derivative financial instruments	12	**2,082**	4,879
Deferred income		**7**	8
Short-term provisions for liabilities and charges	17	**101,752**	151,181
Short-term employee benefits payable	18	**727**	4,041
Total current liabilities		**688,392**	**727,250**
Total Liabilities and Equity		**1,862,449**	**2,134,112**

The accompanying notes on pages 97 to 146 are an integral part of these financial statements.

(All amounts are in thousands of EUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2009	2008
Revenue	20	**1,733,510**	2,823,330
Other income	20	**134,635**	270,548
Materials and energy consumed	21	**(1,169,926)**	(1,780,653)
Salaries and other employees benefits	22	**(243,554)**	(264,614)
Depreciation and amortization	5, 6	**(82,351)**	(79,239)
Repairs and maintenance		**(33,494)**	(89,954)
Transportation services		**(100,871)**	(121,562)
Advisory services		**(13,816)**	(18,506)
Foreign exchange (losses) / gains		**(1,479)**	22,899
Impairment loss – CO_2 emissions allowances	6	**(697)**	(99,196)
Other operating expenses	23	**(201,061)**	(279,849)
Profit from Operations		**20,896**	**383,204**
Finance income	24	**4,791**	7,508
Finance cost	24	**(6,864)**	(7,985)
Profit Before Tax		**18,823**	**382,727**
Income tax expense	25	**(4,412)**	(42,069)
Profit After Tax		**14,411**	**340,658**
Changes in fair value of hedging derivatives		**(7,196)**	6,899
Changes in revaluation reserve		**3,855**	4
Other Comprehensive (Loss) / Income, net of tax		**(3,341)**	**6,903**
Total Comprehensive Income for the Year		**11,070**	**347,561**

(All amounts are in thousands of EUR)

STATEMENT OF CHANGES IN EQUITY

	Base capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2009	**587,842**	**68,387**	**514,717**	**1,170,946**
Profit for 2009	-	-	14,411	**14,411**
Other comprehensive income	-	(3,341)	-	**(3,341)**
Total comprehensive income	**-**	**(3,341)**	**14,411**	**11,070**
Transactions with owners:				
Increase in base capital	251,515	**-**	(251,515)	**-**
Dividends	-	-	(240,000)	**(240,000)**
Total transactions with owners	**251,515**	**-**	**(491,515)**	**(240,000)**
Balance as of 31 December 2009	**839,357**	**65,046**	**37,613**	**942,016**

	Base capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2008	**587,842**	**61,484**	**749,059**	**1,398,385**
Profit for 2008	-	-	340,658	**340,658**
Other comprehensive income	-	6,903	-	**6,903**
Total comprehensive income	**-**	**6,903**	**340,658**	**347,561**
Transactions with owners:				
Dividends	-	-	(575,000)	**(575,000)**
Total transactions with owners	**-**	**-**	**(575,000)**	**(575,000)**
Balance as of 31 December 2008	**587,842**	**68,387**	**514,717**	**1,170,946**

(All amounts are in thousands of EUR)

STATEMENT OF CASH FLOWS

	Note	Total	
		2009	**2008**
Profit before tax		**18,823**	**382,727**
Non-cash Adjustments for			
Depreciation of property, plant and equipment	5	**80,703**	77,392
Amortization of intangible assets	6	**1,648**	1,847
Amortization of deferred income from CO_2 emission allowances	20	**(128,123)**	(264,990)
Charge for provision for CO_2 emissions emitted – 2009	17, 23	**92,747**	137,633
Reversal of unused provision for CO_2 emissions emitted – 2008	23	**(2,483)**	-
Impairment loss – CO_2 emission allowances	6	**697**	99,196
Investment impairment reversals		**(171)**	565
Loss on disposal of property, plant and equipment and intangible assets	23	**8,753**	4,339
Gain from liquidation of subsidiary		**-**	(819)
Gain from fair value changes of derivative financial instruments	23	**(14,897)**	(19,410)
Dividend income	24	**(3,980)**	(5,664)
Interest income	24	**(811)**	(1,793)
Interest expense	24	**6,864**	7,985
Foreign exchange gains on operating activities		**(1)**	(201)
Changes in working capital			
Decrease / (increase) in inventories	10	**136,602**	(102,974)
Decrease in trade and other receivables and other current assets		**71,633**	77,077
Decrease in trade and other payables and other current liabilities		**(48,646)**	(57,821)
Cash generated from operations		**219,358**	**335,089**
Interest paid		**(7,886)**	(3,391)
Income taxes received / (paid)		**6,291**	(49,584)
Net receipts from derivative financial instruments		**16,649**	17,729
Net cash generated from operating activities		**234,412**	**299,843**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(75,356)**	(129,779)
Proceeds from sale of property, plant and equipment		**1,282**	6,130
Purchases of intangible assets	6	**(22,603)**	(6,044)
Proceeds from sale of intangible assets		**10,916**	-
Proceeds from sale of intangible assets – CO_2 emission allowances		**40,079**	-
Decrease / (increase) in cash restricted in its use		**1,241**	(3,003)
Proceeds from sale or liquidation of subsidiary		**-**	1,105
Intercompany borrowings provided		**(746)**	-
Proceeds from intercompany borrowings provided		**746**	-
Interest received		**887**	1,934
Dividends received		**4,124**	6,069
Net cash (used in) / provided by investing activities		**(39,430)**	**(123,588)**
Cash flows from financing activities			
Proceeds from intercompany borrowings received		**31,347**	230,000
Repayment of intercompany borrowings		**(31,347)**	(30,000)
Dividends paid to the Company's shareholder		**(185,382)**	(373,522)
Net cash used in financing activities		**(185,382)**	**(173,522)**
Net increase in cash and cash equivalents		**9,600**	**2,733**
Cash and cash equivalents at beginning of year	13	**98,782**	96,049
Cash and cash equivalents at end of year	13	**108,382**	**98,782**

The accompanying notes on pages 97 to 146 are an integral part of these financial statements.

(All amounts are in thousands of EUR if not stated otherwise)

Note 1 General Information

U. S. Steel Košice, s.r.o. (hereinafter also "the Company") was established as a limited liability company on 7 June 2000 and incorporated in the Commercial Register on 20 June 2000 in Slovakia (Commercial Register of the District Court Košice I in Košice, Section Sro, Insert 11711/V).

The Company's registered office is:

Vstupný areál U. S. Steel
Košice
044 54
Identification No.: 36 199 222
Tax identification No.: 2020052837
VAT identification No.: SK2020052837

In October 2009, the Company requested the Slovak tax authority for VAT registration as a U. S. Steel Košice, s.r.o. Group (see Note 31 Events After the Reporting Period).

Business activities of the Company

The principal activity of the Company is the production and sale of steel products (Note 20).

Liability in other business entities

The Company does not have unlimited liability in other business entities.

Average number of staff

The average number of Company's employees is presented in Note 22.

The Company's management

Statutory representatives as of 31 December 2009 were as follows:

George F. Babcoke	President
William Clyde King	Senior Vice President and Chief Financial Officer
Patrick James Mullarkey	Vice President Operations
Peter Joseph Alvarado	Vice President Commercial
Ing. Anton Jura	General Manager – U. S. Steel Canada Inc.
RNDr. Miroslav Kiraľvarga, MBA	Vice President Management Services and Administration
John Frederick Wilson	General Counsel
Traci Lynn Vaughan	Vice President BSC - Europe
Ing. Vladimír Jacko, PhD., MBA	Vice President Technology
Ing. Martin Pitorák	Vice President Human Resources

Emoluments of statutory representatives are disclosed in Note 30.

Shareholder of the Company

As of 31 December 2009, the only shareholder of the Company was U. S. Steel Global Holdings I B.V., Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands. The shareholder owns a 100% share of the base capital, representing 100% of voting rights.

The General Meeting approved the Company's separate financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period on 1 June 2009.

Consolidated Group

The Company prepares consolidated financial statements for U. S. Steel Košice, s.r.o. and its controlled companies in accordance with IFRS as adopted by the EU. These consolidated financial statements are deposited in the Collection of documents of the District Court Košice I, Štúrova 29, 041 51 Košice, Slovakia and are also available at the registered address of the Company stated above and also at internet web page www.usske.sk.

The Company is included in the consolidated financial statements of its parent company U. S. Steel Global Holdings I B.V, which are part of the consolidated financial statements of the ultimate controlling party of the Company – United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA. The consolidated financial statements of the consolidated group are prepared by United States Steel Corporation ("U. S. Steel") in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") and are available at the registered address stated above and internet web page www.ussteel.com.

Note 2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements (hereinafter "the financial statements") are set out below.

2.1 Statement of Compliance

These financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of 31 December 2009 and effective for annual periods then ended.

2.2 Basis of Preparation

The Act on Accounting effective in the Slovak Republic requires the Company to prepare financial statements for the year ended 31 December 2009 in compliance with IFRS as adopted by the EU.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of intangible assets representing the carbon dioxide emissions allowances and by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

These financial statements have been prepared on the going concern basis.

The preparation of financial statements in compliance with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of reporting period and the reported amounts of revenues and expenses during the year. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 *Changes in Accounting Policies*

The accounting policies have been consistently applied to all the periods presented except for following new and amended IFRS and IFRIC interpretations, which have been adopted by the Company as of 1 January 2009 and have implications on these financial statements (Note 4.1):

- *IAS 1 (Amendments) Presentation of Financial Statements: a Revised Presentation*,
- *IAS 23 (Amendment) Borrowing Costs,*
- *IFRS 7 (Amendment) Improving Disclosures about Financial Instruments.*

2.4 *Foreign Currency Translations*

Functional and presentation currency

Items included in these financial statements are measured in euro that was determined to be the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are also presented in euro ("EUR").

Transactions and balances

Until 31 December 2008, the Company kept its books and records in the Slovak koruna, which was different from its functional currency. Transactions in currencies other than the Slovak koruna were translated into the Slovak koruna using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the Slovak koruna, and from the translation of monetary assets and liabilities denominated in currencies other than the Slovak koruna at year-end exchange rates were recognized in the statement of comprehensive income. As of 31 December 2008, all amounts were translated into the functional currency in accordance with *IAS 21 The Effects of Changes in Foreign Exchange Rates* producing materially the same amounts in the functional currency as would have occurred had the items been recorded initially in the functional currency.

Effective 1 January 2009, after the Slovak Republic's entry into the Eurozone, the accounting books and records are kept in functional currency euro. Transactions in currencies other than the euro are translated into the euro using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the euro, and from the translation of monetary assets and liabilities denominated in currencies other than the euro at year-end exchange rates are recognized in the statement of comprehensive income.

2.5 *Property, Plant and Equipment*

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items such as purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs for long-term construction projects if the recognition criteria are met (Note 2.8).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one year or if the spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment.

Land, art collections and construction in progress are not depreciated. Depreciable amount of other property, plant and equipment items is allocated on a straight-line basis over their estimated useful lives, as follows:

Buildings	35 years
Machinery and equipment	5 – 15 years
Other non-current tangible assets	2 – 5 years

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such component.

Commencement of depreciation is the date when the asset is first available for its intended use.

When asset is disposed of or it is determined that no future economic benefits are expected to arise from the continued use of the asset, the cost and accumulated depreciation of the asset are derecognized and any gain or loss resulting from its disposal is recognized in the statement of comprehensive income.

The residual values and useful lives for assets are reviewed and adjusted, if appropriate, at each end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is the higher of an assets fair value less costs to sell and value in use. Gains and losses on assets' disposals are determined by comparing related proceeds with carrying amount. These are included in the statement of comprehensive income.

2.6 *Intangible Assets*

Intangible assets other than emissions allowances are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

After initial recognition, intangible assets other than emissions allowances are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The amortization period and method are reviewed at each end of reporting period.

<u>Research and development costs</u>

Research costs are expensed in the period in which they were incurred. The development costs that relate to a clearly defined product or process where the technical feasibility and the possibility of sale or internal use can be demonstrated and the Company has sufficient resources to complete the project, to sell it or to utilize its results internally, are capitalized up to the amount that is expected to be recovered from future economic benefits. If the conditions for capitalization are not fulfilled, development costs are expensed in the period in which they were incurred.

