Annual Report 2010

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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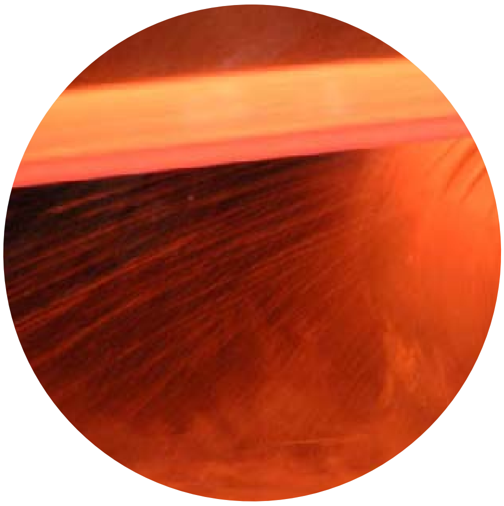


President's foreword

The year 2010, like the preceding year, was a very complicated period with regard to the steel market. We reported lower profits as the price of strategic raw material rose. Utilization of our steelmaking capability improved to 94 percent as we continue the recovery from the global crisis. On the other hand, in cooperation with the trade unions we have invested a great deal of effort into addressing the challenge of that difficult period. Dealing with those problems has brought us closer together, facilitating a bridge to a stronger and more successful future.

The fall of 2010 was marked by the build-up to our celebration of the ten-year anniversary of U. S. Steel's acquisition of the Košice facility. These have been ten years of honest work, overcoming problems and seeking new solutions. We have gained many awards, and in 2010, alone we were presented with a quality certificate by the world-class automobile manufacturer Ford Motor Company, as well as the Slovak National Quality Award, which we won for the second time.

A significant accomplishment is the fact that we have managed to reduce the overall injury rate at our steelworks by almost 90 percent since the establishment of U. S. Steel Košice. In fact, 2010 was the safest year in our existence so far. It is our top priority that everyone returns home from work safe and sound every day. We must never lose sight of our zero injuries goal, and we must do everything possible to turn our goal into reality.

Environmental quality was markedly improved in 2010 as well. A significant project was the cokery gas desulfurization which was successfully implemented. In the employment area, we continued focusing on improving efficiency through the Optech Hybrid Program. We also recruited a total of 200 new employees, mainly those with special skills and experience, as well as graduates from technical schools.

Taking a responsible approach to our employees, to all of our partners and the community we work in is a fundamental principle of our company. Our key values have not changed; on the contrary, they are the guarantee of long-term success for all of us. I believe we have the focus, leadership, and – most important of all – the skilled and dedicated people to ensure long term success. I am immensely proud of the fact that our employees who work hard and demonstrate their commitment every day also reach out to local communities and charities to do their voluntary part in helping the less fortunate. This is a perfect expression of what is great about our people and our company.

David J. Rintoul
President, U. S. Steel Košice

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 addition to Slovakia, it has operating facilities in Serbia.

U. S. Steel Košice, s.r.o. (hereinafter also "the Company", "U. S. Steel Košice" or "USSK") was established on June 7, 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.

David John Rintoul was appointed as a statutory representative and President replacing George F. Babcoke effective January 1, 2011. Mgr. Elena Petrášková, LL.M was appointed as a statutory representative and Vice President Management Services and Administration replacing RNDr. Miroslav Kiraľvarga, MBA effective March 1, 2011. John Patrick Coyne assumed the position of a statutory representative and Vice President BSC Administration for USSE and Director - Business Processes and ERP Integration replacing Traci Lynn Vaughan effective May 1, 2011.

STATUTORY REPRESENTATIVES AS OF DECEMBER 31, 2010 WERE AS FOLLOWS:	
George F. Babcoke	President
Matthew Todd Lewis	Senior Vice President and Chief Financial Officer
Mark Granville Tabler	Vice President Operations
Robert James Beltz	Vice President Commercial
RNDr. Miroslav Kiraľvarga, MBA	Vice President Management Services and Administration
Joseph Anthony Napoli	General Counsel
Traci Lynn Vaughan	Managing Director Global Project Management & Administration and Vice President BSC - Europe Administration
Ing. Vladimír Jacko PhD., MBA	Vice President Technology
Ing. Martin Pitorák	Vice President Human Resources

Guided by a new vision for its second century of business
MAKING STEEL – WORLD COMPETITIVE – BUILDING VALUES
U. S. Steel remains committed to making steel, which has been its core focus for more than one hundred years; strengthening its position in the global marketplace to remain competitive; and building value for all stakeholders, including employees, customers, suppliers, shareholders, community and others.

Vision and values

VISION OF U. S. STEEL

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 the 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 validity 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 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 social area

U. S. Steel Košice 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 through retirement, voluntary leave or by immediate dismissal for serious violation of the employment rules so that the employment commitment to the Slovak government was fulfilled.

The original agreement with the Slovak Government regarding employment expired in November 2010, and there has been no consequential impact on the employment rate at U. S. Steel Košice.

The 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 2009 and continued in the first half of 2010. The positions of maintenance workers and equipment operators were restructured by creating combined positions. The agreement with the trade unions in the addendum to the Collective Agreement also included payment of a single incentive bonus to 192 employees who transferred to the combined positions.

HUMAN RESOURCES DEVELOPMENT AND DIVERSITY

Key training activities in 2010 covered legally required and corporate Safety programs, defensive driving training, vocational training (regular refreshers and basic training related to Optech Hybrid project), and pilot sessions for Managing Team Performance (managerial training for Managers in Operations) and Supervising Crews (focused on shift supervisors). In order to be prepared for the Enterprise Resource Planning (ERP) Project, we provided our IT staff with professional training.

In 2010, we provided our employees with a wide range of training activities, both classroom, hands-on and e-learning. After implementation in 2009, we continued in the use of web-based training for the areas of safety and fire protection, quality management systems and in the development of managerial, communication and presentation skills ("soft skills"). We are proud that our e-learning programs were evaluated as the best on-line courses during the 8th International Conference on Emerging eLearning Technologies and Applications (ICETA) 2010.

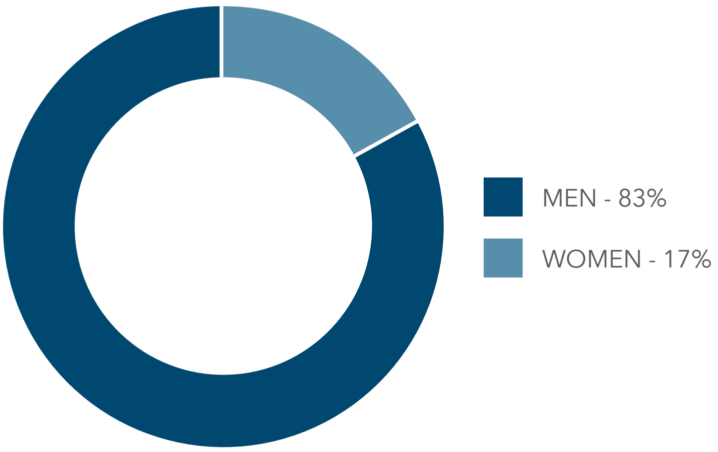
In order to meet the English skills requirements stated within the "English as Business Language" initiative, the extent of English language training for selected employees was increased.

In 2010, we succeeded with an European Union (EU) funds project that covers English training, managerial training for frontline managers and professional IT courses. The contribution from EU funds will be 49 %.

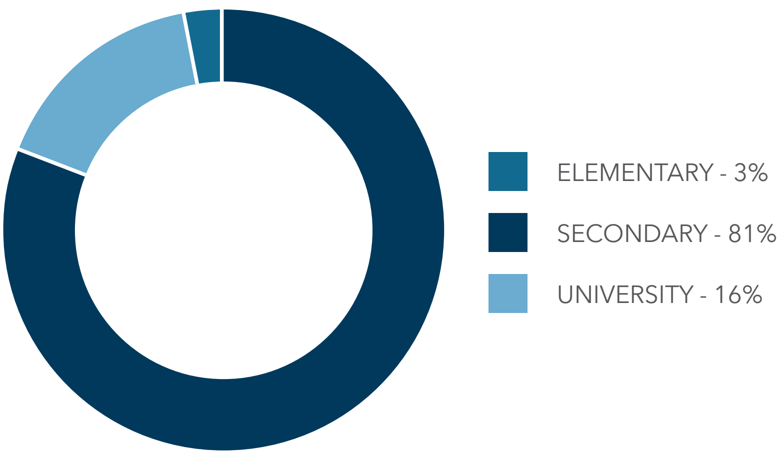
As proposed by the corporate Diversity group, we started communicating Diversity and Inclusion TIPS on a quarterly basis (emails and webcasts) to USSK managers and their staff.

One of the well-used tools for developing the workforce and diversity is the reciprocal occupancy of positions and exchange of employees among the operations in Slovakia, Serbia, Canada and the USA.

DIVERSITY STATUS AS AT DECEMBER 31, 2010



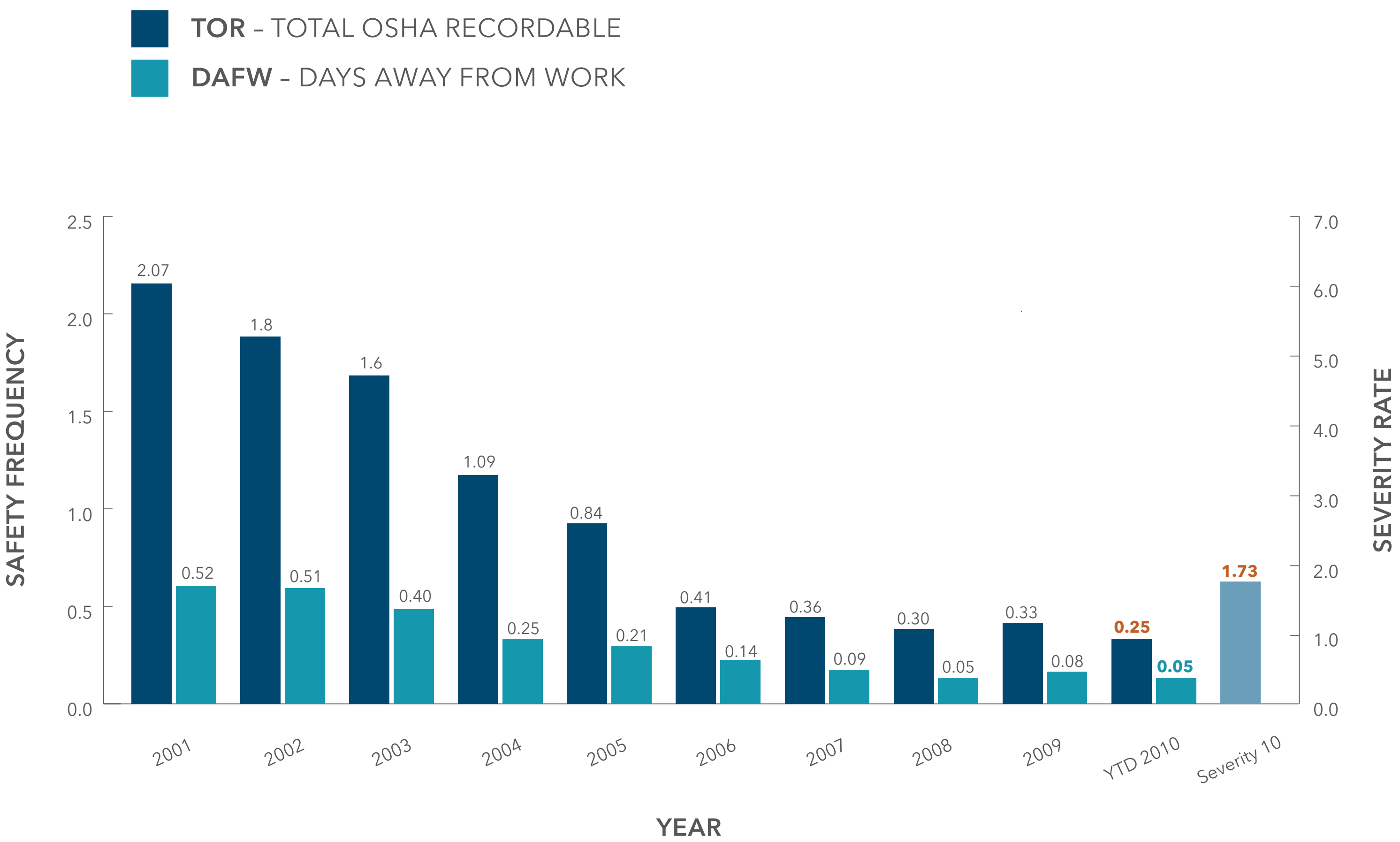
EDUCATION STATUS AS AT DECEMBER 31, 2010



OCCUPATIONAL SAFETY AND HEALTH PROTECTION

Occupational safety and health of the employees, contractors and partners working within the Company premises is the No. 1 priority. The range of our personal protective equipment is improving, covering more areas of specific steelmaking activities, and the cardinal rules are being increasingly embraced by the employees. Our Cardinal Rules hands-on training center is raising the safety awareness of our employees, where they can try the application of these rules as if in reality. In late 2010, we started a pilot Hands Safety training course with Maintenance employees. Progressively all USSK employees will attend this training. The managers and employees identify the hazards associated with production procedures, work activities, materials used and other work environment conditions using the Safety Risk Management program. Then they assess the risks with the potential for negative impact on the life and health of our employees.