Software

Acquired computer software is measured at cost less accumulated amortization and any accumulated impairment losses and is classified as an intangible asset if it is not an integral part of the related hardware. Software is amortized on a straight-line basis over estimated useful lives (2 – 5 years). Expenditures to enhance or extend the software performance beyond its original specification are capitalized and added to the original cost of the software.

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 5 years.

Emissions allowances

Purchases, sales or swaps of emission allowances are recognized on trade-date. Purchased emission allowances are recognized as intangible assets and measured at acquisition costs. When the emission allowances are swapped, the purchase and sale transactions are recognized separately. When the emission allowances are sold, the intangible asset is derecognized and the gain or loss is recognized in statement of comprehensive income.

Carbon dioxide emissions allowances which are allocated to emitting facilities annually free of charge by the Slovak Government for a period of one year, are recognized as an intangible asset as of the date the allowances were credited to the National Registry of Emission Rights (hereinafter "NRER"). The allowances were issued free of charge and are initially measured at fair value. The fair value of allowances issued represents their market price on the European Energy Stock Exchange as of the date they are credited to the NRER.

As no amount has been paid to acquire this intangible asset, it was recognized in compliance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* as deferred income on the acquisition date and subsequently recognized as income on a straight-line basis over the compliance period for which the emissions allowances have been allocated, regardless of whether the emissions allowances are held or sold.

As emissions are made, a provision is recognized for the obligation to deliver the emissions allowances equal to emissions that have been made. The provision is disclosed under short-term provisions for liabilities and charges. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of reporting period, which represents the market price of the number of allowances required to cover emissions made up to the end of reporting period.

The intangible asset representing the emissions allowances is carried at market value with revaluation surplus recorded in equity. Revaluation decreases are recorded as an impairment loss in the statement of comprehensive income to the extent that they exceed the revaluation surplus previously recorded in equity. Unused emission allowances, which can not be transferred to subsequent trading period, are written off.

2.7 Impairment of Property, Plant and Equipment and Intangible Assets

Intangible assets not yet available for use and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each end of reporting period.

2.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.9 Accounting for Leases

Leases of assets are classified as

- finance leases when substantially all the risks and rewards of ownership are transferred to the Company,
- operating leases when substantially all the risks and rewards of ownership are effectively retained by the lessor.

Asset items acquired under finance leases are recognized as assets at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments.

Each lease payment is allocated between the lease obligation liability and finance charges so as to achieve a constant rate of interest on the remaining liability balance. The interest element is charged to finance cost of the statement of comprehensive income over the lease period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Rental income or lease payments under an operating lease (net of any incentives received from the lessor) are recognized as revenue or expense on a straight-line basis over the lease term.

2.10 Investments

Subsidiaries

Subsidiaries are all entities (including special purpose entities) in which the Company owns, either directly or indirectly, more than 50 % of an entity's share capital or is authorized to execute more than 50 % of the voting rights of the entity and is able to govern the financial and operating policies of an entity so as to benefit from its activities. In these financial statements, investments in subsidiaries are measured at cost less any accumulated impairment losses in accordance with *IAS 27 Consolidated and Separate Financial Statements*. Impairment losses are recognized using a provision account based on the present value of estimated future cash flows.

Associates

Associates are all entities over which the Company has significant influence but not control, i.e. owns, either directly or indirectly, 20% through 50% (including) of an entity's share capital or is authorized to execute voting rights within the same range. Investments in associates are measured at cost in these financial statements in accordance with *IAS 28 Investments in Associates*. Impairment losses are recognized using a provision account based on the present value of estimated future cash flows.

2.11 Financial Assets

Financial assets include cash and cash equivalents, receivables, loans and borrowings, quoted and unquoted financial instruments and derivative financial instruments.

The Company classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss, hedging derivatives and financial assets available-for-sale. The classification depends on the purpose for which the financial assets were acquired and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets not at fair value through profit or loss are initially measured at their fair value plus transaction costs that are incremental and directly attributable to the acquisition or origination.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, net of provision made for impairment, if any.

A provision for impairment to loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the originally agreed upon terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and payments outstanding for more than 180 days after agreed upon due date are considered to be indicators that the loan or the receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the instrument's original effective interest rate. The carrying amount of the asset is reduced using a provision account, and the amount of the impairment loss is recognized in the statement of comprehensive income. When the asset is uncollectible, it is written off against the related provision account.

<u>Financial assets at fair value through profit and loss</u>

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Management designates financial instruments into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Company's key management personnel.

Derivatives are categorized as held for trading unless they qualify for hedge accounting (Note 2.24). Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months after the end of reporting period.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income.

<u>Financial assets available-for-sale</u>

Financial assets available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of reporting period.

Financial assets available-for-sale are measured at cost because their fair value can not be reliably determined.

<u>Derecognition of financial assets</u>

Financial assets are derecognized when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.12 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

The cost of raw material inventories is assigned by using the first-in, first-out (FIFO) cost formula. The cost of work in progress, semi-finished production and finished products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

2.13 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, money deposited with financial institutions that can be withdrawn without notice and other short-term highly liquid investments that are subject to insignificant risk of changes in value and have maturity of three months or less from the date of acquisition.

2.14 Equity and Reserves

<u>Equity and liabilities</u>

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement at initial recognition.

Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instruments are classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is not genuine at the time of issuance or settlement is required only in case of the issuer’s liquidation, in which case the instrument is classified as equity.

<u>Reserves</u>

(a) Legal reserve fund

The legal reserve fund is set up in compliance with the Commercial Code. Contributions to the legal reserve fund of the Company are made from net income up to 10% of the base capital. A legal reserve fund is not distributable and may be used only to cover losses of the Company.

(b) Other reserve funds

Other reserve funds include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting (Note 2.24) and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the corresponding assets, the cumulative revaluation reserves are transferred to retained earnings. The transfer is not made through the profit or loss of the current period.

2.15 Financial Liabilities

Financial liabilities include loans and borrowings, trade payables and accruals and derivative financial instruments.

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss, hedging derivatives or other financial liabilities.

Loans and borrowings

Loans and borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost; any difference between the amount at initial recognition and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Loans and borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortized cost.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2.16 Dividends

Dividends are recognized in the Company's accounts in the period in which they are approved by shareholders.

2.17 Government Grants

Government grants are recognized only if there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. They are deferred and recorded on a systematic basis into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in these financial statements. Income relating to government grants is recognized as Other Income.

2.18 Provisions

Provisions are recognized when, and only when, the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in the provision reflecting the passage of time is recognized as interest expense.

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2.19 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax expense. Current and deferred tax expense are recognized in the statement of comprehensive income, except when they relate to items recognized directly to equity, in which case the tax is also recognized directly in equity.

The current income tax charge is calculated based on taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income because of items like the allowed tax credit, items of income or expense that are taxable or deductible in different years and items that are never taxable or deductible. The current income tax liability is calculated using tax rates (and tax laws) that have been enacted, or substantively enacted, at the end of reporting period, and any adjustment to taxes payable in respect of previous years. Management of the Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided for using the statement of financial position liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the end of reporting period and are expected to apply when the related asset is realized or the liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and other temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for the cases where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Employee Benefits

<u>Defined contribution pension plan</u>

The Company makes contributions to the mandatory government and private defined contribution plans at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost.

For employees of the Company, who choose to participate in a supplementary pension savings scheme, the Company makes monthly contributions to the supplementary pension savings scheme in amounts determined in the Collective Labor Agreement.

<u>Employee retirement obligation</u>

The Company is committed to make payments to the employees upon retirement in accordance with Slovak legislation and the Collective Labor Agreement.
Employees of the Company are entitled to benefits at their first retirement, upon acquiring the entitlement to an early old age pension, an regular old age pension or an invalidity (disability) pension, when decrease in ability to perform earning activity is more than 40 %, as follows:

- if an employee terminates labour contract in the month in which he or she acquires the entitlement to an old age pension, in the amount of his or her average monthly pay plus an amount of up to EUR 1,659.70 based on the years of employment with the Company;

- in other cases, in the amount of his or her average monthly earnings.

The liability in respect of this employee benefit represents the present value of the defined benefit obligation at the end of reporting period, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by U. S. Steel actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to statement of comprehensive income over the remaining working lives of the employees entitled to the benefits. Amendments to the benefit plan are charged to statement of comprehensive income over the average period until the amended benefits become vested.

Work and life jubilees

The Company also pays certain work and life jubilee benefits. Employees of the Company are entitled to work and life jubilee benefits upon reaching specific age and/or reaching specific period of employment in accordance with the Collective Labor Agreement.

The liability in respect of the work and life jubilee benefits plan represents the present value of the defined benefit obligation at the end of reporting period and is calculated annually by U. S. Steel actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to statement of comprehensive income when incurred. Amendments to the work and life jubilees benefit plan are charged to statement of comprehensive income immediately.

Termination benefits

Termination benefits are payable either when employment is terminated by the Company as a result of specific organizational reasons or employee health reasons, or whenever an employee accepts voluntary redundancy in exchange for termination or similar benefits, e.g. one-off wage for long-term employment. The Company recognizes these benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination or similar benefits in exchange for an offer made to encourage voluntary redundancy. In case of an offer made to encourage voluntary redundancy, the measurement of these benefits is determined based on the number of employees, who accepted the offer. Termination benefits due more than 12 months after the end of reporting period are discounted to present value.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in Liability to employees and social security. Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

2.21 Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sale of own production and goods

Revenue from sales of own production and goods is recognized when the Company has transferred significant risks and rewards of ownership to the buyer and has retained neither continuing managerial involvement nor effective control over the own production and goods sold.

Rendering of services

Revenue from sale of services is recognized in the period in which the services are rendered by reference to the stage of completion. The stage of completion is measured by reference to the actual service provided as a proportion of the total service to be provided.

Interest income

Interest income is recognized using the effective interest method. Interest income is included in finance income in the statement of comprehensive income.

Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

2.22 Operating Segments

An operating segment is a component of the Company which is either (a) engaged in business activity from which the Company may earn revenues and incur expenses or (b) whose operating results are regularly reviewed by the Company's chief operating decision maker or (c) for which discrete financial information is available.

As the Company has neither issued any debt or equity instruments which are publicly traded nor files its financial statements with security commission or other regulatory organization for the purpose of issuing any class of instruments in a public market, no operating segments are presented in these financial statements in accordance with *IFRS 8 Operating Segments*.

2.23 Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.24 Accounting for Derivative Financial Instruments

Derivative financial instruments, mainly short-term currency contracts, are initially recognized in the statement of financial position at fair value (excluding transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in statement of comprehensive income.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive income.

Forward foreign exchange contracts embedded in the host raw material purchase contracts denominated in U.S. dollars are considered to be closely related to the host contracts because raw material prices are routinely denominated in U.S. dollars in commercial transactions in the economic environment in which the Company operates.

Hedge Accounting

The Company use derivatives – forward transactions – to hedge future cash flows. The criteria to meet the application of hedge accounting are: (a) the hedging relationship between the hedged item and the hedging instrument is clearly documented and (b) the hedge is highly effective. The hedging instruments are measured at fair value. Gains or losses relating to the effective portion of the derivatives are initially recognized in equity. If a hedge of forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability then the Company reclassifies the associated gains and losses that were recognized directly in equity into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of comprehensive income.

The Company has documented a strategy of financial risk management. Hedging targets are determined in compliance with this strategy. The Company documents the relationship between the hedged item and the hedging instrument at the inception of the transaction, as well as at the end of reporting period and at settlement date of the trade to assess whether the derivatives which are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity is subsequently recognized in the statement of comprehensive income

2.25 Fair Value Estimation

Fair value of emission allowances represents their market value as of the measurement date.

Financial instruments, which are measured at fair value, are classified into three categories depending on how the data for measurement were obtained (Note 28):

- Level 1 represents quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 represents inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 are those derived from valuation techniques that include inputs that are not based on observable market data.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

2.26 Events After the Reporting Period

Events after the reporting period that provide evidence of condition that existed at the end of reporting period (adjusting events), are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.27 Changes in Presentation

Where necessary, certain adjustments of corresponding figures have been made to conform to the current year presentation.

In 2009, the Company made adjustments in the comparatives as required by the amended standard IAS 1. These adjustments did not affect any statement of financial position and therefore, in management’s opinion, omission of opening statement of financial position as of 1 January 2008 is not material and should not influence the economic decisions of the users of the financial statements.

Note 3 Significant Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangible assets; provision for impairment of receivables, inventories and deferred income tax assets; environmental liabilities; liabilities for potential tax deficiencies and potential litigation claims and settlements; and assets and obligations related to employee benefits. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as certain significant judgements made by the Company in applying its accounting policies are outlined below.

Functional currency of the Company

The Company's functional currency has been determined to be the euro based on the underlying economic conditions and operations. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Company evaluates among other factors, the sources of revenue, risks associated with activities and denomination of currencies of its operations. The Company based its judgment on the fact that it operates internationally on markets mainly influenced by the euro and its major activity is the sale of steel in Western and Central Europe. Also, a majority of capital expenditures and a significant portion of costs are denominated in the euro and effective 1 January 2009, the Slovak Republic introduced the euro as its national currency.

Impact of economic crisis

The current volatile global economic environment significantly increased the overall risk and negatively affected the Company's business. The full extent of the impact of the ongoing financial crisis is difficult to anticipate or completely guard against. Currently, the effects of any further market changes on the Company's future financial position can not be reliably predicted, however, the management of the Company believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances. The short-term priorities are concentrated in the areas of maximizing liquidity, reducing costs and effective usage of resources so that the long-term strategy of the Company is met.

Estimated useful life of property, plant and equipment

The average useful life of depreciable property, plant and equipment represents approximately 16 years (2008: 16 years). A revision of the average useful life by 1 year would change the annual depreciation charge by EUR 6 million (2008: EUR 5 million).

Impairment of property, plant and equipment

The Company evaluates impairment of its property, plant and equipment whenever circumstances indicate that the carrying amount exceeds its recoverable amount. The change in business conditions in the fourth quarter of 2008 and during whole year 2009 was considered to be an indicator as defined by *IAS 36 Impairment of Assets* and subsequently the Company's assets were tested for impairment. The tested assets include property, plant and equipment (Note 2.5) and intangible assets excluding emission allowances, which are measured at fair value (Note 2.6). The Company is considered to be a cash generating unit as whole. Asset impairments are recognized when the carrying amount of the assets exceeds their value in use. Discounted cash flows for the assets were calculated using conservative estimates of future market conditions over the average estimated useful life of the assets and discount rate of 10%. The testing did not indicate that the assets were impaired as of 31 December 2009 as well as 31 December 2008. However, if future cash flow projections are not realized, either because of an extended recessionary period or other unforeseen events, impairment charges may be required in future periods. A 10 % change in the discount rate would not result in recognition of an impairment. The sensitivity of other variables can not be reliably quantified because the change in any input would, at the same time, result in a change of other variables, however, management of the Company believes that such change would not result in an impairment.

Spare parts

As stated in Note 2.5 major spare parts and stand-by equipment are capitalized to property, plant and equipment. The capitalization threshold to qualify as major spare parts was determined by management to be EUR 10 thousand (2008: EUR 10 thousand). Their useful life was derived from average useful life of related property, plant and equipment and estimated to be 7 years. If the threshold increased to EUR 30 thousand, the net income would decrease by EUR 1 million (2008: EUR 11 million). If the estimated useful life decreased by 1 year, the net income would decrease by EUR 5 million (2008: EUR 4 million). If the estimated useful life increased by 1 year, the net income would increase by EUR 3 million (2008: EUR 4 million).

Net realizable value of inventories

The Company reviews the value of its inventories whenever circumstances indicate that the carrying amount exceeds its net realizable value (NRV). The change in business conditions in the fourth quarter of 2008 and during whole year 2009 indicated that carrying amount of certain inventories may exceed their NRV as defined by *IAS 2 Inventories* and the inventories were written down when the condition was met (Note 10). For internally produced inventories, the net realizable value was estimated comparing the cost with the best estimate of expected selling price of finished products, in which they will be incorporated, less costs to complete. If the estimate of actual selling price increased by 10%, the impairment charge would decrease by EUR 0.3 million (2008: EUR 3.6 million). If the estimate of actual selling price decreased by 10%, the impairment charge would increase by EUR 1.7 million (2008: EUR 12.6 million).

Taxation

The Company was granted a tax credit (Note 8) available through 31 December 2009. Management believes that all tax credit conditions were met for the preceding periods. If any condition is not met for a period, the tax credit claimed for the related period would have to be repaid including related tax penalties. During 2006, the Slovak tax authority audited and confirmed that the Company fulfilled all of the necessary conditions for claiming the tax credit for the years 2000 through 2005.

Certain areas of Slovak tax law have not been sufficiently tested in practice. As a result, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations become available. The Company's management is not aware of any circumstances that may give rise to a future material expense in this respect. During 2008, the Slovak tax authority issued protocols with respect to completed audits of the 2005 and 2006 income taxes of the U. S. Steel Košice, s.r.o. without significant findings. Fiscal periods remain open to review by the tax authorities for five years after the year in which the tax return is filed.

Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. Any changes in these assumptions will impact the carrying amount of employee benefits obligations.

The appropriate assumptions are determined by U. S. Steel actuaries at the end of each year. Additional information is disclosed in Note 2.20 and Note 18.

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards, which are effective in 2009, were adopted by the Company and have implications on these financial statements (Note 2.3)

IAS 1 (Amendments) Presentation of Financial Statements: a Revised Presentation (effective for periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income, which also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Company has adopted the standard effective 1 January 2009 and has elected to present one statement of comprehensive income.

The revised IAS 1 also requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change. This could include presenting profit or loss and each item of other comprehensive income in the statement of changes in equity. Management of the Company considered materiality and concluded that it is sufficient for an entity to present such information only in the statement of comprehensive income and that repeating the same information in the statement of changes in equity, is not a material omission of information. In reaching this conclusion, Management of the Company considered the examples provided in the guidance on implementing, which accompanies the revised IAS 1, but is not a mandatory part of that standard.

IAS 23 (Amendment) Borrowing Costs (effective for periods beginning on or after 1 January 2009). IAS 23 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. In accordance with the transitional provisions of the revised standard, the Company has adopted the standard on a prospective basis effective 1 January 2009. The borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2009, EUR 368 thousand of borrowing costs have been capitalized on qualifying assets included in construction in progress at average capitalization rate of 2.9% p.a..

IFRS 7 (Amendment) Improving Disclosures about Financial Instruments (effective for periods beginning on or after 1 January 2009). The amendment amends and adds disclosures about fair value measurement and liquidity risk. It requires entities to classify fair value measures they use into three categories similar to US GAAP requirements: quoted prices, other observable market data and unobservable inputs. Other disclosures to be provided include analysis of fair value amounts by these categories, transfers between the categories, movements between opening and closing balances and sensitivity analysis. Changes in disclosures relating to liquidity risk include different approach for maturity analysis of derivative financial liabilities. Required disclosures are presented in Note 28.

4.2 Standards, amendments and interpretations to published standards, which are effective in 2009 and were adopted by the Company but they are not relevant or do not have any material implications to the financial statements of the Company

IFRS 8 Operating Segments (effective for periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the guidance in Accounting Standards Codification (ASC) 280 Segment Reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Company concluded that it is not required to present information for operating segments in accordance with this new standard as disclosed in revised Note 2.22.

IFRS 2 (Amendment) Share-Based Payment: Vesting Conditions and Cancellations (effective for periods beginning on or after 1 January 2009). The amended standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of share based payments are not vesting conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have material implication on these financial statements.

IAS 32 and IAS 1 (Amendments) Puttable Financial Instruments and Obligations Arising on Liquidation (effective for periods beginning on or after 1 January 2009). The amendments require classification as equity of some financial instruments that meet the definition of a financial liability. The amended standards do not have material implication on these financial statements.

IFRS 1 and IAS 27 (Amendments) Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate (effective for periods beginning on or after 1 January 2009). The amendments allow first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying amount as deemed cost in the separate financial statements. The amendments also require distributions from pre-acquisition net assets of investees to be recognized in profit or loss rather than as a recovery of the investment. The amended standards do not have material implication on these financial statements.

The management of the Company has assessed effects of the annual projects *Improvements to IFRSs* as published by IASB in May 2008, in April 2009 and in May 2010. Improvements to IFRSs as published in May 2010 have not yet been endorsed by the EU. The improvements do not have material implication on these financial statements.

IFRIC 13 - Customer Loyalty Programmes (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. The interpretation does not have material implications on these financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate (effective for periods beginning on or after 1 January 2009). IFRIC 15 provides guidance whether revenue from construction of real estate is recognized in compliance with IAS 11 Construction Contracts or IAS 18 Revenue. It specifies that IAS 11 applies if the buyer is able to specify major structural elements of the design of the real estate before construction begins or when construction is in progress. If the buyer has only limited ability to influence the design then the revenue is recognized in accordance with IAS 18. Percentage of completion method also applies even if the agreement is within the scope of IAS 18 but the control and significant risks and rewards of the ownership of the real estate is being transferred as work progresses. The interpretation is not relevant to the Company.

IFRIC 16 – Hedges of Net Investment in a Foreign Operation (effective for periods beginning on or after 1 October 2008). IFRIC 16 determines criteria for hedge accounting that is applied by an entity that hedges the foreign currency risk arising from its net investments in foreign operations. It provides guidance on (a) identifying the foreign currency risks that qualify as a hedged risk in the hedge of net investment in a foreign operation, (b) where, within a group, the hedging instrument can be held and (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and hedged item. The interpretation does not have material implication on these financial statements.

4.3 Standards, amendments and interpretations to existing standards which have been published and are mandatory for the accounting periods beginning on 1 January 2010 or later

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for periods beginning on or after 1 July 2009). The amendment clarifies (a) when inflation can be designated as a hedged item in a financial instrument under the hedge accounting provisions in IAS 39 and (b) how hedge accounting can be applied to hedges where a hedging instrument is an option contract. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IFRS 3 (Revised) Business Combinations (effective for periods beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure the fair value of every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is to be measured as the difference at acquisition date, between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs are to be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer has to recognize at the acquisition date a liability for contingent purchase consideration. Changes in the value of that liability after the acquisition date are to be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The disclosures required to be made in relation to contingent consideration are to be enhanced. The revised IFRS 3 brings in its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Company has not early adopted the revised standard and does not expect material financial statements implications relating to the adoption of this revised standard in the future.

IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009). The amended standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognized in statement of comprehensive income. The amended standard does not have material implication on these financial statements.

IAS 32 (Amendment) Financial Instruments: Presentation: Classification of Rights Issue (effective for periods beginning on or after 1 February 2010). The amended standard clarifies that a rights issue offerred pro rata to all of an entity's existing shareholders on the exercise of which the entity will receive a fixed amount of cash for a fixed number of the entity's own equity instruments is classified as an equity instrument regrdless of the currency in which the exercise price is denominated. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IFRS 2 (Amendment) Share-Based Payment: Group Cash-settled Share-based Payment Transactions (effective for periods beginning on or after 1 January 2010). The amended standard clarifies the scope of IFRS 2 and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when the entity has no obligation to settle the transaction, i.e. its parent company or another entity in the group must pay those suppliers. The amendment also incorporate into IFRS 2 the guidance previously included in the interpretations IFRIC 8 – Scope of IFRS 2 and IFRIC 11 – IFRS 2 Group and Treasury Share Transactions. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2013). IFRS 9 replaces part of IAS 39 and reduces categories of financial assets to those measured at amortized cost and those measured at fair value. The classification of financial instruments is made at initial recognition based on result of business model test and cash flow characteristics test. IFRS 9 contains an option to designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The entity can make an irrevocable election at initial recognition to measure equity investments, which are not held for trading, at fair value through other comprehensive income with only dividend income recognized in profi t or loss. The standard has not yet been endorsed by the EU. The Company has not early adopted the standard and is currently assessing financial statements implications relating to the adoption of this standard in the future.