Due to continuous efforts by all the employees, the injury frequency rate has been dropping for a long time. As shown in the chart, the total number of Occupational Safety and Health Administration (OSHA) recordable injuries **had dropped by 89.8 %** for the year ended December 31, 2010 compared to 2001, and the number of DAFW injuries **had dropped by 92 %.**



“Following Safety procedures and Safety rules contributes to everyone going home happy and safe to their families. Your children are counting on you and are looking forward to seeing you. Do not spoil their joy.”

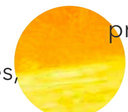
Chris Petrouski, General Manager Safety and Industrial Hygiene

The year 2010 meant deepening and expanding of safety culture, including more thorough prevention and proactive approach of the employees in the risk and hazard identification process. More safety programs were implemented and existing Life Threatening Programs were revised. The **Safety Conversation** process as one of the most efficient tools revealed many unsafe actions and conditions, and these were corrected immediately thus preventing potential incidents. Safety audits and incidents with/without an injury throughout the Corporation resulted in more than 60 safety surveys, of which 54 were completed. More than 180,000 safety-related items were identified and more than 170,000 were fixed within the preceding few years. **The Safety surveys** eliminated and reduced hazards which the employees are exposed to. For example, Crane Fall Protection focused on all potential fall areas that were safeguarded, molten metal hazard was the focus of ME 200 safety glass windows that are being installed in molten metal areas, the blocking and pinning survey focused on inertial energy control, safety-guarding for belt conveyors was installed, and we identified all pipelines over the roads as to the content and flow direction. One of the significant steps was made in electrical lockout, where chips were totally replaced with locks using various kinds of electrical power isolation and lockout devices.

The result of consistent awareness and commitment to safety resulted in **1 million employee-hours worked without injury,** which in 2010 was subsequently achieved by Power Engineering, Radiators and Pipes, and Shipping. Power Engineering and the Subsidiary Companies achieved more than 2 million injury-free employee-hours, and the Company Management employees have worked more than 4 million hours without injury.

Extremely high attention is paid to the **safety of our contractors,** for whom we provide safety training courses and regular Safety Meetings, and we also test their safety knowledge. 6,980 contractor employees were tested and 35 did not pass the test. The SteelTrack application provides the contractors with access to USSK safety documentation, safety contacts and flashes, where the contractors are informed of all current safety-related requirements and incidents with/without an injury. Our continuously improving Safety Record Keeping System enables us to track the findings resulting from Safety Conversations, incidents, audits and implementation of the corrective actions within given target periods.

The USSK Works Fire-fighting Unit significantly contributes to the safety and health protection of the employees and equipment at work. Our Fire-fighting Unit is one of the largest and best-equipped in Eastern Slovakia. The USSK fire-fighters provide preventive services during the larger overhauls, provide fire watch for hot work involving fire-risk or entry into confined spaces, if necessary, and respond to incidents not only within the plant premises. Many times, they assist in rescuing people and property outside the Company premises as well.



EMPLOYEE CARE

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

A specific feature of USSK business culture and communication consists of annual **meetings of all employees with the management of the Company,** which took place in April 2010. 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 responded 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 2010, this newspaper won two prizes at once: the national Best Corporate Media Award and first place in the regional journalists' competition in the category of local, corporate and internet newspapers.

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 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 September 2010, the Company organized the fourth 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 Maintenance Division, Jozef Kolbaský, as well as to Július Valenta from the Technology Department. For his special contribution to the development and support of sports in the region, U. S. Steel Košice President George F. Babcoke received the Košice Self-governing Region Award.

U. S. Steel Košice has sophisticated social and health care programs for employees and regularly discusses their modifications with the representatives of two union organizations (OZ Kovo and the Independent Christian Trade Union of Slovakia). 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 as they wish for cultural or sporting events, relaxation and recuperation stays, recreation activities, or even buying vitamin supplements.

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 prevention of discrimination and 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-corruption practices in Slovakia. Through 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. These kinds of behavior can be reported to a supervisor or by using the U. S. Steel **Ethics Line,** either by telephone, mail or internet. In addition to USSK employees, external persons may also use the U. S. Steel Ethics Line to report unethical or unauthorized practices in relation to USSK. This Ethics Line is operated by an independent company. Every year, the Company provides a wide range of training courses for its employees concerning ethics and ethical behavior (e.g. fraud awareness, preventing

sexual and discriminatory harassment, rules of electronic communications), either in the form of presentations and on-line internet courses or informational e-mails. In 2010, more than 3,200 employees were retrained through presentations, more than 2,200 were retrained in on-line internet courses and several thousand employees through informational e-mails.

The Company requires ethical conduct not only from its employees, 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 authorities and representatives of the state, municipalities and government organizations to respect the anti-corruption principles applied in the SR, EU and USA and the behavior of its business partners is regularly reviewed. Not a single case occurred in 2010 in which corruption or the suspicion of corruption could be the reason for terminating cooperation.

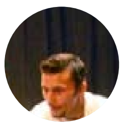
EQUAL OPPORTUNITIES

Since 2002, U. S. Steel Košice 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. Despite the effects of the economic crisis and cost reduction resulting in USSK seriously limiting the purchasing of services from external suppliers, this project continued due to its social significance.

The selection process of the project participants, who work for the Company on the basis of personnel leasing, is based on personal knowledge of the applicants. The selected ones are those who want to work and change their way of life, support the education of their children and are interested in improving their qualifications. There is extra motivation in the fact that 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.

The Company sees this project as having wider implications. In addition to working with adults, it also focuses on children and young people with the aim of developing their sense of responsibility for themselves and their own education. Through cooperation with local elementary schools and the Salesians of Don Bosco, it involved school students in various projects. Students with good attendance records and study results were given the opportunity of spending a week at a summer camp, taking part in the U. S. Steel Košice 10th Anniversary celebrations or the Wishing Tree Christmas Concert, and in other Company events. The most active students were rewarded with practical gifts as well.

The Company's assistance for marginalized groups living in the vicinity of the steelworks in resolving their problems, which is a model that could be implemented in other regions of Slovakia, has been acknowledged in the past by several institutions.


"Adherence to the Gary Principles must be an inseparable part of our everyday working activities. This type of behavior is essential for all of our fundamental principles and crucial for the fulfillment of our vision: to make steel, to be successful in worldwide competition and to build values. Success in business depends on our doing what is right. Each one of us bears personal responsibility for correct behavior, which apart from respecting laws and regulations also means taking individual responsibility for personal safety and the safety of others, treating others with respect and seriousness, doing business honestly and only for the benefit of the company, and protecting and enhancing company property."

David J. Rintoul, President

Impact of the company in the economic sphere

U. S. Steel Košice conducts its business primarily in Central and Western Europe. The Company engages in the production and sale of steel products (slabs, hot rolled, cold rolled and coated sheets, tin mill products, spiral welded pipes and heating radiators).

USSK serves several steel consuming sectors such as construction, automobile production, container, transportation, appliance, electrical, oil and gas, and petrochemical industries. The Company also provides transportation services and engineering consultancy services (customer technical services).

In 2010, USSK produced 3.6 million tons of pig iron and 4.3 million tons of steel slabs. After an extremely difficult 2009, the market began to improve during the first quarter 2010 and strengthened into the second quarter. Momentum across all industries increased significantly and industrial output and general economic sentiment improved in the first half of the 2010.

The situation began to deteriorate in the second half of 2010. Increased EU exports helped drive growth in the first half-year, but tapered off as the Euro strengthened against the US Dollar. We also experienced a strong destocking cycle across the industry forcing volumes and prices down. This turbulent market forced USSK to lower production volumes to reflect new demand levels in the market during the second half of the year.

To address rapid changes in the market and to increase the effectiveness of our commercial strategy we decided to restructure the entire commercial organization, and this was successfully completed in November 2010.

The organization was re-aligned by industry, in contrast to the geographic approach that had been in place for the last eight years. This new structure will better focus our resources on developing cohesive industry-based strategies.

Changes within the commercial organization also included the consolidation of the planning and logistics groups and the implementation of a product applications group. All this should help us to better utilize the new information system being implemented across the company and to more fully capitalize on the production synergies between USS European plants.

This improvement will ultimately allow the Company to improve on customer service and quality, which will help to improve our customer and product mix across all of Europe.

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. USSK is certificated in accordance with the international EN ISO 9001 and ISO/TS 16949 (automotive industry) standards. Quality management system performance is regularly reviewed twice a year in the report submitted 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 means of improving the quality management system. Workplace housekeeping audits are another means for improvement.

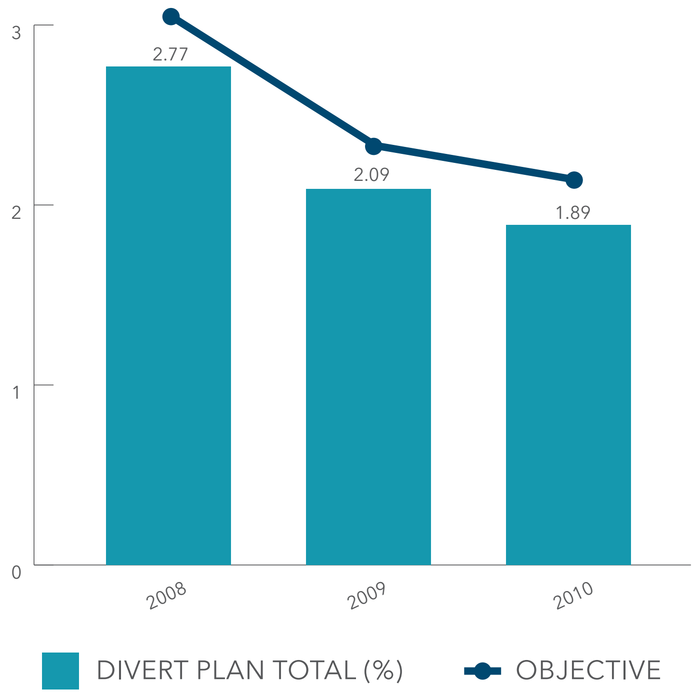
The Hazard Analysis Control Critical Point system has been implemented in the production of tinplate, which is shipped to customers in the food-processing chain. In the area of pipes, the Company has had a certificated system in accordance with American Petroleum Institute Spec. Q1 for many years. An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

In 2010, U. S. Steel Košice became the absolute winner of the **National Quality Award of the Slovak Republic.** Our reason for participating in this competition was to present our firm’s long-term successful and highly-developed quality management system, verified by practical business results and confirmed through several quality and environmental management system certificates. George F. Babcoke accepted the award from the President of the Slovak Republic Ivan Gašparovič.

Internal quality is one of the six key business drivers defined at USSK, and it significantly influences customer satisfaction and our cost saving. It is monitored and evaluated in the following sections:

- re-classified material (Divert)
- re-conditioned material (Retreat)

Long-term results are developing positively, as shown in the graph below, so our competitiveness on the demanding world steel markets is improving.



Customer Technical Service (CTS) solicits feedback every year from USSK customers regarding quality and service performance. Our customers recognize our service and quality improvements. 2010 was the best year we have ever had regarding the trend in claims. In 2010, the claim rate was 0.33 %, which is an 18 % improvement over 2009. CTS works continuously to improve product quality and technical services to our customers. Significant product quality problems and corrective actions are discussed during monthly quality meetings and trade quality meetings.

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

"A responsible attitude to business has always been a fundamental and constant policy of our firm. We realize that we can only achieve great results as long as we also achieve the maximum satisfaction of our employees, customers, shareholders and all other parties."

George F. Babcoke, President

is galvanized sheet, produced in our modern Hot-dip Galvanizing Line No.3. In 2010, the Company gained a **Q1 certificate of quality from the Ford Motor Company,** thus becoming one of the group of elite suppliers to this world-class automobile manufacturer.

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 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
2010	8	94.5	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.

RESEARCH AND DEVELOPMENT

The product range of steels for pipes was extended in 2010 with production of extra high strength steel with yield strength of 555MPa and spiral welded pipes for low temperature service of down to -30°C. Development of these grades enables our customers to reduce pipe weight and/or increase service pressure and transportation capacity of gas. The grades with improved low temperature toughness contribute to safe performance of pipelines. A new hot rolled weathering grade 10CHSND was developed and its delivery to Tatravagonka Poprad for railway cars export to Russia has started.

The new production line for galvanized sheets extended our product range and increased our capacity for supplying sheets for qualitatively more demanding automobile parts. Some part of the production has been delivered for exposed and semi-exposed automotive parts with specified surface microgeometry (roughness and peak counts). To successful production of rephosphorized and ultra deep drawing steels according to specific requirements for the whole range of Skoda models: (Roomster, Fabia, Octavia, Superb and Yeti), we also added the production of hot dip galvanized Dual-Phase grades, Bake Hardenable grades and Extra Deep Drawing quality grades for Ford. Development of new grades with galvanneal coating according to KIA, Toyota and Honda standards continues. Supplies for Fiat 500, Fiat Panda and Ford Ka production (in Poland) were increased by new micro-alloyed grades. We also started development of uncoated cold rolled IF grade with increased strength for Dacia Renault.

A Single Reduced Continuously Annealed tinplate grade for the final product Easy-Open Ends has been successfully implemented into the common production. The new grade has enabled our customer to reduce the final product thickness while preserving the required product's properties in use. Another two new high-strength tinplate grades (one suitable for producing the more complex, smaller diameter Twist-off bottle caps and another one of 0.13 mm thickness for pet food cans) moved from the development phase into the standard production. Reduction in the steel can wall thickness while preserving the required usage characteristics leads to lower overall can weight, thus less energy is required for transporting the finalized cans.

To be in compliance with REACH legislation, both electrolytic tinning lines were converted from Phenol Sulfonic Acid Based Process to Methane Sulfonic Acid Based Process, which allowed elimination of hazardous phenols from tinning production.

In 2010, research related costs incurred by the Company totaled EUR 3.4 million.

CAPITAL INVESTMENT, PRODUCTIVITY AND COST SAVING

Corporately, U. S. Steel has a strong capital spending plan for infrastructure development and improvements. Large sums of money are spent on safety projects, protecting the environment, improving and upgrading equipment and building new capabilities. **Close to EUR 105 million was spent in Košice in 2010 to meet**

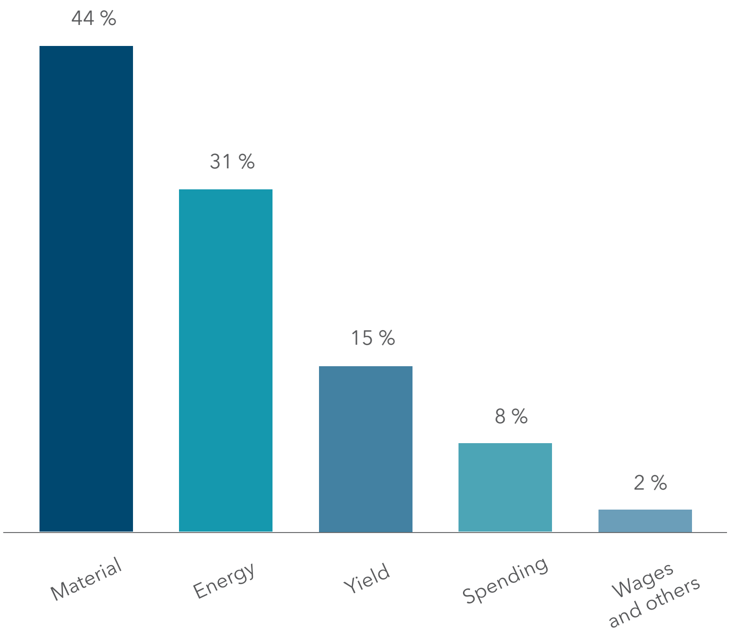
the capital plan. Public safety was improved with the building of a truck staging area with capacity for 52 trucks. Since this facility was built, the state road outside of Gate 4 is clear since drivers can now safely park to check-in, receive security clearance and enter the plant. A road improvement project was also completed at our Dynamo shipping warehouse to increase driver and worker safety. Overhead cranes were installed in the Dynamo lines motor room to allow safer maintenance work and multiple projects were started to eliminate the need for employees to manually handle steel sheet. Environmentally, two major projects were completed in 2010 - Coke Oven Gas Desulfurization and Groundwater Protection. Our infrastructure was improved with gas-burning boiler upgrades and replacement of aged electrical transformers and distribution equipment. U. S. Steel Košice is dedicated to continuing to utilize capital effectively to provide benefit to our employees, the environment, our customers and various stakeholders.

Our **relationship with suppliers** is considered to be crucial, as their 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 in significant capital expenditure projects, as well as mutual cost saving projects has been also very important. Relationships with suppliers have been built and developed by respecting the same values in the areas of safety, quality, customer service, productivity and ethics. Our permanent goal to build correct supplier relationships brought benefits especially in 2009, when suppliers shared the economic crisis with us and made their contribution towards eliminating its negative impacts.

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 running within the whole corporation. In 2010, individual employees and teams at USSK submitted 224 projects focusing on cost reduction, which led to savings of USD 19.41 per ton of steel shipped. Most of them, 44 % of the projects, contributed savings in materials costs, followed by 31 % savings from projects reducing energy costs.

This graph shows the share of savings attributable to each of the CCIP categories



Impact of the company in the enviromental area

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 November 8, 2012. The strengths of the EMS implemented at USSK are mainly in the Company management's goals broken down into environmental objectives and targets 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. The high level of EMS implementation and the social responsibility of the company for protection of the environment contributed to the win in the competition "National Quality Award of the Slovak Republic in 2010".

PROTECTION OF THE AIR, WATER AND WASTE RECYCLING

Since 2000, the Company has invested more than USD 460 million into dozens of ecological projects. The construction of a cokery gas desulfurizing plant totaling approx. USD 100 million was one of the largest ecological projects in 2010. 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 sulfur oxide 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 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 8,300 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 of waste water released in 2010 was especially caused by heavy rain, increased by more than 25 % in comparison with the year 2009. The Sewerage Rules, updated in 2010, specified the limit values for waste water pollutants and amended 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. The specific amount of produced waste was stabilized in 2010 (the waste amount per production ton).

The construction of the first stage of the New Landfill for Hazardous Wastes, finished in 2010, will provide enough capacity for disposal of USSK hazardous wastes in the coming period. 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 2010, 510 kilograms of batteries were collected and passed on to an external company for disposal; the total for plastic bottles was much greater, with 40 tons collected. There are more than 310 bins of 240-liter volume and more than 130 containers with 1,100-liter volume for separated waste around the Company.

IMPLEMENTATION OF THE KYOTO PROTOCOL AND REACH

With respect to the Kyoto Protocol commitments for reducing greenhouse gas emissions, in 2005 the CO_2 Emissions Quotas Trading Scheme of the European Union became effective in Slovakia. Following the National Allocation Plan for the years 2008 to 2012 as approved by the European Commission, the Government of the Slovak Republic allocated CO_2 emission allowances to the Company. As part of the Eurofer consortium, USSK participated in review of the trading scheme after 2012 and pointed out that as long as the CO_2 emissions restrictions are applied only within the EU, 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 unit started working on a project to address how CO_2 can be possibly stored or processed.

Legislation called REACH (1907/2006) (Registration, Evaluation and Authorization of Chemicals) became effective in June 2007, which requires inter alia that every chemical substance manufactured or imported within the European market is to be registered with the European Chemicals Agency. The regulation imposed a duty on us to register by December 1, 2010 the substances produced or imported by U. S. Steel into EU countries at tonnages higher than 1,000 tons per year. We identified and registered 14 substances. USSK became Lead Registrant for two substances, taking over the leading role in preparing the registration and organizing the other registrants and importers. These registrations were submitted in September 2010, but the Lead Registrant role is valid until the end of all registrations, which will be in 2018.

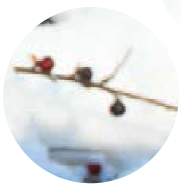
We cooperate with all our suppliers to make sure all substances and mixtures used in our production cycle are registered or pre-registered in the legal timeframes.

For our customers, we regularly issue certificates for all of our steel products confirming that they do not contain "substances of very high concern" from the updated Candidate Lists at values exceeding the limit of 0.1 % as set by European legislation.

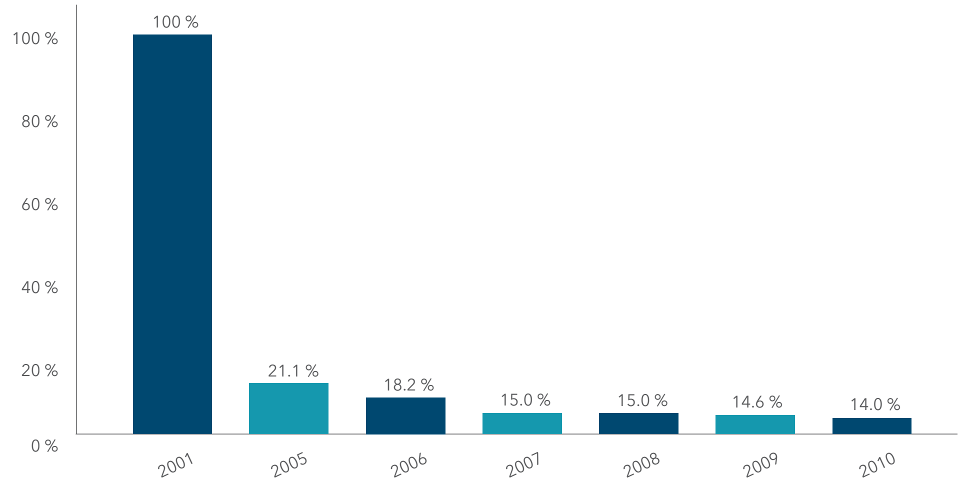
The new classification of substances produced or imported by U. S. Steel into EU countries was notified to European Chemical Agency as required by CLP Regulation (1272/2008 on Classification, Labeling and Packaging of substances and mixtures).

INFORMING AND INVOLVING EMPLOYEES

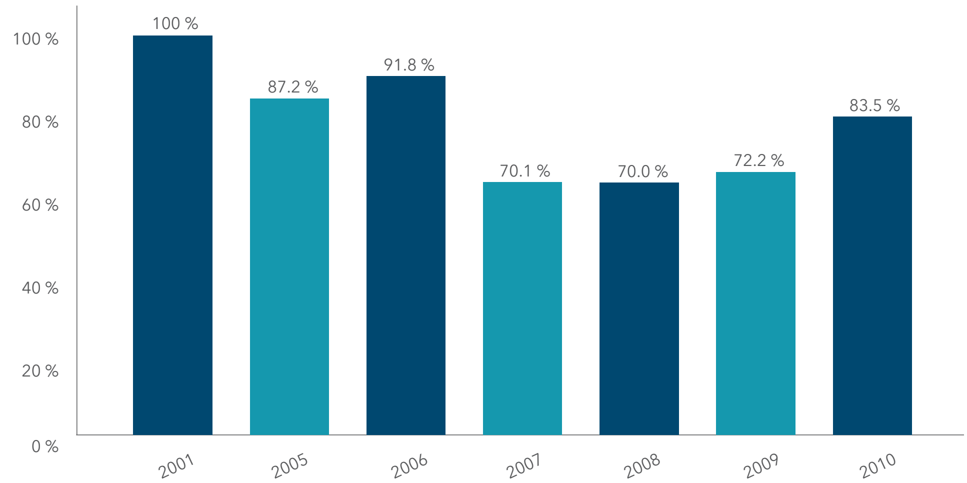
The Company continuously monitors and regularly informs employees, professional and the general public about the volume of emissions and waste water quality in the corporate newspaper Oceľ Východu and on its web site www.usske.sk.



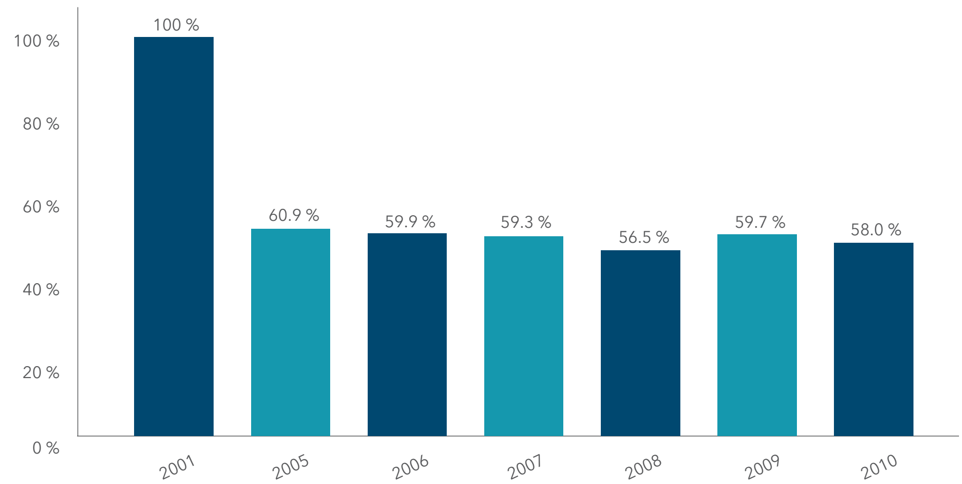
TREND IN AMOUNT OF SOLID POLLUTANTS RELEASED PER PRODUCTION UNIT BETWEEN YEARS 2001 AND 2010 IN PERCENTAGES



TREND IN WASTE WATER PRODUCTION PER PRODUCTION UNIT BETWEEN YEARS 2001 AND 2010 IN PERCENTAGES



TREND IN TECHNOLOGICAL WASTE: BY-PRODUCTS PRODUCTION PER PRODUCTION UNIT BETWEEN YEARS 2001 AND 2010 IN PERCENTAGES




U. S. Steel Košice
KVALITNÁ OCEĽ
BEZPEČNÁ JAZDA

Impact of the company on the community and the region

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

The Company has been interested in regional needs for a long time and is engaged in their resolving in compliance with its core values and business principles either directly or through its foundation **U. S. Steel Košice Foundation,** which was established in 2002 to support public-benefit projects in healthcare and education and to financially support science, culture and charity. The Company's priorities in the area of donations focus primarily on assisting and supporting those who are directly dependent on such support, especially foster homes, crisis centers and disabled 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 are keen on solving problems and provide innovative solutions for community development.