IFRS 1 (Revised) First Time Adoption of IFRS (effective for periods beginning on or after 1 July 2009). The revision improves standard's structure with an intention to better accommodate future changes to the standard, reorganize most of the standard's exceptions and exemptions and move them to the appendixes. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IFRS 1 (Amendment) Additional Exemptions for First-time Adopters (effective for periods beginning on or after 1 January 2010). The amendment introduces three new exemptions to existing IFRS for first time adopters. It provides for a new "deemed cost" exemption for certain oil and gas assets. It also requires entity using this "deemed cost" exemption to recognize difference in decommissioning, restoration and similar liability calculated between IFRS and previous GAAP in retained earnings. In addition, it provides for an exemption in terms of assessment in accordance with IFRIC 4, whether entity's arrangements contain leases. The amendment has not yet been endorsed by the EU. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IAS 24 (Revised) Related Party Disclosures (effective for periods beginning on or after 1 January 2011). The revised standard eliminates some disclosure requirements that would otherwise apply to entities that are controlled or significantly influenced by a state in relation to transactions with other entities controlled or influenced by this state. It also clarifies some definitions to eliminate inconsistencies. The revised standard has not yet been endorsed by the EU. The Company has not early adopted the revised standard and does not expect material financial statements implications relating to the adoption of this revised standard in the future.

IFRIC 9 and IAS 39 (Amendment) Embedded Derivatives (effective for periods beginning on or after 30 June 2009). The amendment clarifies that an entity must assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category. The amendment further clarifies that the assessment should be made on the basis of the circumstances that existed when the entity first became a party to the contract. Finally, the amendment clarifies that, if the entity concludes that the derivative requires fair value accounting but is unable to measure the fair value of the embedded derivative separately, the entity has to continue to account for the entire instrument at fair value through profit or loss. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IFRIC 14 (Amendment) – Prepayments of a Minimum Funding Requirement (effective for periods beginning on or after 1 January 2011). The amended interpretation removes unintended consequence of IFRIC 14 to expense certain prepayments subject to a minimum funding requirement and treats this prepayment, like any other prepayment, as an asset. The amendment has not yet been endorsed by the EU. The Company has not early adopted the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for periods beginning on or after 1 July 2009). IFRIC 17 clarifies that (a) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, (b) an entity should measure the dividend payable at fair value of the net assets to be distributed and (c) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Company has not early adopted the interpretation and does not expect material financial statements implications relating to the adoption of this interpretation in the future.

IFRIC 18 – Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009). IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The Company has not early adopted the interpretation and does not expect material financial statements implications relating to the adoption of this interpretation in the future.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for periods beginning on or after 1 July 2010). The interpretation provides guidance on how a debtor should account for its equity instruments issued in full or partial settlement of financial liability following renegotiation of the terms of the liability, so called. debt-for-equity swap. It also provides guidance on the presentation of any gains and losses resulting from a debt-for-equity swap. The interpretation has not yet been endorsed by the EU. The Company has not early adopted the interpretation and does not expect material financial statements implications relating to the adoption of this interpretation in the future.

(All amounts are in thousands of EUR if not stated otherwise)

Note 5 Property, Plant and Equipment

The movement in property, plant and equipment during 2009 is as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
1 January 2009	**374,259**	**949,221**	**12,788**	**63,179**	**1,399,447**
Additions	-	-	-	75,356	**75,356**
Disposals	(236)	(39,074)	(817)	(78)	**(40,205)**
Transfers to base	3,812	80,506	-	(84,318)	**-**
31 December 2009	**377,835**	**990,653**	**11,971**	**54,139**	**1,434,598**
Accumulated Depreciation and Impairment Losses					
1 January 2009	**(61,253)**	**(366,128)**	**(9,890)**	**-**	**(437,271)**
Depreciation for the year	(9,549)	(70,968)	(186)	-	**(80,703)**
Disposals	228	35,513	-	-	**35,741**
31 December 2009	**(70,574)**	**(401,583)**	**(10,076)**	**-**	**(482,233)**
Carrying amount	**307,261**	**589,070**	**1,895**	**54,139**	**952,365**

The movement in property, plant and equipment during 2008 is as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
1 January 2008	**349,328**	**891,564**	**21,235**	**20,853**	**1,282,980**
Additions	7	-	-	129,779	**129,786**
Disposals	(163)	(4,648)	(7,346)	(1,162)	**(13,319)**
Reclassifications	-	3,911	(3,911)	-	**-**
Transfers to base	25,087	58,394	2,810	(86,291)	**-**
31 December 2008	**374,259**	**949,221**	**12,788**	**63,179**	**1,399,447**
Accumulated Depreciation and Impairment Losses					
1 January 2008	**(52,316)**	**(294,773)**	**(16,878)**	**-**	**(363,967)**
Depreciation for the year	(8,844)	(68,548)	-	**-**	**(77,392)**
Reclassifications	-	(2,942)	2,942	**-**	**-**
Disposals	(93)	135	4,046	**-**	**4,088**
31 December 2008	**(61,253)**	**(366,128)**	**(9,890)**	**-**	**(437,271)**
Carrying amount	**313,006**	**583,093**	**2,898**	**63,179**	**962,176**

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of 31 December 2009 and 31 December 2008.

<u>Insurance</u>

Property, plant and equipment are insured by Generali Slovensko poisťovňa, a. s. The insurance covers damage caused by theft, disaster and other causes of machinery failure while maximum insurance compensation for one insurance claim is USD 750 million (i.e. EUR 520 million using the exchange rate at the end of reporting period) (2008: USD 750 million (i.e. EUR 532 million using the exchange rate as of 31 December 2008)). Compensation sublimits for individual risks are specified in the insurance contract. Own participation is USD 25 million per claim.

(All amounts are in thousands of EUR if not stated otherwise)

Note 6 Intangible Assets

The movement in intangible assets during 2009 is as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
1 January 2009	**16,907**	**264,990**	**173**	**20,555**	**302,625**
Additions	-	128,124	-	22,603	**150,727**
Disposals	(80)	(279,345)	-	(11,517)	**(290,942)**
Revaluation surplus	-	4,759	-	-	**4,759**
Transfers to base	1,488	13,611	23	(15,122)	**-**
31 December 2009	**18,315**	**132,139**	**196**	**16,519**	**167,169**
Accumulated Amortization and Impairment Losses					
1 January 2009	**(13,389)**	**(99,196)**	**(78)**	**-**	**(112,663)**
Amortization for the year	(1,618)	-	(30)	-	**(1,648)**
Disposals	29	99,196	-	-	**99,225**
Impairment losses	-	(697)	-	-	**(697)**
31 December 2009	**(14,978)**	**(697)**	**(108)**	**-**	**(15,783)**
Carrying amount	**3,337**	**131,442**	**88**	**16,519**	**151,386**

The movement in intangible assets during 2008 is as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
1 January 2008	**15,253**	**7,390**	**828**	**17,409**	**40,880**
Additions	-	264,990	-	6,044	**271,034**
Disposals	(42)	(7,390)	(684)	(1,173)	**(9,289)**
Transfers to base	1,696	-	29	(1,725)	**-**
31 December 2008	**16,907**	**264,990**	**173**	**20,555**	**302,625**
Accumulated Amortization and Impairment Losses					
1 January 2008	**(11,604)**	**(7,099)**	**(563)**	**-**	**(19,266)**
Amortization for the year	(1,825)	-	(22)	-	**(1,847)**
Disposals	40	7,099	507	-	**7,646**
Impairment losses	-	(99,196)	-	-	**(99,196)**
31 December 2008	**(13,389)**	**(99,196)**	**(78)**	**-**	**(112,663)**
Carrying amount	**3,518**	**165,794**	**95**	**20,555**	**189,962**

No intangible assets were pledged in favor of a creditor or restricted in its use as of 31 December 2009 and 31 December 2008.

(All amounts are in thousands of EUR if not stated otherwise)

Insurance

Intangible assets are not insured.

Emissions allowances

The Company was allocated free of charge CO_2 emissions allowances by the Slovak Government. They were measured at fair value initially as of allocation date and subsequently at the end of reporting period. The European Energy Stock Exchange is used to obtain fair value of the emissions allowances. The liability for the obligation to deliver the emissions allowances was settled within a few months after the end of reporting period in accordance with applicable legislation.

The balances included in the statement of financial position in respect of the emissions allowances are as follows:

	31 December 2009	31 December 2008
Emissions allowances (intangible asset)	**131,442**	165,794
Liability for the obligation to deliver allowances (provision) (Note 17)	**92,747**	137,633

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 126,683 thousand as of 31 December 2009 (31 December 2008: EUR 165,794 thousand). Events after the reporting period are disclosed in Note 31.

Note 7 Investments

The activities of the subsidiaries shown below are closely connected with the principal activity of the Company. None of the subsidiaries is listed on any stock exchange.

The Company had following investments in subsidiaries and associates:

Entity	Place of incorporation	Principal activities	Ownership interest as of		Carrying amount as of	
			31 December 2009	31 December 2008	31 December 2009	31 December 2008
Subsidiaries						
U. S. Steel Košice – Labortest, s.r.o.	Slovakia	Testing laboratory	**99.97 %**	99.97 %	**2,250**	2,250
U.S. Steel Košice – SBS, s.r.o.	Slovakia	Security services	**98.00 %**	98.00 %	**34**	34
VULKMONT, a.s. Košice (1)	Slovakia	Maintenance and vulcanization services	**99.96 %**	100.00 %	**1,994**	604
Refrako s.r.o.	Slovakia	Refractory production	**99.98 %**	99.98 %	**4,565**	4,565
Reliningserv s.r.o. (1)	Slovakia	Refractory services	**-**	99.95 %	**-**	1,390
U. S. Steel Services s.r.o.	Slovakia	Various services	**99.96 %**	99.96 %	**1,804**	1,804
OBAL-SERVIS, a.s. Košice	Slovakia	Packaging	**100.00 %**	100.00 %	**1,304**	1,304
U. S. Steel Kosice – Belgium S.A.	Belgium	Steel trading	**100.00 %**	100.00 %	**-**	-
U.S. Steel Košice–Bohemia a.s.	Czech Republic	Steel trading	**100.00 %**	100.00 %	**536**	536
U.S. Steel Kosice – France S.A.	France	Steel trading	**99.94 %**	99.94 %	**212**	212
U.S. Steel Kosice–Germany GmbH	Germany	Steel trading	**100.00 %**	100.00 %	**1,559**	1,463
U.S. Steel Kosice – Austria GmbH	Austria	Steel trading	**100.00 %**	100.00 %	**440**	365
Associate						
U.S. STEEL KOSICE (UK) LIMITED	Great Britain	Selling steel products	**50.00 %**	50.00 %	**101**	101
Total					**14,799**	**14,628**

(1) Reliningserv s.r.o. merged with VULKMONT, a.s. Košice on 1 October 2009.

In 2009, the Company increased carrying amount of the investment in VULKMONT, a.s. Košice by merger with Reliningserv, s.r.o. totaling EUR 1,390 thousand effective 1 October 2009.

Change in carrying amounts as of 31 December 2009 of U.S. Steel Kosice–Germany GmbH and U.S. Steel Kosice – Austria GmbH relates to adjustments made in provision for impairment to the investments.

Equity as of 31 December 2009 and the 2009 profit / (loss) of the subsidiaries, together with comparative figures for the previous accounting period, are shown in the following table (in thousands of currency):

Entity	Currency	Profit / (loss) for		Equity as of	
		2009	2008	31 December 2009	31 December 2008
U. S. Steel Košice – Labortest, s.r.o. [3]	EUR	**177**	(98)	**4,224**	4,047
U.S. Steel Košice – SBS, s.r.o. [3]	EUR	**89**	188	**524**	623
VULKMONT, a.s. Košice [1, 3]	EUR	**1,149**	959	**8,875**	5,357
Refrako s.r.o. [3]	EUR	**(2,207)**	(252)	**8,625**	10,820
Reliningserv s.r.o. [2, 3]	EUR	**-**	270	**-**	3,781
U. S. Steel Services s.r.o. [3]	EUR	**207**	272	**2,253**	2,046
OBAL-SERVIS, a.s. Košice [3]	EUR	**780**	1,551	**7,083**	7,503
U. S. Steel Kosice – Belgium S.A.	EUR	**(45)**	(32)	**(1,674)**	(1,629)
U.S. Steel Košice–Bohemia a.s.	CZK	**1,396**	487	**53,155**	52,233
U.S. Steel Kosice – France S.A.	EUR	**13**	170	**191**	418
U.S. Steel Kosice–Germany GmbH	EUR	**65**	238	**1,290**	1,463
U.S. Steel Kosice – Austria GmbH	EUR	**79**	61	**188**	366

[1] 2009 profit of VULKMONT, a.s. Košice includes also pre-merger profit of Reliningserv s.r.o. for 9 months period.
[2] Reliningserv s.r.o. merged with VULKMONT, a.s. Košice on 1 October 2009.
[3] Financial information for 2008 was translated to EUR using conversion rate 30.1260 SKK/EUR.