The Company has already gained several awards for its philanthropic activities. In 2010, representatives of the City of Košice and the surrounding villages in particular acknowledged the altruistic material and financial assistance provided by the Company and its employees in building flood-protection levees and clearing up the damage after the destructive floods and landslides during the summer months.

In February 2010, the results of the third round of the **"Together for the Region"** grant program were published, which the Company had announced in cooperation with the Carpathian Foundation. A total of EUR 26,900 was allocated among the 10 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

The Company works actively with selected technical secondary schools and colleges in Košice. 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 curriculum. 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.

In 2010, the Company continued developing and expanding our model of cooperation with other technical secondary schools. Apart from the Secondary Vocational School for Railroad Transport, a formal cooperation contract has been signed with the Secondary Vocational School for Technology. Thanks to our support, after an interval of more than ten years the Secondary Electrotechnical School has reopened the specialization of Power Engineering. The Company has also been in cooperation for many years with the Secondary Technical School for Metallurgy.

Hundreds of students from these schools tour the Company through work experience courses, 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 2010, the Company signed employment contracts with the 16 best students from the fourth year of the Secondary Vocational School for Metallurgy in Košice-Šaca, with one student from the Secondary Vocational School for Railroad Transport and with 2 students from the Secondary Vocational School for Technology ensuring their jobs in the Company after graduation.

In 2010, the Company joined in the program called **"Graduate Practice"** organized by the Department of Employment, Social and Family Affairs, aiming to assist unemployed school graduates by enabling them to acquire work experience and the possibility of gaining permanent employment. Based on positive responses and recommendations, out of the total of 79 graduates

"The relationship between theoretical education and practical experience, diversity, and the linkage of talent with career – all of these are very important for the future success of individual employees and of the Company itself. Learning is a lifelong affair and opportunity."

George F. Babcoke, President

who took part in the project, so far more than 30 of them have been offered permanent employment with our Company.

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

In 2004, the USSK Foundation started its own **Scholarship Program** to provide access to higher education for talented students from socially disadvantaged families in the Košice and Prešov regions, and in 2007 this was extended to the children of USSK employees. By the end of the academic year 2009/2010, 202 students had been given the chance to study at Slovak or foreign institutions of higher education, and 37 more students were added in 2010/2011. Every year, dozens more students increase their theoretical knowledge, practical experience, communication and managerial skills during a summer stay called the **Summer Internship Program.** In 2010, 34 students participated in this program, gaining the opportunity to participate in operating and managerial activities in the Company, as well as obtain fundamental leadership skills and knowledge which are not part of the educational program at university. Since its commencement in 2002, a total of 389 university and college students have participated in this program. In 2010, we took on 12 university graduates who had taken part in the previous year's Summer Internship program.

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

Mutually beneficial cooperation has also been developed between the company´s Research and Development unit and both the Technical University of Košice 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. Research and Development unit supports the universities in practical education by organizing exercises in their laboratories or providing consultancy during preparation of bachelor, masters or PhD theses. Research and Development staff are members of final exam boards and other special committees, as well as co-organizers of science conferences. USSK is also partner of the national environmental competition EKO, organized as a two-year project by the Faculty of Metallurgy at the Technical University of Košice. Our researchers regularly take leading places in the category "company employees".

"I appreciate how well the internship was organized, especially the balanced linkage between practical experience and management training. On the one hand we were drawn into company life, and on the other we could develop our own personalities through the training. This combination makes the summer internship more dynamic."

Andrea Bujňáková, a student at the Faculty of Electrical Engineering and Informatics, Technical University of Košice

"We are convinced that it is important to develop a positive attitude to the environment in school-age children. In the past seven years these pupils have learned a lot and they have improved their own environment through their activities. We believe that this positive attitude has taken root in them, and that they will go on protecting the environment when they are in productive age, either as employees or as company owners."

Miroslav Kiraľvarga, Vice President Management Services and Administration

COMMUNITY SUPPORT IN ENVIRONMENT

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

U. S. Steel Košice 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 seven years, the Company has supported environmental protection and development with grants totaling more than **EUR 47,700.**

COMMUNITY SUPPORT IN HEALTH CARE

As the biggest company in Eastern Slovakia, U. S. Steel Košice 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 but also its employees themselves participate in this support, especially during the traditional pre-Christmas fund-raising. In 2010, the employees **contributed voluntarily to the collection for the Ophthalmology Department on Rastislavova Street and the Eye Clinic at the Louis Pasteur University Hospital on SNP Drive in Košice.** The fund-raising proceeds were subsequently trebled, when the sum which was put together by more than seven thousand steelmakers was additionally matched by the Company itself and by the U. S. Steel Foundation. **The combined donation of EUR 79,473 was used to buy a special laser coagulator device and a fundus camera.** USSK is traditionally also one of the active partners of the League Against Cancer, jointly organizing the public fund-raising on **Daffodil Day,** the proceeds from which support education, prevention, research and treatment of cancerous diseases. In 2010, the collection among employees at the Company premises produced EUR 4,022.

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. It provides long-term support to the Autumn of Life Civic Association, whose members are former USSK employees. For many years, the Company has cooperated with the Archdiocesan Charity in Košice, making life easier for people in difficult situations. 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 regularly make up two thirds of the drivers in the cars doing the competition course with the children as passengers. Since 2006, during the Advent Market on the Main Street in Košice, the **USSK Christmas charity hut** has provided space for many non-profit organizations to present their products and services, and supports them by organizing voluntary public fund-raising. The generosity of steelmakers is also manifested 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 2010 these were in **the Elementary Residential School for Visually-disabled Children and the Secondary Specialist Vocational School for Visually-disabled Students in Levoča, and the Foster Home in Spišský Štiavnik.**

COMMUNITY SUPPORT IN CULTURE

The Company is a long-term supporter of important cultural institutions and events. It is a traditional partner of the **State Philharmonic Orchestra and the State Theater in Košice.** It also sponsors the **Košice Golden Treasure** singing competition, organized by the regional studios of Slovak Radio. Other supported events include the international festival of local television stations with the **Golden Beggar** Awards, the **Višegrad Days** international cultural festival, and the **Festival of Central European Theaters.**

The Company has committed itself to working for the successful implementation of the **European Capital of Culture Košice 2013** project, seeing great potential in this for the city's further development. In 2010, USSK together with several other commercial companies initiated the creation of the Coalition 2013+, which is intended to enable much wider partnership between the private and public sectors in this project, the sharing of financial and human resources, and the continuing sustainability of the project's outcomes beyond the year 2013.

USSK traditionally works together with the City of Košice on preparing and running the **Košice City Days** celebrations, which are held in May every year, as well as the **Košice Christmas festivities.**

COMMUNITY SUPPORT IN SPORTS

Support for sports has 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, traditional sports and community events e.g. **the Košice Peace Marathon,** which is the oldest marathon in Europe. On the occasion of 10th anniversary of U. S. Steel Košice one of the runs, the minimarathon, was named U. S. Steel Family Run and about 2,000 runners took part in it. USSK employee Imrich Pástor became the Slovak Marathon Championship winner for the fourth time in a row.

87. MEDZINÁRODNÝ MARAT
KOŠICE
U. S. Steel Košice
0:00:04
VISEGRAD MARATON
TVRDOŠÍN ORAVA

USSK supports children's sports, and either talented or disadvantaged young sportspeople. In 2006, the USSK Foundation 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 2009/2010 school year the Company supported 17 talented girl basketball-players, 51 young ice-hockey players and two soccer players. In 2010/2011, they were joined by 16 girl basketball players, 37 ice-hockey players and three soccer players. So far the Company has helped 322 young sportspeople.

U. S. Steel Košice traditionally supports **the Košice Summer of Sports** project, which was organized in 2010 for the sixth time during the school summer holidays by Košice-South city ward for children from the suburban residential estates. The sports activities on offer attracted children to the sports-grounds, helping them to improve their fitness, but also acting preventatively against drugs and aimless waste of free time.

VOLUNTARY PROGRAMS SUPPORTING THE COMMUNITY

Not only the Company but also its employees themselves have assisted voluntarily for many years as teachers in educational programs, active collectors and contributors in public fund-raising and clothing and toys donations, as well as organizers of community life in this region. Our largest corporate volunteer event is the **USSK Volunteer Days,** which took place on 14 - 15 May 2010 under the name "U. S. Steel for Košice". During this single weekend, employees of the Company and its subsidiaries helped eight organizations in Košice with public-benefit activities, giving blood in the "Steelmakers' Drop of Blood" drive, collecting used clothing and other requirements for the crisis center, tidying up the premises of schools for disabled children, the geriatric institute, the botanical gardens, the zoo and the animal sanctuary. The whole event was supported by more than 450 volunteers from U. S. Steel Košice, its subsidiaries and partner institutions. In 2010, these events were extended to include voluntary activities coordinated by Košice City Hall, and through the joint project named "Together for Košice" the basis was thus created for other companies and organizations to join in the voluntary programs.

Selected financial information

STATEMENT OF FINANCIAL POSITION

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

IN EUR MILLION	31 DEC 2010	31 DEC 2009	31 DEC 2008
Property, Plant and Equipment	945	952	962
Intangible Assets	214	151	190
Other Non-Current Assets	17	46	49
Inventories	392	281	418
Accounts Receivable	530	319	393
Other Current Assets	14	113	122
Total Assets	**2,112**	**1,862**	**2,134**
Equity	1,006	942	1,171
Accounts Payable	613	584	567
Long – term Loans	309	200	202
Other Liabilities	184	136	194
Total Equity and Liabilities	**2,112**	**1,862**	**2,134**

Property, Plant and Equipment slightly decreased in the year 2010 compared to the year 2009 due to annual assets depreciation that was offset by capital expenditures. Increase in Intangible Assets is mainly caused by higher market price of Emission Allowances and spending related to implementation of the new ERP System. Changes in individual items of working capital correspond with higher production levels, increase in raw material prices and selling prices.

Change in 2010 equity is represented by annual profit reduced by dividend declaration. External bank financing was replaced by an intercompany loan from the parent company. Change in Other Liabilities reflects mainly an increase in provision for CO2 emissions resulting from higher production as well as increased market prices of Emission Allowances and loans from fully owned subsidiaries drawn in 2010 as a part of cash pooling strategy.

STATEMENT OF COMPREHENSIVE INCOME

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

IN EUR MILLION	2010	2009	2008
Revenues and Other Income	2,621	1,883	3,094
Operating Profit	133	21	383
Profit for the year	96	14	341

Financial results for 2010 reflect improved capacity utilization as we continue to recover from the global finance and economic crisis, still offset by the negative impact of significant rises in strategic raw materials prices.

PROPOSAL FOR 2010 PROFIT DISTRIBUTION

	IN EUR THOUSANDS
Profit for 2010	**95,979**
Undistributed profit from previous years	6,443
Total undistributed profit before contribution to legal reserve fund and dividends	**102,422**
Contribution to legal reserve fund	(4,799)
Proposed dividends for U. S. Steel Global Holdings I B.V.	(97,439)
Total undistributed profit after contribution to legal reserve fund and dividends	**184**

SIGNIFICANT EVENTS AFTER 2010 REPORTING PERIOD AND EXPECTED DEVELOPMENTS IN 2011

Significant events which occurred after the reporting period are disclosed in Note 31 to the accompanying financial statements.

Improvement in the still volatile global economic environment and modestly growing demand within steel consuming sectors are expected to continue positively affecting the Company's business in 2011. EU flat rolled steel consumption is expected to rise in general in 2011 but crisis-related risk remains. While we are becoming more optimistic, primarily due to improvements in the economy and the manufacturing sector, we remain cautious in our outlook for end user demand. Nevertheless, we anticipate that improving business conditions will result in higher capacity utilization of the Company. However, the favorable impact of higher shipments and increased prices is likely to be offset by rising raw material costs. In general, expected high steel market volatility makes 2011 a very challenging year especially from the point of view of the Company's flexibility and effectiveness.