Summarized financial information of U.S. STEEL KOSICE (UK) LIMITED is following:

	2009[1]	2008
Total assets	**14,559**	20,664
Equity	**723**	1,394
Total revenues	**23,573**	64,640
Profit for the period	**495**	1,461

[1] Financial information for 2009 is unaudited.

Company’s ownership interests in subsidiaries and the associate were not pledged as of 31 December 2009 and 31 December 2008.

There are no significant restrictions on the subsidiaries’ or the associate’s ability to transfer funds to the parent company in the form of cash, dividends or otherwise.

Note 8 Deferred Income Taxes

Differences between IFRS as adopted by the EU and Slovak taxation regulations give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed in the following table and is recorded at the rate of 19% (2008: 19%):

(All amounts are in thousands of EUR if not stated otherwise)

	1 January 2009	Recognized in profit or loss	Recognized in equity	31 December 2009
Property, plant and equipment	17,970	(17,948)	-	**22**
Inventories	5,729	(1,922)	-	**3,807**
Employee benefits	2,998	158	-	**3,156**
Deferred charges	720	(217)	-	**503**
Provision for impairment to receivables	1,563	1,067	-	**2,630**
Unused tax loss 2009	-	16,032	-	**16,032**
Emission allowances transactions	(5,351)	(1,097)	(904)	**(7,352)**
Other items	(452)	(515)	1,632	**665**
Total	**23,177**	**(4,442)**	**728**	**19,463**
Deferred tax asset	23,177			**19,463**
Deferred tax liability	-			**-**

	1 January 2008	Recognized in profit or loss	Recognized in equity	31 December 2008
Property, plant and equipment	19,385	(1,415)	-	**17,970**
Inventories	4,851	878	-	**5,729**
Employee benefits	7,534	(4,536)	-	**2,998**
Deferred charges	2,090	(1,370)	-	**720**
Provision for impairment to receivables	454	1,109	-	**1,563**
Tax credit	16,806	(16,806)	-	**-**
Emission allowances transactions	-	(5,351)	-	**(5,351)**
Other items	(1,286)	2,267	(1,433)	**(452)**
Total	**49,834**	**(25,224)**	**(1,433)**	**23,177**
Deferred tax asset	49,834			**23,177**
Deferred tax liability	-			**-**

The expected timing of the reversal of temporary differences is as follows:

	31 December 2009	31 December 2008
Deferred tax to be realized within 12 months	**16,318**	18,269
Deferred tax to be realized after 12 months	**3,145**	4,908

The Company had no unrecognized potential deferred tax assets as of 31 December 2009 and 31 December 2008.

Tax loss 2009

In 2009, the Company has recognized a deferred tax asset for the full loss in accordance with IAS 12 Income Taxes. The 2009 tax loss amounts to EUR 84,380 thousand and can be carried forward over a period of five years.

Tax credit

The Slovak Income Tax Act provides an income tax credit which is available to the Company if certain conditions are met. In order to claim the tax credit in any year, at least 60 percent of the Company's sales revenues must be derived from export sales, the Company must reinvest the tax credits claimed in qualifying capital expenditures during the year in which the credit is claimed and the following four years, and the Company must meet other specific administrative requirements.

(All amounts are in thousands of EUR if not stated otherwise)

The provisions of the Slovak Income Tax Act permit the Company to claim a tax credit of 100% of its income tax liability for the years 2000 through 2004 and 50% for the years 2005 through 2009. As a result of conditions imposed when the Slovak Republic joined the European Union (EU) and which were amended by a September 2004 settlement agreement with the EU, the total tax credit granted to the Company for the period 2000 through 2009 was limited to USD 430 million, all of which has been used as of 31 December 2009. The terms of Slovak Republic's accession to the EU September 2004 settlement also limited the Company's annual production of flat-rolled products and its sale of these products into the EU and the September 2004 settlement additionally required the Company to make two income tax prepayments of USD 16 million each to the Slovak Government in 2004 and 2005, respectively.

During 2006, the Slovak tax authority audited and confirmed that the Company fulfilled all of the necessary conditions for claiming the tax credit for the years 2000 through 2005.

In 2008, the Company has recognized a deferred tax asset for the tax credit in accordance with *IAS 12 Income Taxes*. The amount recognized at each period end represents the unused portion of the total tax credit which is translated into EUR using the closing exchange rate.

Note 9 Other Non-Current Assets

	31 December 2009	31 December 2008
Cash restricted in its use (Notes 27 and 28)	**9,880**	11,121
Loans to employees	**-**	2
Total	**9,880**	**11,123**

The major part of cash restricted in its use represents long-term cash deposits made by the Company which can be used only for closure, reclamation and monitoring of landfills after their closure (Note 17). The effective interest rate on restricted cash in bank is disclosed in Note 13.

The balances are neither past due nor impaired. Credit risk of cash restricted in its use is disclosed in Note 27.

Note 10 Inventories

	31 December 2009	31 December 2008
Raw materials	**137,034**	212,655
Work-in-progress	**39,694**	48,066
Semi-finished production	**44,082**	63,884
Finished products	**59,845**	88,165
Merchandise	**756**	5,243
Total	**281,411**	**418,013**

The inventory items are shown net of write-down allowance resulting from lower net realizable value totaling EUR 4,110 thousand (31 December 2008: EUR 8,350 thousand). No inventories were pledged or restricted in use as of 31 December 2009 and 31 December 2008.

(All amounts are in thousands of EUR if not stated otherwise)

The movement of inventories' write-down allowance was as follows:

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
1 January 2009	**483**	**2,585**	**2,519**	**2,763**	**-**	**8,350**
Allowance made	3,289	554	77	81	-	**4,001**
Allowance used	(251)	(2,585)	(2,519)	(2,763)	-	**(8,118)**
Allowance reversed	(123)	-	-	-	-	**(123)**
31 December 2009	**3,398**	**554**	**77**	**81**	**-**	**4,110**

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
1 January 2008	**531**	**1,767**	**891**	**162**	-	**3,351**
Allowance made	597	6,824	6,533	3,003	-	**16,957**
Allowance used	(645)	(4,751)	(4,668)	(290)	-	**(10,354)**
Allowance reversed	-	(1,255)	(237)	(112)	-	**(1,604)**
31 December 2008	**483**	**2,585**	**2,519**	**2,763**	**-**	**8,350**

Note 11 Trade and Other Receivables

	31 December 2009	31 December 2008
Trade receivables	**227,519**	295,559
Related party accounts receivable (Note 30)	**74,996**	65,218
Total trade receivables (Note 28)	**302,515**	**360,777**
Advance payments made	**2,273**	2,222
VAT receivable	**34,973**	50,837
Other receivables	**805**	1,154
Trade and other receivables (gross)	**340,566**	**414,990**
Less provision for impairment	**(20,293)**	(22,117)
Trade and other receivables (net)	**320,273**	**392,873**
Long-term receivables	**861**	**-**
Short-term receivables	**319,412**	392,873

No receivables of the Company were pledged in favor of a bank or other entities as of 31 December 2009 and 31 December 2008. The maximum credit risk exposure at the end of reporting period is the carrying amount of each class of receivable mentioned above. Information about collateral or other credit enhancements and overall credit risk of the Company is disclosed in Note 27.

The carrying amount of trade receivables, including related party accounts receivable, is denominated in the following currencies:

	31 December 2009	31 December 2008
SKK	**-**	9,951
EUR	**274,687**	315,584
USD	**20,679**	24,537
other	**7,149**	10,705
Total	**302,515**	**360,777**

(All amounts are in thousands of EUR if not stated otherwise)

The structure of trade receivables is as follows:

	31 December 2009	31 December 2008
Receivables not yet due and not impaired	**189,875**	235,533
Receivables past due but not impaired	**19,516**	41,149
Receivables individually impaired	**18,128**	18,877
Trade receivables	**227,519**	**295,559**
Receivables not yet due and not impaired	**9,302**	21,249
Receivables past due but not impaired	**63,796**	40,920
Receivables individually impaired	**1,898**	3,049
Related party accounts receivable	**74,996**	**65,218**
Total	**302,515**	**360,777**

Receivables not yet due and not impaired can be analyzed based on internal credit ratings as follows:

	31 December 2009	31 December 2008
No or low-risk counterparties	**93,493**	167,469
Marginal or high-risk counterparties	**96,382**	68,064
Trade receivables	**189,875**	**235,533**
No or low-risk counterparties	**1,451**	3,038
Marginal or high-risk counterparties	**7,851**	18,211
Related party accounts receivable	**9,302**	**21,249**
Total	**199,177**	**256,782**

Ageing structure of trade receivables past due but not impaired is as follows:

	31 December 2009	31 December 2008
Past due 0 – 30 days	**17,703**	30,155
Past due 30 – 90 days	**661**	9,775
Past due 90 – 180 days	**250**	1,219
Past due more than 180 days	**902**	-
Trade receivables	**19,516**	**41,149**
Past due 0 – 30 days	**3,429**	7,360
Past due 30 – 90 days	**4,933**	11,773
Past due 90 – 180 days	**55,434**	21,787
Related party accounts receivable	**63,796**	**40,920**
Total	**83,312**	**82,069**

Ageing structure of trade receivables individually impaired is as follows:

	31 December 2009	31 December 2008
Past due 0 – 30 days	**32**	5,860
Past due 30 – 90 days	**110**	6,259
Past due 90 – 180 days	**1,263**	383
Past due 180 – 365 days	**3,784**	21
Past due over 365 days	**12,939**	6,354
Trade receivables	**18,128**	**18,877**
Past due 180 – 365 days	**304**	1,124
Past due over 365 days	**1,594**	1,925
Related party accounts receivable	**1,898**	**3,049**
Total	**20,026**	**21,926**

(All amounts are in thousands of EUR if not stated otherwise)

The movement of provision for impairment to accounts receivable was as follows:

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
1 January 2009	**18,877**	**3,049**	**183**	**8**	**22,117**
Provision made	6,780	359	78	30	**7,247**
Receivables written-off	(3,175)	-	(18)	(4)	**(3,197)**
Provision reversed	(4,359)	(1,510)	(2)	(3)	**(5,874)**
31 December 2009	**18,123**	**1,898**	**241**	**31**	**20,293**

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
1 January 2008	**11,486**	**3,225**	**784**	**12**	**15,507**
Provision made	14,506	1,515	83	6	**16,110**
Receivables written-off	(6,032)	(750)	(680)	-	**(7,462)**
Provision reversed	(1,083)	(941)	(4)	(10)	**(2,038)**
31 December 2008	**18,877**	**3,049**	**183**	**8**	**22,117**

Accounts receivable totaling EUR 3,226 thousand were written off in 2009 (2008: EUR 7,481 thousand).

Note 12 Derivative Financial Instruments

The Company has entered into forward foreign exchange contracts, which are not traded and were agreed with the banks on specific contractual terms and conditions. These derivative instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market foreign exchange rates.

The Company applied hedge accounting effective 1 January 2008. There was no ineffective portion recognized in the 2009 profit or loss arising from cash flow hedges (2008: EUR 1,994 thousand).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the Other reserve funds in equity (Note 15) on forward foreign exchange contracts as of 31 December 2009 will be recognized in the statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the statement of comprehensive income. This is generally within 12 months after the end of reporting period.

The aggregate fair values of derivative financial assets can fluctuate significantly from time to time. The table below sets out fair values, at the end of reporting period, of the Company's forward foreign exchange contracts:

	31 December 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
foreign exchange forwards – cash flow hedges	**1,039**	**2,082**	11,845	4,303
foreign exchange forwards – non-effective hedges	**-**	**-**	2,570	576
Total	**1,039**	**2,082**	**14,415**	**4,879**

Balances as of 31 December 2009 and 31 December 2008 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Company has entered into forward foreign exchange contracts with ING Bank N.V., Citibank (Slovakia) a.s., PNC Bank and Fifth Third Bank as of 31 December 2009 and with ING Bank N.V., Citibank (Slovakia) a.s., The Bank of Nova Scotia, PNC Bank, RBS/Citizens

(All amounts are in thousands of EUR if not stated otherwise)

Bank and Fifth Third Bank as of 31 December 2008. The rating of the banks is available on their internet websites.

The table below reflects gross positions before the netting of any counterparty positions and covers the contracts with settlement dates after the respective end of reporting period. The contracts are short term in nature:

	31 December 2009	31 December 2008
payable on settlement in EUR thousand	**(129,503)**	(257,840)
receivable on settlement in USD thousand	**185,000**	375,600

Note 13 Cash and Cash Equivalents

	31 December 2009	31 December 2008
Cash on hand	**46**	2
Cash at bank	**108,336**	98,780
Total (Note 28)	**108,382**	**98,782**

Cash at bank earned approx. 0.2% p.a. for EUR deposits and 0.1% p.a. for USD deposits as of 31 December 2009 (31 December 2008: 1.2% p.a. for EUR deposits, 2.7% p.a. for SKK deposits and 0.0% p.a. for USD deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances at the bank accounts are not material.

Cash restricted in its use is presented in Other non-current assets (Note 9).

All balances are neither past due nor impaired. Credit risk of cash and cash equivalents is disclosed in Note 27.

Note 14 Other Current Assets

The balance of other current assets represents prepaid expenses totaling EUR 3,032 thousand as of 31 December 2009 (31 December 2008: EUR 2,283 thousand).

Note 15 Equity

Base capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased base capital as of 31 December 2009. Adopting the euro as the Slovak Republic's national currency, the base capital was translated using the conversion foreign exchange rate of 30.1260 Slovak koruna per one euro effective 1 January 2009. The difference between historical amount and converted amount of base capital resulted in an increase of base capital up to the amount of EUR 839,357 thousand from retained earnings as of 1 January 2009. There were no changes in base capital during 2008.

(All amounts are in thousands of EUR if not stated otherwise)

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve fund	Other reserve funds	Total
1 January 2009	**44**	**58,784**	**9,559**	**68,387**
Changes in fair value of hedging derivatives	-	-	(7,196)	**(7,196)**
Changes in revaluation reserve - CO_2 emission allowances	-	-	3,855	**3,855**
31 December 2009	**44**	**58,784**	**6,218**	**65,046**

	Other capital funds	Legal reserve fund	Other reserve funds	Total
1 January 2008	**44**	**58,784**	**2,656**	**61,484**
Changes in fair value of hedging derivatives	-	-	6,903	**6,903**
31 December 2008	**44**	**58,784**	**9,559**	**68,387**

The total distributable earnings of the Company represent EUR 36,893 thousand as of 31 December 2009 (31 December 2008: EUR 514,716 thousand).

The profit for 2008 totaling EUR 340,658 thousand was fully transferred to retained earnings.

Dividends

Dividends from 2008 retained earnings totaling EUR 240 million were approved for distribution in June 2009. Dividends from 2007 retained earnings totaling EUR 575 million were approved for distribution in June 2008. Declared but unpaid dividends totaled EUR 329,990 thousand as of 31 December 2009 (31 December 2008: EUR 275,372 thousand) (Notes 19 and 30). No dividends from 2009 retained earnings were approved by the date when these financial statements were authorized for issue.

Note 16 Loans and Borrowings

	31 December 2009	31 December 2008
EUR 200 million credit facility	**200,026**	202,425
	200,026	**202,425**
Current portion of the borrowings	**-**	-
Non-current portion of the borrowings	**200,026**	202,425

As of 2 July 2008, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank, N.V. London Branch. Interest on borrowings under the facility is based on spread over EURIBOR, and the agreement contains customary terms and conditions. As of 31 December 2009, one borrowing denominated in EUR was drawn in full available amount against this facility (31 December 2008: two borrowings in full available amount). Carrying amounts of the borrowings as of 31 December 2009 and 31 December 2008 are measured at amortized costs. Fair values of the borrowings as of 31 December 2009 and 31 December 2008 approximate their carrying amounts. Events after the reporting period are disclosed in Note 31.

(All amounts are in thousands of EUR if not stated otherwise)

Management of capital is disclosed in Note 26 and information about other credit facilities available to the Company and interest rate risk exposure is disclosed in Note 27.

Note 17 Provisions for Liabilities and Charges

Movement in provisions for liabilities and charges was as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
1 January 2009	**22,981**	**4,456**	**137,633**	**3,449**	**168,519**
Provision made	343	468	92,747	417	**93,975**
Provision used / reversed	(3,458)	(453)	(137,633)	(3,147)	**(144,691)**
31 December 2009	**19,866**	**4,471**	**92,747**	**719**	**117,803**
Long-term provisions	16,051	-	-	-	**16,051**
Short-term provisions	3,815	4,471	92,747	719	**101,752**

	Landfill	Litigation	CO_2 emissions	Other	Total
1 January 2008	**20,969**	**4,125**	**291**	**363**	**25,748**
Provision made	4,129	1,324	137,633	3,415	**146,501**
Provision used / reversed	(2,117)	(993)	(291)	(329)	**(3,730)**
31 December 2008	**22,981**	**4,456**	**137,633**	**3,449**	**168,519**
Long-term provisions	17,338	-	-	-	**17,338**
Short-term provisions	5,643	4,456	137,633	3,449	**151,181**

Movement of provisions caused by passage of time (i.e. accretion expense) in 2009 and 2008 was considered to be immaterial.

<u>Landfill</u>

Provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Act on Waste. In 2009, the Company has been operating three landfills; two for non-hazardous waste and one for hazardous waste. One non-hazardous waste landfill was closed in July 2009. The Company started reclamation, cost of which was charged against the provision. The short-term portion relates to cash outflows that are expected to be settled within 12 months.

<u>Litigation</u>

The Company uses external legal counsel to act in some legal proceedings and internal legal counsels in other proceedings. The Company's management has made its best estimate of the probabilities and the contingent loss amounts associated with all legal proceedings in both Slovakian and foreign jurisdictions and has recorded a provision accordingly. These proceedings are at different stages and some may proceed for undeterminable periods of time. Further disclosures about the litigation proceedings could prejudice the Company's position in the disputes and therefore are not made.

<u>CO_2 emissions</u>

A provision was recognized for CO_2 emissions emitted in 2009. It is calculated as a multiple of estimated volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Energy Stock Exchange. The provision was charged to Other operating expenses (Note 23). Amortization of related deferred income is recognized in Other income (Note 20).

(All amounts are in thousands of EUR if not stated otherwise)

Other

Other provisions include provisions for warranty and other business risks.

Note 18 Employee Benefits Obligations

Employee retirement obligation

The Company is committed to make payments to the employees upon retirement in accordance with the Labor Code and Collective Labor Agreement. The defined benefit obligation is calculated annually by U. S. Steel actuaries using the projected unit credit method.

Work and life jubilees

The Company also pays certain work and life jubilee benefits. The liability is calculated consistently with the employee retirement obligation except that actuarial gains and losses and past services costs are recognized immediately in the statement of comprehensive income.

Termination benefit

The 2008 amount totaling EUR 1,820 thousand represents reversal of termination benefit expense recorded in 2007 for voluntary early retirement program offered in 2007. No liability was recorded as of 31 December 2009 (31 December 2008: EUR 4,133 thousand).

The movement in the accrued liability over the years is as follows:

	2009	2008
1 January	**20,194**	**50,158**
Total expense charged in the statement of comprehensive income – pension	**822**	2,901
Total expense charged in the statement of comprehensive income – jubilee	**1,113**	932
Total expense charged in the statement of comprehensive income – termination	**4,858**	955
Benefits paid	**(10,296)**	(34,752)
31 December	**16,691**	**20,194**
Long-term employee benefits payable	**15,964**	16,153
Short-term employee benefits payable	**727**	4,041

The amounts recognized in the statement of financial position are determined as follows:

	31 December 2009	31 December 2008
Present value of the obligation – pension	**11,836**	8,104
Present value of the obligation – jubilee	**6,303**	5,774
Present value of the obligation – termination	**-**	4,041
Unrecognized actuarial gains	**(1,397)**	2,352
Unrecognized past service costs	**(51)**	(77)
Total liability in the statement of financial position	**16,691**	**20,194**

(All amounts are in thousands of EUR if not stated otherwise)

The amounts recognized in the statement of comprehensive income are determined as follows:

	2009	2008
Current service costs – pension	**701**	1,253
Current service costs – jubilee	**338**	291
Current service costs – termination	**4,858**	(1,820)
Interest costs	**1,034**	979
Net actuarial losses / (gains) recognized	**(138)**	(380)
Foreign exchange losses	**-**	4,465
Total	**6,793**	**4,788**

Service cost and net actuarial losses / (gains) are presented in Salaries and other employee benefits (Note 22) of statement of comprehensive income. Foreign exchange losses are included in the Foreign exchange gains / (losses) of the statement of comprehensive income and interest costs in the finance result.

Principal actuarial assumptions used to determine employee benefits obligations as of 31 December were as follows:

	2009	2008
Discount rate	**5.50%**	6.00%
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover (1)	**max 5.00%**	max 5.00%

(1) Staff turnover is replaced by termination table that varies by employee's age and years of service but does not exceed 5% annually.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in other liabilities. Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

Defined contribution pension plan

Throughout the year, the Company made contributions to the mandatory government and private defined contribution plans amounting to 24.0% (2008: 24.8%) of gross salaries up to a monthly salary ceiling between EUR 1,003.09 to EUR 2,674.90 until 30 June 2009, respectively EUR 1,084.55 to EUR 2,892.12 after this date (EUR 934.14 to EUR 2,491.00 until 30 June 2008, respectively EUR 1,003.09 to EUR 2,674.90 after this date). The amount of contributions made is presented in Note 22.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company made contributions to the supplementary scheme amounting up to 1.7% from the monthly accounted wage in 2009 (2008: 2.0%).

(All amounts are in thousands of EUR if not stated otherwise)

Note 19 Trade and Other Payables

	31 December 2009	31 December 2008
Trade payables	**112,604**	102,722
Related party accounts payable (Note 30)	**28,407**	88,961
Assigned trade payables	**23,760**	3,831
Uninvoiced deliveries and other accrued expenses	**56,520**	60,959
Trade payables and accruals (Note 28)	**221,291**	**256,473**
Advance payments received	**2,917**	891
Liability to employees and social security institutions	**21,948**	23,661
Dividends payable (Notes 15 and 30)	**329,990**	275,372
VAT and other taxes and fees	**4,926**	8,006
Other payables	**2,752**	2,738
Total	**583,824**	**567,141**

Ageing structure of trade and other payables is presented in the table below:

	31 December 2009	31 December 2008
Trade and other payables not yet due	**579,090**	556,160
Trade and other payables past due	**4,734**	10,981
Total	**583,824**	**567,141**

The carrying amount of trade payables and accruals is denominated in the following currencies:

	31 December 2009	31 December 2008
EUR	**165,969**	68,876
SKK	**-**	64,389
USD	**29,446**	109,898
other	**25,876**	13,310
Total	**221,291**	**256,473**

Contributions to and withdrawal from the social fund during the accounting period are shown in the following table:

	2009	2008
1 January	**1,176**	**1,234**
Company contribution (company costs)	**961**	1,127
Employees contribution (repayments)	**452**	657
Withdrawals	**(1,805)**	(1,842)
31 December	**784**	**1,176**

The social fund is used for social, medical, relaxing and similar needs of the Company's employees in accordance with social fund law. The balances are included in the Liability to employees and social security institutions caption of the table above.

(All amounts are in thousands of EUR if not stated otherwise)

Note 20 Revenue and Other Income

The main activities of the Company are production and sale of flat rolled steel products, steel plates, tubes, raw iron, coke and production and distribution of electricity, heat and gas.