BAUER
Slovnaft
RESPONSE
Košice
adidas

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www.usske.sk

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Report on Verifying Consistency of the Annual Report with the Financial Statements, as required by § 23 of Act No. 540/2007 Coll. (Addendum to the Auditor's Report)

To the Shareholder and Executives of U. S. Steel Košice, s.r.o.:

We have audited the financial statements of U. S. Steel Košice, s.r.o. ("the Company") at 31 December 2010, on which we issued an unqualified Auditor's Report on 26 May 2011.

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 2010 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

The Company's management 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 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 financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the annual report is consistent with the 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 financial statements.

We believe that the verification performed provides sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2010 is consistent, in all material respects, with the audited financial statements referred to above.

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

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

Ing. Peter Mrnka
SKAU licence No. 975

Bratislava, 26 May 2011

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
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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.

U. S. Steel Košice, s.r.o.

Financial statements
for the year ended December 31, 2010

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

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

pwc

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., which comprise the statement of financial position at 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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. at 31 December 2010, 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 audítorov SKAU Č.licencie 161 PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Peter Mrnka
SKAU licence No.: 975

Bratislava, 26 May 2011

Our report has been prepared in the Slovak and English language. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Financial statements for the year ended December 31, 2010 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 May 26, 2011. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, May 26, 2011

David J. Rintoul	M. J. Lewis Matthew T. Lewis
President (statutory representative)	Senior Vice President and Chief Financial Officer (statutory representative)
Ing. Silvia Gaálová, FCCA	Lucia Franeková Ing. Lucia Franeková
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.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(All amounts are in thousands of EUR)

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2010	December 31, 2009
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**945,006**	952,365
Intangible assets	6	**213,525**	151,386
Investments	7	**13,772**	14,799
Financial assets available-for-sale		**259**	259
Long-term receivables	11	**-**	861
Deferred income tax asset	8	**-**	19,463
Restricted cash	9	**3,003**	9,880
Total non-current assets		**1,175,565**	**1,149,013**
Current Assets			
Inventories	10	**392,055**	281,411
Short-term receivables	11	**529,658**	319,412
Derivative financial instruments	12	**1,825**	1,039
Short-term borrowings	30	**1,801**	-
Current income tax receivable	25	**23**	160
Restricted cash	9	**4,217**	-
Other current assets	14	**2,454**	3,032
Cash and cash equivalents	13	**4,596**	108,382
Total current assets		**936,629**	**713,436**
Total Assets		**2,112,194**	**1,862,449**
EQUITY AND LIABILITIES			
Equity			
Base capital	15	**839,357**	839,357
Other reserves	15	**64,544**	65,046
Retained earnings		**102,422**	37,613
Total Equity		**1,006,323**	**942,016**
Liabilities			
Non-Current Liabilities			
Long-term loans and borrowings	16	**308,962**	200,026
Long-term provisions for liabilities and charges	17	**12,957**	16,051
Post-employments and other long-term employee benefits payable	18	**17,456**	15,964
Deferred income tax liability	8	**3,893**	-
Total non-current liabilities		**343,268**	**232,041**
Current Liabilities			
Trade and other payables	19	**612,522**	583,824
Derivative financial instruments	12	**10,225**	2,082
Deferred income		**7**	7
Short-term borrowings	30	**15,499**	-
Short-term provisions for liabilities and charges	17	**123,519**	101,752
Short-term employee benefits payable	18	**831**	727
Total current liabilities		**762,603**	**688,392**
Total Liabilities and Equity		**2,112,194**	**1,862,449**

The accompanying notes on pages 56 to 96 are an integral part of these financial statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(All amounts are in thousands of EUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2010	2009
Revenue	20	**2,467,811**	1,733,510
Other income	20	**153,454**	149,532
Materials and energy consumed	21	**(1,717,186)**	(1,169,926)
Salaries and other employees benefits	22	**(246,304)**	(243,554)
Depreciation and amortization	5, 6	**(85,873)**	(82,351)
Repairs and maintenance		**(50,988)**	(33,494)
Transportation services		**(122,928)**	(100,871)
Advisory services		**(12,161)**	(13,816)
Foreign exchange losses		**(1,805)**	(1,479)
Impairment loss – CO_2 emissions allowances	6	**(434)**	(697)
Other operating expenses	23	**(250,382)**	(215,958)
Profit from Operations		**133,204**	**20,896**
Finance income	24	**675**	4,791
Finance cost	24	**(14,738)**	(6,864)
Profit Before Tax		**119,141**	**18,823**
Income tax expense	25	**(23,162)**	(4,412)
Profit After Tax		**95,979**	**14,411**
Changes in fair value of hedging derivatives		**(5,851)**	(7,196)
Changes in revaluation reserve		**11,072**	3,855
Other Comprehensive Income/ (Loss), net of tax		**5,221**	**(3,341)**
Total Comprehensive Income for the Year		**101,200**	**11,070**

The accompanying notes on pages 56 to 96 are an integral part of these financial statements.

(All amounts are in thousands of EUR)

STATEMENT OF CHANGES IN EQUITY

	Base capital	Other reserves	Retained earnings	Total
Balance as of January 1, 2010	**839,357**	**65,046**	**37,613**	**942,016**
Profit for 2010	-	-	95,979	**95,979**
Other comprehensive income	-	5,221	-	**5,221**
Total comprehensive income for the year	**-**	**5,221**	**95,979**	**101,200**
Adjustments related to previous years:				
Release of revaluation reserve – CO_2 emission allowances	-	(3,681)	3,681	**-**
Release of revaluation reserve – investments	-	(2,762)	2,762	**-**
Total adjustments	-	**(6,443)**	**6,443**	**-**
Transactions with owners:				
Dividends	-	-	(36,893)	**(36,893)**
Contribution to legal reserve fund	-	720	(720)	**-**
Total transactions with owners	**-**	**720**	**(37,613)**	**(36,893)**
Balance as of December 31, 2010	**839,357**	**64,544**	**102,422**	**1,006,323**

	Base capital	Other reserves	Retained earnings	Total
Balance as of January 1, 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 December 31, 2009	**839,357**	**65,046**	**37,613**	**942,016**

(All amounts are in thousands of EUR)

STATEMENT OF CASH FLOWS

	Note	Total	
		2010	**2009**
Profit before tax		**119,141**	**18,823**
Non-cash Adjustments for			
Depreciation of property, plant and equipment	5	**83,943**	80,703
Amortization of intangible assets	6	**1,930**	1,648
Amortization of deferred income from CO_2 emission allowances	20	**(139,457)**	(128,123)
Charge for provision for CO_2 emissions emitted	17, 23	**115,453**	92,747
Reversal of unused provision for CO_2 emissions emitted	23	**(211)**	(2,483)
Impairment loss – CO_2 emission allowances	6	**434**	697
Impairment / (reversal of impairment) of investments		**3,750**	(171)
Loss / (gain) on disposal of property, plant and equipment and intangible assets	23	**(956)**	8,753
Gain from fair value changes of derivative financial instruments	23	**(8,673)**	(14,897)
Dividend income	24	**(481)**	(3,980)
Interest income	24	**(194)**	(811)
Interest expense	24	**14,738**	6,864
Foreign exchange loss / (gain) on operating activities	24	**25**	(1)
Changes in working capital			
Decrease / (increase) in inventories	10	**(110,644)**	136,602
Decrease/ (increase) in trade and other receivables and other current assets		**(208,812)**	71,633
Increase / (decrease) in trade and other payables and other current liabilities		**90,095**	(48,646)
Cash generated from / (used in) operations		**(39,919)**	**219,358**
Interest paid		**(13,436)**	(7,886)
Income taxes received		**19**	6,291
Net receipts from derivative financial instruments		**8,781**	16,649
Net cash generated from / (used in) operating activities		**(44,555)**	**234,412**
Cash flows from / (used in) investing activities			
Acquisition of a subsidiary	7	**(2,646)**	-
Purchases of property, plant and equipment	5	**(84,771)**	(75,356)
Proceeds from sale of property, plant and equipment		**7,265**	1,282
Purchases of intangible assets	6	**(19,849)**	(22,603)
Proceeds from sale of intangible assets		**362**	10,916
Proceeds from sale of intangible assets – CO_2 emission allowances		**16,463**	40,079
Decrease in cash restricted in its use		**2,660**	1,241
Interest received		**195**	887
Dividends received		**481**	4,124
Net cash (used in) / provided by investing activities		**(79,840)**	**(39,430)**
Cash flows from / (used in) financing activities			
Intercompany borrowings granted		**(19,768)**	(746)
Intercompany borrowings repaid		**17,971**	746
Proceeds from borrowings		**426,227**	31,347
Repayment of borrowings		**(301,800)**	(31,347)
Dividends paid to the Company's shareholder		**(102,021)**	(185,382)
Net cash used in financing activities		**20,609**	**(185,382)**
Net increase in cash and cash equivalents		**(103,786)**	**9,600**
Cash and cash equivalents at beginning of year	13	**108,382**	**98,782**
Cash and cash equivalents at end of year	13	**4,596**	**108,382**

(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 June 7, 2000 and incorporated in the Commercial Register on June 20, 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

Business activities of the Company

The principal activity of the Company is 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 the Company's employees is presented in Note 22.

The Company's management

Statutory representatives as of December 31, 2010 were as follows:

George F. Babcoke	President
Matthew T. Lewis	Senior Vice President and Chief Financial Officer
Robert J. Beltz	Vice President Commercial
Ing. Vladimír Jacko PhD., MBA	Vice President Technology
RNDr. Miroslav Kiraľvarga, MBA	Vice President Management Services and Administration
Joseph A. Napoli	General Counsel
Ing. Martin Pitorák	Vice President Human Resources
Mark G. Tabler	Vice President Operations
Traci L. Vaughan	Managing Director Global Project Management & Administration and Vice President BSC - Europe Administration

Emoluments of statutory representatives are disclosed in Note 30.

Shareholder of the Company

As of December 31, 2010, 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 the voting rights.

The General Meeting approved the Company's financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period on June 3, 2010.

Consolidated Group

The Slovak Accounting Law introduced an exemption from the requirement to prepare consolidated financial statements in case that the impact of subsidiaries to be consolidated is immaterial. The exemption is effective from December 31, 2010. Management considers that the conditions of the exemption under Slovak Accounting Law are met and therefore the subsidiaries have not been consolidated, but are carried at cost less impairment in these financial statements for U. S. Steel Košice, s.r.o. for the year ended December 31, 2010. The consolidated financial statements of U. S. Steel Košice, s.r.o. would not be materially different from these financial statements; the impact on total assets and net assets is less than EUR 23.7 million, and the impact on profit after tax in amount of EUR 4.0 million. In consolidated financial statements staff costs would be increased and other operating expenses decreased by EUR 38.2 million and EUR 33.2 million respectively. There are no other noteworthy differences between these and consolidated financial statements, including the overall presentation of the financial statements.

The Company is included in the consolidated financial statements of its ultimate controlling party – 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 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 December 31, 2010 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 December 31, 2010 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 judgments, 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. The 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 periods presented.

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"), rounded to thousands if not stated oterhwise.

Transactions and balances

Effective January 1, 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 profit or loss.

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 profit or loss 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. Other property, plant and equipment items are depreciated on a straight-line basis over their estimated useful lives, as follows:

Buildings	35 years
Machinery, equipment and motor vehicles	5 – 15 years
Other tangible assets	2 – 5 years

Useful lives of landfills are determined based on their capacity.

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 an 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 profit or loss.

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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Gains and losses on assets' disposals are determined by comparing related proceeds with the carrying amount. These gains and losses are included in profit or loss.

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.

Research and development costs

Research costs are expensed in the period in which they are 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 are 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 estimated useful lives (2 – 5 years).

The average useful life of the Company's software is 4 years.

Emissions allowances

Purchases, sales or swaps of emission allowances are recognized on the 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 profit or loss.

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 are credited to the National Registry of Emission Rights (hereinafter "NRER"). The allowances 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, the fair value 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 produced, a provision is recognized for the obligation to deliver the emissions allowances equal to emissions that have been produced. The provision is disclosed under short-term provisions for liabilities and charges. The provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the 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 fair value with any revaluation surplus recorded in other comprehensive income. Revaluation decreases are recorded as an impairment loss in the profit or loss to the extent that they exceed the revaluation surplus previously recorded in other comprehensive income and accumulated 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 are not subject to amortization but 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 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 commencement date 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 profit or loss as finance cost 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 profit or loss. 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 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.

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 profit or loss.

Hedging derivatives

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 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.

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 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. Work in progress, semi-finished production and finished products are valued at standard cost throughout the year and then revalued to actual costs only at the end of the year.

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. Cash and cash equivalents are measured in amortized costs.

2.14 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 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 profit after tax 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 derivative instruments, the cumulative revaluation reserves are released through the profit or loss of the current period. Upon disposal of the intangible 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 profit or loss over the period of the borrowings using the effective interest method, except for a portion that is capitalized as borrowing costs.

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 has 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, cancelled or expires.

2.16 Dividends

Dividends are recognized in the Company’s accounts in the period in which they are approved by shareholders. Dividends are initially measured at fair value and subsequently at amortized costs.