Revenue consists of the following:

	2009	2008
Sales of own production	**1,702,392**	2,653,162
Sales of merchandise [(1)]	**20,856**	155,871
Rendering of services	**10,262**	14,297
Total	**1,733,510**	**2,823,330**

[(1)] Sales of merchandise represent primarily sales of raw materials to U. S. Steel Serbia d.o.o., a related party under common control of U. S. Steel (Note 30).

<u>Other income</u>

Other income consists of the following:

	2009	2008
Amortization of deferred income - CO_2 emission allowances	**128,123**	264,990
Rental income	**1,937**	1,990
Income from contractual penalties	**2,591**	605
Other income	**1,984**	2,963
Total	**134,635**	**270,548**

Note 21 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2009	2008
Materials consumed	**(994,180)**	(1,560,955)
Energy consumed	**(96,734)**	(103,125)
Costs of merchandise sold (Note 20)	**(21,232)**	(153,928)
Changes in inventory	**(53,902)**	52,708
Inventory write-down allowance (Note 10)	**(3,878)**	(15,353)
Total	**(1,169,926)**	**(1,780,653)**

Note 22 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2009	2008
Wages and salaries	**(167,803)**	(167,344)
Profit sharing expense	**(1,195)**	(20,712)
Termination benefits (Note 18)	**(4,858)**	1,820
Social insurance – defined contribution plan (Note 18)	**(58,334)**	(65,555)
Other social expenses	**(10,463)**	(11,658)
Pension expenses – retirement and work and life jubilees (Note 18)	**(901)**	(1,165)
Total	**(243,554)**	**(264,614)**

The average number of the Company's employees for the 2009 was 11,465 (2008: 12,227), from which 236 were key management employees (2008: 238).

(All amounts are in thousands of EUR if not stated otherwise)

Note 23 Other Operating Expenses

	2009	2008
Packaging	**(14,939)**	(19,376)
Cleaning and waste	**(8,703)**	(9,467)
Rent	**(2,721)**	(3,308)
Advertising and promotion	**(2,356)**	(2,966)
Intermediary fees	**(6,973)**	(5,632)
Training	**(1,096)**	(3,429)
Charge for provision for CO_2 emissions (Note 17)	**(92,747)**	(137,633)
Reversal of unused provision for CO_2 emissions – 2008	**2,483**	-
Impairment of receivables – (loss) / reversal and receivables written-off (Note 11)	**(1,406)**	(14,093)
Gain on disposal of material	**139**	599
Loss on disposal of property, plant and equipment and intangible assets	**(8,753)**	(4,339)
Gain on derivative instruments transactions	**14,897**	19,410
Real estate tax and other taxes	**(4,418)**	(4,798)
Laboratory and heat tests	**(5,020)**	(5,737)
Other operating expenses [1]	**(69,448)**	(89,080)
Total	**(201,061)**	**(279,849)**

[1] Other operating expenses include various types of services not exceeding EUR 5 million individually.

Note 24 Finance Income and Finance Cost

	2009	2008
Interest income	**811**	1,793
Dividend income	**3,980**	5,664
Interest expense	**(6,864)**	(7,985)
Foreign exchange differences on borrowings	**-**	51
Total	**(2,073)**	**(477)**

Note 25 Income Taxes

As of 31 December 2009, the Company had an income tax receivable totaling EUR 160 thousand arising from income tax prepayments which exceeded income tax liability for 2009 (31 December 2008: income tax receivable totaling EUR 6,421 thousand).

The income tax expense consists of following:

	2009	2008
Current tax	**30**	(16,845)
Deferred tax (Note 8)	**(4,442)**	(25,224)
Total	**(4,412)**	**(42,069)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the Company as follows:

	2009	2008
Profit before tax	**18,823**	382,727
Tax calculated at 19% tax rate	**3,576**	72,718
Non-deductible expenses	**1,538**	2,128
Effect of functional currency on temporary differences [1]	**(702)**	(32,777)
Tax charge	**4,412**	**42,069**

[1] As SKK/EUR foreign exchange rate changed by 10% annually and tax basis of substantially all assets

(All amounts are in thousands of EUR if not stated otherwise)

and liabilities of the Company was carried in SKK, the translation to EUR functional currency affected 2008 reconciliation favorably.

The effective tax rate was 23% (2008: 11%). Information about tax credit is disclosed in Note 8.

The tax (charge) / credit relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax	**Tax (charge) / credit**	**After tax**	**Before tax**	**Tax (charge) / credit**	**After tax**
Changes in fair value of hedging derivatives	**(8,828)**	**1,632**	**(7,196)**	8,332	(1,433)	6,899
Changes in revaluation reserve	**4,759**	**(904)**	**3,855**	4	-	4
Other comprehensive income	**(4,069)**	**728**	**(3,341)**	**8,336**	**(1,433)**	**6,903**
Current tax		-			-	
Deferred tax (Note 8)		728			(1,433)	
		728			**(1,433)**	

Note 26 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and to pay obligations as they come due. The Company's overall strategy did not change from 2008.

The capital structure of the Company consists of debt (Note 16) totaling EUR 200,026 thousand as of 31 December 2009 (31 December 2008: EUR 202,425 thousand) and equity (Note 15) totaling EUR 942,016 thousand as of 31 December 2009 (31 December 2008: EUR 1,170,946 thousand) that includes base capital, other reserves and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include minimum level of base capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of 31 December 2009 and 31 December 2008.

Note 27 Financial Risk Management

Financial risk is managed in compliance with policies and procedures of U. S. Steel. The use of risk management instruments is controlled by U. S. Steel management which has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations of certain commodities and foreign currency transactions. The use of derivative instruments could materially affect the Company's results of operations in particular accounting periods; however, management believes that the use of these instruments will not have a material adverse effect on the financial position or liquidity of the Company.

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange rate risk and other price risk).

Credit risk

The Company is exposed to credit risk in the event of non-payment by customers principally within the automotive, steel, container and construction industries. Changes in these industries may significantly affect management's estimates and the Company's financial performance. All industries that we sell our products to have reported substantially lower customer demand in 2009 due to the ongoing global recession. As a result of low end customer demand, some of the customers of the Company may experience difficulties in obtaining credit or maintaining their ability to qualify for trade credit insurance, which may result in further reduction in purchases and an increase in the Company's credit risk exposure. The duration of the recession and recovery time of these industries may have a significant impact on the Company. In addition, the expiration of governmental stimulus programs may have a negative impact on the levels of customer demand.

(All amounts are in thousands of EUR if not stated otherwise)

All customers of the Company are assigned an internal risk rating in accordance with approved internal policies and procedures. A customer's credit rating is determined by considering its financial situation, payment behavior, past experience and other factors. Individual credit limits are established based on internal ratings and the amounts and utilization of the limits are periodically re-evaluated and monitored. The management of the Company carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and relating credit limits accordingly.

The Company is exposed to overall credit risk arising from financial instruments as summarized below:

31 December 2009

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables	-	302,515
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	1,039	-
Cash and cash equivalents (Note 13)		
ING Bank N.V. [(1)]	-	36,378
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky [(1)]	-	35,111
HSBC Bank plc, pobočka zahraničnej banky [(1)]	-	20,040
Citibank (Slovakia) a.s. [(1)]	-	12,314
Slovenská sporiteľňa, a.s. [(1)]	-	4,484
Other banks	-	9
Cash on hand	-	46
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. [(1)]	-	9,880
Total	**1,039**	**420,777**

[(1)] Rating of the bank is available on the bank's internet website.

31 December 2008

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables	-	360,777
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	14,415	-
Cash and cash equivalents (Note 13)		
ING Bank N.V. [(1)]	-	53,675
Citibank (Slovakia) a.s. [(1)]	-	41,946
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky [(1)]	-	3,010
Slovenská sporiteľňa, a.s. [(1)]	-	139
Other banks	-	10
Cash on hand	-	2
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. [(1)]	-	11,121
Total	**14,415**	**470,680**

[(1)] Rating of the bank is available on the bank's internet website.

(All amounts are in thousands of EUR if not stated otherwise)

The Company mitigates credit risk for approx. 75% (2008: 75%) of its revenues by requiring bank guarantees, letters of credit, credit insurance, prepayments or other collateral. Information about collateral or other credit enhancements is as follows:

	2009	2008
Credit insurance	**50 %**	53 %
Letters of credit and documentary collection	**7 %**	7 %
Bank guarantees	**4 %**	2 %
Other credit enhancements	**14 %**	13 %
Secured receivables	**75 %**	**75 %**
Unsecured receivables	**25 %**	25 %
Total	**100 %**	**100 %**

The majority of the Company's customers are located in Central and Western Europe. No single customer accounts for more than 10% of gross annual revenues.

Liquidity risk

The Company policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to cover the liquidity risk in accordance with its financing strategy. Management of the Company is monitoring expected and actual cash flows and cash position of the Company on a daily basis in accordance with approved internal policies and procedures. Excess funds are invested to liquid financial assets and time deposits not to exceed USD 100 million or equivalent in other currency for sole obligor. The investment exposure by country is also monitored separately.

In short-term, given the current economic environment, the management of the Company is focused on maximizing liquidity. The volume of available financing has significantly reduced and the terms and conditions for obtaining new borrowings or re-finance existing borrowings are currently unclear, however, the management believes that the Company is not exposed to significant liquidity risk.

In 2009, the Company renewed a EUR 40 million credit facility. The renewed credit facility expires on 8 October 2012. This credit facility may be used for drawing short-term loans, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Company is obligated to pay a commitment fee on undrawn amounts. There were no borrowings against this facility as of 31 December 2009 and 31 December 2008.

In addition, a multi-use credit facility of EUR 20 million, which was also renewed in 2009, is available to the Company. This credit facility may be used until 10 December 2012 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Company is obligated to pay a commitment fee on the undrawn portion of the facility. As of 31 December 2009 the credit facility has been used in the amount of EUR 5,298 thousand for bank guarantees and letters of credit (31 December 2008: EUR 5,504 thousand).

On 11 December 2009, the Company entered into an EUR 10 million Agreement with ING Bank N.V., pobočka zahraničnej banky. This credit facility may be used until 11 January 2011 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Company is obligated to pay a commitment fee on the undrawn portion of the facility. There were no borrowings against this facility as of 31 December 2009.

(All amounts are in thousands of EUR if not stated otherwise)

The table below summarizes the expected undiscounted cash flows in relation to agreed maturities of financial assets and financial liabilities.

31 December 2009

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Trade and other receivables	301,654	861	-	**302,515**
Derivative financial instruments	128,419	-	-	**128,419**
Total	**430,073**	**861**	**-**	**430,934**
Liabilities				
Trade payables and accruals	221,291	-	-	**221,291**
Derivative financial instruments	129,503	-	-	**129,503**
Loans and borrowings	726	200,000	-	**200,726**
Total	**351,520**	**200,000**	**-**	**551,520**

31 December 2008

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Trade and other receivables	360,777	-	-	**360,777**
Derivative financial instruments	266,572	-	-	**266,572**
Total	**627,349**	**-**	**-**	**627,349**
Liabilities				
Trade payables and accruals	256,473	-	-	**256,473**
Derivative financial instruments	257,840	-	-	**257,840**
Loans and borrowings	12,433	218,667	-	**231,100**
Total	**526,746**	**218,667**	**-**	**745,413**

Market risk

(a) Interest rate risk

The Company is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facility (Note 16). If the interest rate had been 1% higher/lower as of 31 December 2009, it would have resulted to EUR 0.2 million higher/lower interest expense charged to statement of comprehensive income (2008: EUR 0.9 million).

The Company's income is substantially independent of changes in market interest rates. The Company had no significant interest income other than short term bank deposits and cash at bank accounts as of 31 December 2009 and 31 December 2008.

(b) Currency risk

The Company is exposed to the risk of price fluctuations due to the effects of foreign exchange rates on revenues and operating costs, capital expenditures and existing assets or liabilities denominated in currencies other than the euro, particularly the U. S. dollar. The Company, prior to the Slovak Republic's entry into the Eurozone on 1 January 2009, also had foreign currency exchange rate risk related to fluctuations between the Slovak koruna and the euro.