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. Grants 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 in 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 a 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 relating to the passage of time is recognized in 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 profit or loss 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 profit or loss, except when they relate to items recognized in other comprehensive income, in which case the tax is also recognized in other comprehensive income.

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 the reporting period, and any adjustment to taxes payable with respect to previous years. The Management of the Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is calculated by using the statement of financial position liability method on temporary differences arising between the tax basis 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 the 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, 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 profit or loss 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 the Slovak legislation and the Collective Labor Agreement. Employees of the Company are entitled to benefits at their first retirement, upon acquiring the entitlement to a early old age pension, an regular old age pension or an invalidity (disability) pension, when the decrease in ability to perform earning activity is more than 40%, as follows:

- if an employee terminates his/her labor 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 to this employee benefit represents the present value of the defined benefit obligation at the end of a 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 profit or loss over the remaining working lives of the employees entitled to the benefits. Amendments to the benefit plan are charged to profit or loss over the average period until the amended benefits become vested.

Work and life jubilee benefits

The Company also pays certain work and life jubilee benefits. Employees of the Company are entitled to work and life jubilee benefits upon reaching a 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 present value of the defined benefit obligation at the end of a 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 profit or loss when incurred. Amendments to the work and life jubilees benefit plan are charged to profit or loss 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 are expected to accept the offer. Termination benefits due more than 12 months after the end of a reporting period are discounted to a 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 the 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 the 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 profit or loss.

Dividend income

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

2.22 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.

2.23 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 profit or loss.

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 profit or loss.

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, and therefore are not separately accounted for.

Hedge Accounting

The Company utilizes 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 other comprehensive income. 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 other comprehensive income 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 profit or loss.

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 profit or loss.

2.24 Fair Value Estimation

The fair value of emission allowances represents their fair 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 was 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.

2.25 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.

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 judgments made by the Company in applying its accounting policies are outlined below.

Estimated useful life of property, plant and equipment

The average useful life of depreciable property, plant and equipment represents approximately 17 years (2009: 16 years). A revision of the average useful life by 1 year would change the annual depreciation charge by EUR 4 million (2009: EUR 6 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 since the fourth quarter of 2008 was considered to be an indicator as defined by *IAS 36 Impairment of Assets* and subsequently the Company's assets were tested for impairment at the end of the years 2008 and 2009. The testing did not indicate that the assets were impaired. As of December 31, 2010 no impairment indicators were identified.

Impairment of intangible assets

The intangible assets not yet available for use, representing the allocated part of corporate software, were included in testing for impairment. The testing did not indicate that the assets were impaired as of December 31, 2010.

Spare parts

As stated in Note 2.5 major spare parts and stand-by equipment are capitalized to property, plant and equipment. Management performed a reassessment of the capitalization threshold to qualify as major spare parts. Effective January 1, 2010 new threshold of EUR 40 thousand per item was adopted (2009: EUR 10 thousand). Until December 31, 2009 the useful life of major spare parts was derived from the average useful life of the related property, plant and equipment and estimated to be 7 years. Effective January 1, 2010 useful life is determined for each acquired major spare part specifically. The average useful life of major spare parts acquired during 2010 represents approximately 6 years. Management believes that such approach provides reliable and more relevant information. The change is applied prospectively from January 1, 2010 as the impact is not material.

If the threshold increased from EUR 40 thousand to EUR 50 thousand, the net income would decrease by EUR 1 million (2009: increased from EUR 10 thousand to EUR 30 thousand, the net income would decrease by EUR 1 million).

Taxation

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. The uncertainty 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 tax years of U. S. Steel Košice, s.r.o. without significant findings.

Employee benefits

The present value of 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.

Landfill provision

A provision for landfill restoration is measured at the net present value of the estimated future expenditure required to settle the Company's restoration and aftercare obligations. Restoration and aftercare expenditures are determined by an external professional company.

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective in 2010

IFRIC 12 Service Concession Arrangements
IFRIC 12 applies to contracts within the public sector associated with development, financing and infrastructure maintenance. The interpretation is not relevant to the Company.

The Amendment to IAS 39 Financial Instruments: accounting and valuation and IFRIC 9 Reassessment of Embedded Derivatives
The amendment clarifies that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. Under similar circumstances the separation of an embedded derivative, for the reclassification of a hybrid (combined) financial asset out of the fair value through the profit or loss category, is prohibited. The amendment has no impact on the Company's financial statements.

IFRIC 15 Agreements for the Construction of Real Estate
The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognize revenue on such transactions. The interpretation is not relevant to the Company.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group, except for the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. The interpretation does not have an impact on the Company's financial statements.

IFRIC 17 Distribution of Non-Cash Assets to Owners
The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognized. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognized in profit or loss when the entity settles the dividend payable. The interpretation is not relevant to the Company.

IFRIC 18 Transfers of Assets from Customers
The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The interpretation does not have material implications on these financial statements.

The Amendment to IAS 27 Consolidated and individual financial statements
The revised IAS 27 will require an entity to attribute the total comprehensive income to the owners of the parent company and to the non-controlling interests (previously 'minority interests') even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising from the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The amendment is not relevant to the Company.

The Amendment to IAS 39 Financial Instruments: Recognition and Measurement
The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not relevant to the Company.

The IFRS 1 First-time Adoption of International Financial Reporting Standards
The revised IFRS 1 retains the substance of its previous version, but within a changed structure in order to make it easier for the reader to understand and to accommodate future changes better. The revision has no impact on the Company.

The Amendment to IFRS 1 First International Financial Reporting Standards
The amendment relates to the derogation from the general rules of IFRS in the initial transition to IFRSs, in the area of leasing, the mining industry and liabilities of disposal and reclamation. The amendment has no impact on the Company.

The Amendment to IFRS 2 Share-based Payment
The amendment clarifies the reporting requirements of the subsidiary, which services received partially or wholly paid by the parent company or another company within the group. This amendment also incorporates a modification to IFRS 2, previously contained in IFRIC 8 and IFRIC 11, which also repealed the two interpretations. The amendment is not relevant to the Company.

IFRS 3, Business Combinations
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 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 at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and, therefore, recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The revision is not relevant to the Company.

Improvements to International Financial Reporting
The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by the entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognized asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to

clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Company does not expect the amendments to have any material effect on its financial statements.

The International Accounting Standards Board and the American Council of Financial Accounting Standards Board ended on September 28, 2010 the first phase of a joint project compilation for an improved conceptual framework for IFRS and US GAAP. Work on the conceptual framework project took place in several stages and after completion of each chapter, the relevant paragraphs in the Framework for the preparation and submission of financial statements, published in 1989, were replaced. This project aims to create a solid foundation for future accounting standards, which are based on internally consistent and internationally harmonized principles. Chapter 1 - Purpose Financial Reporting, and Chapter 3 - The Qualitative Characteristics of Useful Financial Information, have yet to be published. Individual chapters are effective from the date of issue.

4.2 Standards, amendments and interpretations to existing standards published and mandatory for the accounting periods beginning on or after January 1, 2011 and not early adopted

The Amendment to IAS 24 Disclosure of related parties (effective from January 1, 2011 or later; adopted by the EU on July 19, 2010). The amendment introduces a partial exemption from the requirements for disclosure in the financial statements of entities in which the state exercises some influence, and contains a modified definition of related party. This amendment was adopted by the EU on July 19, 2010. 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.

The Amendment to IAS 32 Financial Instruments: Presentation (effective for periods beginning on or after February 1, 2010; adopted by the EU on December 23, 2009). The amended standard clarifies that a rights issue offered 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 regardless 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 9 Financial Instruments (effective for periods beginning on or after January 1, 2013). IFRS 9 replaces a 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 the result of a business model test and a 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 decision 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 profit or loss. A subsequent amendment to IFRS 9 in October 2010 regulates the classification and valuation of financial liabilities. 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.

The Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for periods beginning on or after January 1, 2011; adopted by the EU on July 23, 2010). 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 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.

The Amendment to IFRS 1 First application of International Financial Reporting Standards (effective from July 1, 2010 or later; adopted by the EU on June 30, 2010). The amendment is called limited exemption from disclosure of comparative information required by IFRS 7 for entities that prepare their first financial statements under IFRS. Under this arrangement the entities that use IFRS for the first time for disclosure of data for the comparative period regulated standards as required by IFRS 7, have the same exception as the entities that had already used IFRS in the past. The amendment is not relevant to the Company.

The Amendment to IFRS 7 Financial Instruments: Disclosures (effective from July 1, 2011 or later). The amendment expands disclosure requirements on transactions involving the transfer of financial assets. These adjustments should clear up risks to which the entity is exposed in the case of transactions where financial assets are transferred, but the transferor retains a degree of continuing involvement associated with this asset. The amendment also introduces a definition of transfer and the continued participation for disclosure purposes. The amendment has not been endorsed by the EU. The Company does not plan to early adopt the amendment and does not expect material financial statements implications relating to the adoption of this amendment in the future.

The Amendment to IFRS 1 First application of International Financial Reporting Standards (issued in December 2010 and effective for annual periods beginning on or after July 1, 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value, and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The amendment has not yet been endorsed by the EU. The amendment is not relevant to the Company.

The Amendment to IAS 12 Income Taxes (effective from January 1, 2012). The standard requires that an entity recognizes deferred tax of assets, depending on whether there is an expected settlement of accounting value of the asset by sale or use, which may be difficult in cases where the assets are valued at fair value under IAS 40, investment property. The updated standard provides a practical solution to this problem by setting an assumption that accounting value of assets will normally settle by sale. 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 19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods beginning on or after July 1, 2010; by the EU on July 23, 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 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.

IFRS 10, Consolidated financial statements (issued in May 2011 and effective for annual periods beginning on or after January 1, 2013). The standard replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company has not early adopted the standard and does not expect material financial statements implications relating to the adoption of this standard in the future.

IFRS 11, Joint arrangements, (issued in May 2011 and effective for annual periods beginning on or after January 1, 2013). The standard replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of “types” of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The standard is not relevant to the Company.

IFRS 12, Disclosure of interest in other entities, (issued in May 2011 and effective for annual periods beginning on or after January 1, 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company has not early adopted the standard and does not expect material financial statements implications relating to the adoption of this standard in the future.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after January 1, 2013), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company has not early adopted the standard and does not expect material financial statements implications relating to the adoption of this standard in the future.

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from January 1, 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity (this amendment was early adopted by the Group); IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Company does not expect the amendments to have any material effect on its financial statements.

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2010 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2010	**377,835**	**990,653**	**11,971**	**54,139**	**1,434,598**
Additions	-	-	-	84,771	**84,771**
Disposals	(213)	(26,878)	(4)	(39)	**(27,134)**
Transfers to base	26,396	101,581	703	(128,680)	**-**
December 31, 2010	**404,018**	**1,065,356**	**12,670**	**10,191**	**1,492,235**
Accumulated Depreciation and Impairment Losses					
January 1, 2010	**(70,574)**	**(401,583)**	**(10,076)**	**-**	**(482,233)**
Depreciation for the year	(10,258)	(73,551)	(134)	-	**(83,943)**
Disposals	28	18,919	-	-	**18,947**
December 31, 2010	**(80,804)**	**(456,215)**	**(10,210)**	**-**	**(547,229)**
Carrying amount	**323,214**	**609,141**	**2,460**	**10,191**	**945,006**

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

Movements in property, plant and equipment during 2009 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 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)	**-**
December 31, 2009	**377,835**	**990,653**	**11,971**	**54,139**	**1,434,598**
Accumulated Depreciation and Impairment Losses					
January 1, 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**
December 31, 2009	**(70,574)**	**(401,583)**	**(10,076)**	**-**	**(482,233)**
Carrying amount	**307,261**	**589,070**	**1,895**	**54,139**	**952,365**

Additions to property, plant and equipment include EUR 1,795 thousand (2009: EUR 357 thousand) of interest capitalized at an average borrowing rate of 5.51% (2009: 2.91%).

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of December 31, 2010 or December 31, 2009.

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 561 million using the exchange rate at the end of reporting period) (2009: USD 750 million (i.e. EUR 520 million using the exchange rate as of December 31, 2009)). Compensation sublimits for individual risks are specified in the insurance contract. Own participation is USD 25 million per claim.

Note 6 Intangible Assets

Movements in intangible assets during 2010 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2010	**18,315**	**132,139**	**196**	**16,519**	**167,169**
Additions – purchased	-	11,131	-	8,718	**19,849**
Additions – granted	-	139,457	-	-	**139,457**
Disposals	(219)	(104,372)	(10)	(127)	**(104,728)**
Revaluation surplus	-	8,999	-	-	**8,999**
Transfers to base	3,798	-	29	(3,827)	**-**
December 31, 2010	**21,894**	**187,354**	**215**	**21,283**	**230,746**
Accumulated Amortization and Impairment Losses					
January 1, 2010	**(14,978)**	**(697)**	**(108)**	**-**	**(15,783)**
Amortization for the year	(1,896)	-	(34)	-	**(1,930)**
Disposals	219	697	10	-	**926**
Impairment losses	-	(434)	-	-	**(434)**
December 31, 2010	**(16,655)**	**(434)**	**(132)**	**-**	**(17,221)**
Carrying amount	**5,239**	**186,920**	**83**	**21,283**	**213,525**

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

Movements in intangible assets during 2009 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2009	**16,907**	**264,990**	**173**	**20,555**	**302,625**
Additions – purchased	-	13,611	-	8,992	**22,603**
Additions – granted	-	128,124	-	-	**128,124**
Disposals	(80)	(279,345)	-	(11,517)	**(290,942)**
Revaluation surplus	-	4,759	-	-	**4,759**
Transfers to base	1,488	-	23	(1,511)	**-**
December 31, 2009	**18,315**	**132,139**	**196**	**16,519**	**167,169**
Accumulated Amortization and Impairment Losses					
January 1, 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)**
December 31, 2009	**(14,978)**	**(697)**	**(108)**	**-**	**(15,783)**
Carrying amount	**3,337**	**131,442**	**88**	**16,519**	**151,386**

Additions to intangible assets include EUR 529 thousand (2009: EUR 11 thousand) of interest capitalized at an average borrowing rate of 5.51% (2009: 2.91%).

No intangible assets were pledged in favor of a creditor or restricted in its use as of December 31, 2010 or December 31, 2009.

Insurance

Intangible assets are not insured.

Emissions allowances

The Company was allocated free of charge CO_2 emissions allowances by the Slovak Government. The allowances were initially measured at fair value as of allocation date EUR 12.92 per allowance (2009: EUR 11.87 per allowance). The allowances are revalued at the end of reporting period. The European Energy Stock Exchange is used to obtain the fair value of the emissions allowances. The liability for the obligation to deliver the emissions allowances is 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 to emissions allowances are as follows:

	December 31, 2010	December 31, 2009
Emissions allowances (intangible asset)	**186,920**	131,442
Liability for the obligation to deliver allowances (provision) (Note 17)	**115,453**	92,747

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 174,239 thousand as of December 31, 2010 (December 31, 2009: EUR 126,683 thousand). Events after the reporting period are disclosed in Note 31.

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

Note 7 Investments

The structure of the Company's interest in subsidiaries is as follows:

Entity, Place of incorporation, Principal activities		2010	2009
U. S. Steel Košice – Labortest, s.r.o., Slovakia, Testing laboratory			
	Ownership interest (%)	**99.97**	99.97
	Carrying amount	**2,250**	2,250
	Profit / (loss)	**544**	177
	Equity	**4,778**	4,224
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit / (loss)	**98**	89
	Equity	**612**	524
VULKMONT, a.s. Košice, Slovakia, Maintenance and vulcanization services			
	Ownership interest (%)	**100.00**	99.96
	Carrying amount	**1,995**	1,994
	Profit / (loss)	**1,971**	1,149
	Equity	**10,826**	8,875
Refrako s.r.o., Slovakia, Refractory production			
	Ownership interest (%)	**99.98**	99.98
	Carrying amount	**4,565**	4,565
	Profit / (loss)	**76**	(2,207)
	Equity	**8,702**	8,625
U. S. Steel Services s.r.o., Slovakia, Various services			
	Ownership interest (%)	**99.96**	99.96
	Carrying amount	**1,804**	1,804
	Profit / (loss)	**400**	207
	Equity	**2,653**	2,253
OBAL-SERVIS, a.s. Košice, Slovakia, Packaging			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**1,304**	1,304
	Profit / (loss)	**1,720**	780
	Equity	**8,763**	7,083
U. S. Steel Kosice – Belgium S.A., Belgium, Steel trading			
	Ownership interest (%)	**-**	100.00
	Carrying amount	**-**	-
	Profit / (loss)	**-**	(45)
	Equity	**-**	(1,674)
U.S. Steel Košice–Bohemia a.s., Czech Republic, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**536**	536
	Profit / (loss)	**1,347**	1,396
	Equity	**53,095**	53,155
U. S. Steel Europe – France S.A., France, Steel trading			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit / (loss)	**19**	13
	Equity	**187**	191
U. S. Steel Europe – Germany (1), Germany, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**338**	1,559
	Profit / (loss)	**61**	65
	Equity	**1,286**	1,290

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

Entity, Place of incorporation, Principal activities		2010	2009
U. S. Steel Europe – Austria GmbH, Austria, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**261**	440
	Profit / (loss)	**14**	79
	Equity	**128**	188
U.S. Steel Europe (UK) Limited [(1)], Great Britain, Steel trading			
	Ownership interest (%)	**100.00**	50.00
	Carrying amount	**473**	101
	Profit / (loss)	**341**	461
	Equity	**342**	662
Total		**13,772**	**14,799**

[(1)] Financial information for the year 2010 is unaudited.

In 2010, the Company acquired the remaining 50% share in U. S. Steel Europe (UK) Limited, that represented U. S. Steel Europe (UK) Limited's total assets of EUR 6,811 thousand, for payment of EUR 2,646 thousand. The ownership interest increased to 100% and U. S. Steel Europe (UK) Limited became a subsidiary of the Company. A provision of EUR 2,274 thousand for impairment to the investment was recognized at the end of the year

U. S. Steel Kosice – Belgium S.A. dissolved effective December 23, 2010.

The change in carrying amounts as of December 31, 2010 of U. S. Steel Europe – Germany GmbH and U. S. Steel Europe – Austria GmbH relates to adjustments made in the provisions for impairment to the investments.

In 2010, the names of subsidiaries have changed as follows:

U.S. Steel Kosice – Austria GmbH to U. S. Steel Europe – Austria GmbH
U.S. Steel Kosice – France S.A. to U. S. Steel Europe – France S.A.
U.S. Steel Kosice–Germany GmbH to U. S. Steel Europe – Germany GmbH
U.S. STEEL KOSICE (UK) LIMITED to U. S. Steel Europe (UK) Limited

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

None of the Company's ownership interests in subsidiaries were pledged as of December 31, 2010 and December 31, 2009.

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 if not stated 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 recorded at the rate of 19% (2009: 19%).

The tax effect of the movements in the temporary differences during year 2010 is as follows:

	January 1, 2010	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2010
Property, plant and equipment	22	(14,358)	-	**(14,336)**
Inventories	3,807	(784)	-	**3,023**
Employee benefits	3,156	307	-	**3,463**
Deferred charges	503	(273)	-	**230**
Provision for impairment to receivables	2,630	(2,499)	-	**131**
Unused tax loss 2009	16,032	(3,360)	-	**12,672**
Emission allowances transactions	(7,352)	(1,646)	(1,710)	**(10,708)**
Other items	665	(431)	1,398	**1,632**
Total	**19,463**	**(23,044)**	**(312)**	**(3,893)**
Deferred tax asset	19,463			**-**
Deferred tax liability	-			**(3,893)**

The tax effect of the movements in the temporary differences during year 2009 is as follows:

	January 1, 2009	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 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	-			**-**

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

	December 31, 2010	December 31, 2009
Deferred tax to be realized within 12 months	**(2,459)**	16,318
Deferred tax to be realized after 12 months	**(1,434)**	3,145

The Company has unrecognized potential deferred tax assets of EUR 2,005 thousand related to subsidiaries as of December 31, 2010 (December 31, 2009: EUR 1,283 thousand).

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 84,572 thousand and can be carried forward over a period of five years. In 2010 the Company utilized EUR 17,876 thousand of the 2009 tax loss.

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

Note 9 Restricted cash

	December 31, 2010	December 31, 2009
Cash restricted in its use - Long-term portion	**3,003**	9,880
Cash restricted in its use - Short-term portion	**4,217**	-
Total (Notes 27 and 28)	**7,220**	**9,880**

Cash restricted in its use represents 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.

Credit risk of cash restricted in its use is disclosed in Note 27.

Note 10 Inventories

	December 31, 2010	December 31, 2009
Raw materials	**198,763**	137,034
Work-in-progress	**63,936**	39,694
Semi-finished production	**39,658**	44,082
Finished products	**89,698**	59,845
Merchandise	**-**	756
Total	**392,055**	**281,411**

The inventory items as at December 31, 2010 are shown net of write-down allowances resulting from lower net realizable values totaling EUR 1,740 thousand (December 31, 2009: EUR 4,110 thousand). No inventories were pledged or restricted in use as of December 31, 2010 or December 31, 2009.

Movements of inventories' write-down allowance were as follows:

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
January 1, 2010	**3,398**	**554**	**77**	**81**	**-**	**4,110**
Allowance made	337	1,088	270	466	-	**2,161**
Allowance used	(3,322)	(631)	(198)	(221)	-	**(4,372)**
Allowance reversed	(159)	-	-	-	-	**(159)**
December 31, 2010	**254**	**1,011**	**149**	**326**	**-**	**1,740**

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
January 1, 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)**
December 31, 2009	**3,398**	**554**	**77**	**81**	**-**	**4,110**

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

Note 11 Short-term Receivables

	December 31, 2010	December 31, 2009
Trade receivables	**335,894**	227,519
Related party accounts receivable (Note 30)	**157,700**	74,996
Total trade receivables (Note 28)	**493,594**	**302,515**
Advance payments made	**6,123**	2,273
VAT receivable	**46,492**	34,973
Other receivables	**1,407**	805
Trade and other receivables (gross)	**547,616**	**340,566**
Less provision for impairment to trade receivables	**(17,804)**	(20,021)
Less provision for impairment to other receivables	**(154)**	(272)
Trade and other receivables (net)	**529,658**	**320,273**
Long-term receivables	**-**	861
Short-term receivables	**529,658**	319,412

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2010 and December 31, 2009. 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 the 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:

	December 31, 2010	December 31, 2009
EUR	**443,171**	274,687
USD	**22,929**	20,679
Other	**27,494**	7,149
Total	**493,594**	**302,515**

The structure of trade receivables is as follows:

	December 31, 2010	December 31, 2009
Receivables not yet due and not impaired	**304,015**	189,875
Receivables past due but not impaired	**14,433**	19,516
Receivables individually impaired	**17,446**	18,128
Trade receivables	**335,894**	**227,519**
Receivables not yet due and not impaired	**55,842**	9,302
Receivables past due but not impaired	**101,499**	63,796
Receivables individually impaired	**359**	1,898
Related party accounts receivable	**157,700**	**74,996**
Total	**493,594**	**302,515**

Receivables not yet due and not impaired can be analyzed based on internal credit ratings as follows:

	December 31, 2010	December 31, 2009
No or low-risk counterparties	**143,852**	93,493
Marginal or high-risk counterparties	**160,163**	96,382
Trade receivables	**304,015**	**189,875**
No or low-risk counterparties	**1,162**	1,451
Marginal or high-risk counterparties	**54,680**	7,851
Related party accounts receivable	**55,842**	**9,302**
Total	**359,857**	**199,177**

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

Ageing structure of trade receivables past due but not impaired is as follows:

	December 31, 2010	December 31, 2009
Past due 0 – 30 days	**13,731**	17,703
Past due 30 – 90 days	**696**	661
Past due 90 – 180 days	**6**	250
Past due more than 180 days	**-**	902
Trade receivables	**14,433**	**19,516**
Past due 0 – 30 days	**4,324**	3,429
Past due 30 – 90 days	**8,458**	4,933
Past due 90 – 180 days	**84,835**	55,434
Past due more then 180 days	**3,882**	-
Related party accounts receivable	**101,499**	**63,796**
Total	**115,932**	**83,312**

Discounted present value of receivables past due is not materially different from their book values as of December 31, 2010 and 2009.

Ageing structure of trade receivables individually impaired is as follows:

	December 31, 2010	December 31, 2009
Not yet due	**12,015**	11 155
Past due 0 – 30 days	**104**	32
Past due 30 – 90 days	**41**	37
Past due 90 – 180 days	**299**	29
Past due 180 – 365 days	**5**	1,066
Past due over 365 days	**4,982**	5,809
Trade receivables	**17,446**	**18,128**
Past due 180 – 365 days	**18**	304
Past due over 365 days	**341**	1,594
Related party accounts receivable	**359**	**1,898**
Total	**17,805**	**20,026**

During 2010 management reassessed the aging structure of trade receivables individually impaired as of December 31, 2009 and adjusted classification of receivables that were restructured at the end of year 2009 based on their new due dates.

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

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
January 1, 2010	**18,123**	**1,898**	**241**	**31**	**20,293**
Provision made	1,520	359	6	-	**1,885**
Receivables written-off	(1,577)	(1,539)	(6)	(1)	**(3,123)**
Provision reversed	(621)	(359)	(87)	(30)	**(1,097)**
December 31, 2010	**17,445**	**359**	**154**	**-**	**17,958**

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
January 1, 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)**
December 31, 2009	**18,123**	**1,898**	**241**	**31**	**20,293**

Accounts receivable totaling EUR 3,145 thousand were written off in 2010 (2009: EUR 3,226 thousand).