(All amounts are in thousands of EUR if not stated otherwise)

The structure of cash and cash equivalents and cash restricted in its use by currency is as follows:

31 December 2009

	Cash and cash equivalents	Cash restricted in its use
EUR	85,167	9,880
USD	15,873	-
other	7,342	-
Total	**108,382**	**9,880**

31 December 2008

	Cash and cash equivalents	Cash restricted in its use
EUR	79,108	-
SKK	4,441	11,121
USD	12,835	-
other	2,398	-
Total	**98,782**	**11,121**

The Company manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance Group, using a limited number of forward foreign exchange contracts. As of 31 December 2009, the Company had open EUR forward sales contracts for U.S. dollars (total notional value of approximately EUR 129.5 million; 31 December 2008: EUR 257.8 million).

As of 31 December 2009, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, it would have resulted in a EUR 23 million charge/credit to the statement of comprehensive income.

As of 31 December 2008, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, it would have resulted in a EUR 1 million charge/credit to the statement of comprehensive income.

(c) Other price risk

In the normal course of its business, the Company is exposed to price fluctuations related to the production and sale of steel products. The Company is also exposed to price risk related to the purchase or production or sale of coal, coke, natural gas, steel scrap, iron ore and pellets, and zinc, tin and other nonferrous metals used as raw materials.

The Company is exposed to commodity price risk on both the purchasing and sales sides, and manages the risk through natural hedge. The Company's market risk strategy is in compliance with U. S. Steel's strategy that has generally been to obtain competitive prices for our products and services and allow operating results to reflect the market price movements dictated by supply and demand in the statement of comprehensive income. The Company did not carry out any material derivative transaction mitigating commodity price risk and had no outstanding commodity derivatives as of 31 December 2009 and 31 December 2008.

Note 28 Financial Instruments by Category

The following table provides a reconciliation of classes of financial assets and liabilities with the measurement categories as determined by the *IAS 39 Financial Instruments: Recognition of Measurement*:

(All amounts are in thousands of EUR if not stated otherwise)

31 December 2009

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Receivables	302,515	-	-	**302,515**
Derivative financial instruments	-	1,039	-	**1,039**
Cash and cash equivalents	108,382	-	-	**108,382**
Restricted cash	9,880	-	-	**9,880**
Total	**420,777**	**1,039**	**259**	**422,075**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Bank loans	-	200,026	**200,026**
Trade payables and accruals	-	221,291	**221,291**
Derivative financial instruments	2,082	-	**2,082**
Total	**2,082**	**421,317**	**423,399**

31 December 2008

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Receivables	360,777	-	-	**360,777**
Derivative financial instruments	-	14,415	-	**14,415**
Cash and cash equivalents	98,782	-	-	**98,782**
Restricted cash	11,121	-	-	**11,121**
Total	**470,680**	**14,415**	**259**	**485,354**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Bank loans	-	202,425	**202,425**
Trade payables and accruals	-	256,473	**256,473**
Derivative financial instruments	4,879	-	**4,879**
Total	**4,879**	**458,898**	**463,777**

(All amounts are in thousands of EUR if not stated otherwise)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

31 December 2009

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	1,039	-	**1,039**
Total	**-**	**1,039**	**-**	**1,039**
Liabilities				
Hedging derivatives	-	2,082	-	**2,082**
Total	**-**	**2,082**	**-**	**2,082**

31 December 2008

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	14,415	-	**14,415**
Total	**-**	**14,415**	**-**	**14,415**
Liabilities				
Hedging derivatives	-	4,879	-	**4,879**
Total	**-**	**4,879**	**-**	**4,879**

During the reporting period ending 2009, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Note 29 Contingent Liabilities and Contingent Assets

Operating leases

The future aggregated minimum lease payments under non-cancellable operating leases (payments in foreign currency are stated using the exchange rate at the end of reporting period) are as follows:

	2009	2008
Not later than 1 year	**1,334**	1,201
Later than 1 year and not later than 5 years	**2,761**	4,950
Later than 5 years	**-**	-
Total	**4,095**	**6,151**

Capital commitments and commitments to the Slovak Republic

Capital expenditures of EUR 40 million had been committed under contractual arrangements as of 31 December 2009 (31 December 2008: EUR 21 million).

The Company has the following commitments to the Slovak Government:

- a capital investment program of USD 700 million, subject to certain conditions, over a period of 10 years from November 2000. The Company has fulfilled this commitment to the Slovak Government in August 2006.
- retention of the employment (except for natural attrition and termination for cause) for a period of 10 years from November 2000.
- supporting foreign investment in Slovakia for a period of 2 years from November 2000. The Company fulfilled this commitment to the Slovak Government.

Environmental commitments

As part of an agreement with the Slovak Government, the Government has agreed to indemnify and hold harmless the Company, United States Steel Corporation, their affiliates and the officers, directors, employees, agents and contractors for remediation, restoration, compensation, indemnity and other matters, as defined in the agreement, relating to environmental conditions existing prior to completion of the acquisition of the Company by United States Steel Corporation on 24 November 2000. Some aspects of this indemnification gradually expired between 2001 and 2004. In light of the indemnification contained in the agreement with the Slovak Government, management has assessed that there is no need for any accrual of costs related to the remediation of environmental damage existing as of the acquisition date. Under the current status of legislation in the Slovak Republic, the Company has not incurred material obligations to remedy environmental damage caused by its operations.

The Company is also committed to invest in production equipment to comply with valid environmental legislation. There are no legal proceedings pending against the Company involving environmental matters.

Air, water and solid waste – The Company's obligations with regard to air, water and solid waste pollution are set by Slovak legislation. In 2009, the environmental expenses totaled approximately EUR 11 million (2008: EUR 12 million).

Carbon dioxide (CO_2) emissions – To comply with the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change, the European Commission ("EC") has created an Emissions Trading System ("ETS"). Under the ETS, the EC establishes CO_2 emissions limits for every EU member state and approves allocations of CO_2 emission allowances to individual emitting entities pursuant to national allocation plans that are proposed by each of the member states. Emission allowances can be bought and sold by emitting entities to cover the quantities of CO_2 they emit in their operations.

In July 2008, following approval by the EC of the Slovak Republic's national allocation plan for the second CO_2 trading period of 2008 through 2012 ("NAP II"), the Ministry of Environment of Slovak Republic allocated to the Company more CO_2 emission allowances per year than the Company received for the 2005 to 2007 trading period. Based on actual CO_2 emissions in 2008 and 2009 and projected production in 2010 - 2012, management of the Company believes that U. S. Steel Košice, s.r.o. will have sufficient emission allowances for the NAP II period without purchasing additional allowances.

Contingent assets

Pursuant to an agreement that was signed in relation to the sale of interests in FINOW Verwaltungs- und Service GmbH to a third party, the Company is entitled to certain contingent payments. The third party also has the option to pay the compensation as a lump-sum amount of EUR 5 million by 31 December 2010.

The Company has no other significant contingent assets as of 31 December 2009 and 31 December 2008.

(All amounts are in thousands of EUR if not stated otherwise)

Note 30 Related Party Transactions

The statement of financial position includes the following amounts resulting from transactions with related parties:

	Receivables		Payables	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
U.S. STEEL KOSICE (UK) LIMITED (1)	**303**	1,308	**-**	1
U. S. Steel Global Holdings I B.V. (2)	**-**	-	**329,990**	275,372
United States Steel Corporation (3)	**295**	260	**13,623**	77,643
U. S. Steel Serbia d.o.o. (4)	**70,858**	60,293	**262**	1,902
USS International Services, LLC (5)	**201**	311	**1,500**	1,169
U. S. Steel Canada Inc (6)	**16**	-	**2,073**	-
Subsidiaries (7)	**3,323**	3,046	**10,949**	8,246
Total	**74,996**	**65,218**	**358,397**	**364,333**

(1) Associate
(2) Parent company
(3) Ultimate parent company
(4, 5, 6) Companies under common control of U. S. Steel
(7) All subsidiaries under control of the Company (Note 7)

As of 31 December 2009, provision for impairment to receivables due from subsidiaries and U. S. Steel Serbia d.o.o. was recognized totaling EUR 1,539 thousand and EUR 359 thousand, respectively (31 December 2008: EUR 1,539 thousand and EUR 1,503 thousand).

The following amounts of revenues and expenses resulting from transactions with related parties were recorded in the Company's statements of comprehensive income:

	Revenues		Expenses	
	2009	2008	2009	2008
U.S. STEEL KOSICE (UK) LIMITED (1)	**5,253**	19,143	**-**	-
United States Steel Corporation (3)	**1,799**	13,172	**52,354**	65,360
U. S. Steel Serbia d.o.o. (4)	**114,281**	171,932	**25,010**	11,919
USS International Services, LLC (5)	**25**	23	**7,792**	12,602
U. S. Steel Canada Inc (6)	**121**	-	**-**	-
Subsidiaries (7)	**6,898**	6,092	**66,795**	73,799
Total	**128,377**	**210,362**	**151,951**	**163,680**

(1) Associate
(3) Ultimate parent company
(4, 5, 6) Companies under common control of U. S. Steel
(7) All subsidiaries under control of the Company (Note 7)

(1) Receivables and revenues arise from sales of steel products to the associated company U.S. STEEL KOSICE (UK) LIMITED.

(2) The balances payable to U. S. Steel Global Holdings I B.V. represent outstanding dividends declared by U. S. Steel Košice, s.r.o. (Notes 15 and 19).

(3) Transactions relate to purchases of raw material from United States Steel Corporation and services and recharges provided to United States Steel Corporation.

(4) Intercompany receivables from U. S. Steel Serbia d.o.o. represent shipments of raw materials and slabs including freight costs.

(5) USS International Services, LLC provides managerial services to U. S. Steel Košice, s.r.o.

(6) Transactions relate to purchases of raw materials from U. S. Steel Canada Inc. and services and recharges provided to U. S. Steel Canada Inc.

(7) Transactions with subsidiaries of U. S. Steel Košice, s.r.o. include sales of steel

(All amounts are in thousands of EUR if not stated otherwise)

products and purchases of various services provided to U. S. Steel Košice, s.r.o. and transactions relating to intercompany borrowings.

Emoluments of the statutory representatives

(a) Slovak and foreign statutory representatives of the Company did not receive any cash or non-cash benefits from the Company in 2009 and 2008 that arise from their positions of statutory representatives. They are employed and paid only based on their employment contracts with the Company and USS International Services, LLC, respectively. Compensation of foreign statutory representatives of the Company is included in the charges paid to USS International Services, LLC shown above. Compensation of Slovak statutory representatives is included in the salaries and other employee benefits (Note 22) of Company's key management employees at amounts shown in the following table:

	2009	2008
Wages and salaries	**12,267**	9,237
Profit sharing expense	**13**	273
Social security – defined contribution plan	**2,250**	2,052
Total	**14,530**	**11,562**

(b) Shares or share options of U. S. Steel granted to the Company's executives do not represent a material amount in these financial statements.

(c) No loans or advance payments were provided to statutory representatives by the Company.

Note 31 Events After the Reporting Period

Statutory representatives

Robert James Beltz was appointed as a statutory representative and Vice-president Commercial effective from 1 February 2010, Joseph Anthony Napoli was appointed as a statutory representative and General Counsel effective from 1 February 2010.

Other

In October 2009, the Company requested the Slovak tax authority for VAT registration as a U. S. Steel Košice, s.r.o. Group. Effective 1 January 2010 a new VAT registration number SK7020000119 was assigned to U. S. Steel Košice, s.r.o. Group, which comprises U. S. Steel Košice, s.r.o. and its Slovak subsidiaries.

In January through May 2010, the Company entered into transactions to sell a portion of the excess emissions allowances and to swap a portion of the excess EUA emission allowances to CER emission allowances. The related gain from the transactions was recorded in the first half of 2010. In addition, on 27 April 2010 the Company delivered CO_2 emission allowances for 2009 fulfilling its obligation for the second year of the NAP II period.

As of 23 March 2010, the Company entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V. Interest on borrowings under the facility is based on a fixed rate of 6.80%, and the agreement contains customary terms and conditions. As of 31 March 2010, one borrowing totalling EUR 207 million was drawn against this facility and was used to repay EUR 200 million credit facility.

After 31 December 2009, no other significant events have occurred that would require recognition or disclosure in the 2009 financial statements.