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

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 hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 9 months. Gains and losses on forward foreign exchange contracts recognized in other comprehensive income and accumulated in other reserve funds in equity (Note 15) as of December 31, 2010 will be recognized in the profit or loss in the period(s) during which the hedged forecast transaction affects the profit or loss. 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 the reporting period, of the Company's forward foreign exchange contracts:

	December 31, 2010		December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards – cash flow hedges	1,825	10,225	1,039	2,082
Total	1,825	10,225	1,039	2,082

Balances as of December 31, 2010 and December 31, 2009 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 Europe plc, PNC Bank and The Bank of Nova Scotia as of December 31, 2010 and with ING Bank N.V., Citibank (Slovakia) a.s., PNC Bank and Fifth Third Bank as of December 31, 2009. 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 the reporting period. The contracts are short term in nature:

	December 31, 2010	December 31, 2009
Payable on settlement in EUR thousand	(306,412)	(129,503)
Receivable on settlement in USD thousand	398,000	185,000

Note 13 Cash and Cash Equivalents

	December 31, 2010	December 31, 2009
Cash on hand	43	46
Cash at bank	4,553	108,336
Total (Note 28)	4,596	108,382

Cash at bank earned approx. 0.3% p.a. for EUR deposits and 0.1% p.a. for USD deposits as of December 31, 2010 (December 31, 2009: 0.2% p.a. for EUR deposits and 0.1% p.a. for USD deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances in these accounts are not material.

Cash restricted in its use is presented in 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 2,454 thousand as of December 31, 2010 (December 31, 2009: EUR 3,032 thousand).

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

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 December 31, 2010. When 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 January 1, 2009. Since the Company used the euro as a functional currency even before January 1, 2009, on the date of the adoption of the euro as the national currency, the difference between the historical amount and the 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 January 1, 2009.

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve fund	Other reserve funds	Total
January 1, 2010	**44**	**58,784**	**6,218**	**65,046**
Changes in fair value of hedging derivatives	-	-	(5,851)	**(5,851)**
Changes in revaluation reserve - CO_2 emission allowances	-	-	10,970	**10,970**
Release of revaluation reserve - CO_2 emission allowances	-	-	(3,681)	**(3,681)**
Release of revaluation reserve - investments	-		(2,660)	**(2,660)**
Contribution to legal reserve fund	-	720	-	**720**
December 31, 2010	**44**	**59,504**	**4,996**	**64,544**

	Other capital funds	Legal reserve fund	Other reserve funds	Total
January 1, 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**
December 31, 2009	**44**	**58,784**	**6,218**	**65,046**

Retained earnings

As of December 31, 2010 the total distributable earnings of the Company represent EUR 97,623 thousand (December 31, 2009: EUR 36,893 thousand). The Company is required by the Slovak Commercial Code to contribute to the legal reserve fund in minimum of 5% of profit after tax up to 10% of the base capital. Therefore, the amount of EUR 4,799 thousand is not distributable.

Dividends

No dividends were approved during the year 2011 by the date when these financial statements were authorized for issue. In June, 2010 dividends totaling EUR 36,893 thousand were approved for distribution. Declared but unpaid dividends totaled EUR 264,862 thousand as of December 31, 2010 (December 31, 2009: EUR 329,990 thousand) (Notes 19 and 30).

Note 16 Long-term Loans and Borrowings

	December 31, 2010	December 31, 2009
EUR 400 million credit facility	**308,962**	-
EUR 200 million credit facility	**-**	200,026
	308,962	**200,026**
Current portion of the borrowings	**-**	-
Non-current portion of the borrowings	**308,962**	200,026

During year 2010 the Company drawn and subsequently repaid EUR 30 million against available credit facilities.

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

A three year revolving unsecured EUR 200 million credit facility provided by ING Bank, N.V. London Branch with interest rate spread over EURIBOR was repaid in full in March 2010.

As of March 23, 2010, the Company entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V, the Company's parent entity. Interest on borrowings under the facility is based on a fixed rate of 6.80% p.a., and the agreement contains customary terms and conditions. As of June 16, 2010, the EUR 300 million seven-year revolving unsecured credit facility was increased by EUR 100 million. As of December 31, 2010, three borrowings totaling EUR 309 million were drawn against this facility.

In addition, undrawn credit facilities totaling to 275 million EUR were available to the Company as of December 31, 2010 (December 31, 2009: EUR 65 million). All undrawn facilities were on floating rates and expire beyond one year.

Carrying amounts of the borrowings as of December 31, 2010 and December 31, 2009 are measured at amortized costs. Fair values of the borrowings as of December 31, 2010 and December 31, 2009 approximate their carrying amounts.

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

Note 17 Provisions for Liabilities and Charges

Movements in provisions for liabilities and charges were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2010	**19,866**	**4,471**	**92,747**	**719**	**117,803**
Provision made	1,017	460	115,453	1,859	**118,789**
Provision used / reversed	(3,925)	(2,252)	(92,747)	(1,192)	**(100,116)**
December 31, 2010	**16,958**	**2,679**	**115,453**	**1,386**	**136,476**
Long-term provisions	12,957	-	-	-	**12,957**
Short-term provisions	4,001	2,679	115,453	1,386	**123,519**

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 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)**
December 31, 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**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2010 and 2009 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 2010, the Company has been operating four landfills; two for non-hazardous waste and two 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. In November 2010 one hazardous waste landfill was closed and reclamation will start in 2011. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

Litigation

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 Slovak 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.

CO_2 emissions

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

A provision was recognized for CO_2 emissions emitted in 2010. The provision is calculated as a multiple of the 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 Company is committed to make payments to 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 jubilee benefits

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 profit or loss.

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

	2010	2009
January 1,	**16,691**	**20,194**
Total expense charged in profit or loss – pension	**1,357**	822
Total expense charged in profit or loss – jubilee	**1,027**	1,113
Total expense charged in profit or loss – termination	**-**	4,858
Benefits paid	**(788)**	(10,296)
December 31,	**18,287**	**16,691**
Long-term employee benefits payable	**17,456**	15,964
Short-term employee benefits payable	**831**	727

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

	December 31, 2010	December 31, 2009
Present value of the obligation – pension	**13,989**	11,836
Present value of the obligation – jubilee	**6,331**	6,303
Unrecognized actuarial gains	**(2,011)**	(1,397)
Unrecognized past service costs	**(22)**	(51)
Total liability in the statement of financial position	**18,287**	**16,691**

The amounts recognized in the profit or loss are determined as follows:

	2010	2009
Current service costs – pension	**(368)**	701
Current service costs – jubilee	**297**	338
Current service costs – termination	**-**	4,858
Interest costs	**967**	1,034
Net actuarial losses / (gains) recognized	**1,488**	(138)
Total	**2,384**	**6,793**

Service cost and net actuarial losses / (gains) are presented in Salaries and other employee benefits (Note 22).

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

	2010	2009
Discount rate	**5.00%**	5.50%
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.

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

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 24.3% (2009: 24.0%) of gross salaries up to a monthly salary ceiling between EUR 1,084.55 to EUR 2,892.12 until June 30, 2010, respectively EUR 1,116.75 to EUR 2,978.00 after this date (EUR 1,003.09 to EUR 2,674.90 until June 30, 2009, respectively EUR 1,084.55 to EUR 2,892.12 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 2010 (2009: 1.7%).

Note 19 Trade and Other Payables

	December 31, 2010	December 31, 2009
Trade payables	**153,583**	112,604
Related party accounts payable (Note 30)	**63,990**	28,407
Assigned trade payables	**14,333**	23,760
Uninvoiced deliveries and other accrued expenses	**79,215**	56,520
Trade payables and accruals (Note 28)	**311,121**	**221,291**
Advance payments received	**4,026**	2,917
Liability to employees and social security institutions	**19,121**	21,948
Dividends payable (Notes 15 and 30)	**264,862**	329,990
VAT and other taxes and fees	**8,734**	4,926
Other payables	**4,658**	2,752
Total	**612,522**	**583,824**

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

	December 31, 2010	December 31, 2009
Trade and other payables not yet due	**603,095**	579,090
Trade and other payables past due	**9,427**	4,734
Total	**612,522**	**583,824**

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

	December 31, 2010	December 31, 2009
EUR	**210,896**	165,969
USD	**84,300**	29,446
Other	**15,925**	25,876
Total	**311,121**	**221,291**

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

	2010	2009
January 1,	**784**	**1,176**
Company contribution (company costs)	**1,067**	961
Employees contribution (repayments)	**380**	452
Withdrawals	**(1,766)**	(1,805)
December 31,	**465**	**784**

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 the production and sale of flat rolled steel products, steel plates, tubes, raw iron, coke and the production and distribution of electricity, heat and gas.

Revenue consists of the following:

	2010	2009
Sales of own production	**2,416,069**	1,702,392
Sales of merchandise	**42,206**	20,856
Rendering of services	**9,536**	10,262
Total	**2,467,811**	**1,733,510**

Sales of merchandise represent primarily sales of raw materials to U. S. Steel, the parent company of U. S. Steel Košice, s.r.o. (Note 30).

Other income

Other income consists of the following:

	2010	2009
Amortization of deferred income - CO_2 emission allowances	**139,457**	128,123
Gain on disposal of property, plant and equipment and intangible assets	**956**	-
Gain on derivative instruments transactions	**8,673**	14,897
Rental income	**1,930**	1,937
Income from contractual penalties	**647**	2,591
Other income	**1,791**	1,984
Total	**153,454**	**149,532**

Gain on derivative instruments transactions was presented within other operating expense in Financial statements for the year ended December 31, 2009.

Note 21 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2010	2009
Materials consumed	**(1,624,621)**	(994,180)
Energy consumed	**(100,060)**	(96,734)
Costs of merchandise sold (Note 20)	**(42,088)**	(21,232)
Changes in inventory	**51,585**	(53,902)
Inventory write-down allowance (Note 10)	**(2,002)**	(3,878)
Total	**(1,717,186)**	**(1,169,926)**

Note 22 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2010	2009
Wages and salaries	**(168,430)**	(167,803)
Profit sharing expense	**(4,670)**	(1,195)
Termination benefits (Note 18)	**-**	(4,858)
Social insurance – defined contribution plan (Note 18)	**(59,813)**	(58,334)
Other social expenses	**(11,974)**	(10,463)
Pension expenses – retirement and work and life jubilees (Note 18)	**(1,417)**	(901)
Total	**(246,304)**	**(243,554)**

The average number of the Company’s employees for 2010 was 11,129 (2009: 11,465), from which 235 were key management employees (2009: 236).

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

Note 23 Other Operating Expenses

	2010	2009
Packaging	**(17,070)**	(14,939)
Cleaning and waste	**(10,025)**	(8,703)
Rent	**(2,753)**	(2,721)
Advertising and promotion	**(2,876)**	(2,356)
Intermediary fees	**(6,713)**	(6,973)
Training	**(1,603)**	(1,096)
Charge for provision for CO_2 emissions (Note 17)	**(115,453)**	(92,747)
Reversal of unused provision for CO_2 emissions	**211**	2,483
Impairment of receivables – (loss) and receivables written-off (Note 11)	**(789)**	(1,406)
Loss on disposal of property, plant and equipment and intangible assets	**-**	(8,753)
Real estate tax and other taxes	**(5,229)**	(4,418)
Laboratory and heat tests	**(6,239)**	(5,020)
Audit fee	**(692)**	(798)
Other service provided by the auditor	**(22)**	-
Other operating expenses [(1)]	**(81,129)**	(68,511)
Total	**(250,382)**	**(215,958)**

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

Note 24 Finance Income and Finance Cost

	2010	2009
Interest income	**194**	811
Dividend income	**481**	3,980
Interest expense	**(14,738)**	(6,864)
Total	**(14,063)**	**(2,073)**

Note 25 Income Taxes

As of December 31, 2010, the Company had an income tax receivable totaling EUR 23 thousand arising from income tax prepayments which exceeded the income tax liability for 2010 (December 31, 2009: income tax receivable totaling EUR 160 thousand).

The income tax expense consists of following:

	2010	2009
Current tax	**(118)**	30
Deferred tax (Note 8)	**(23,044)**	(4,442)
Total	**(23,162)**	**(4,412)**

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:

	2010	2009
Profit before tax	**119,141**	18,823
Tax calculated at 19% tax rate	**23,637**	3,576
Non-deductible expenses	**581**	1,538
Other	**(56)**	(702)
Tax charge	**23,162**	**4,412**

The effective tax rate was 19% (2009: 23%).

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

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

	2010			2009		
	Before tax	**Tax (charge) / credit**	**After tax**	**Before tax**	**Tax (charge) / credit**	**After tax**
Changes in fair value of hedging derivatives	**(7,249)**	**1,398**	**(5,851)**	(8,828)	1,632	(7,196)
Changes in revaluation reserve	**12,782**	**(1,710)**	**11,072**	4,759	(904)	3,855
Other comprehensive income	**5,533**	**(312)**	**5,221**	**(4,069)**	**728**	**(3,341)**
Current tax		-			-	
Deferred tax (Note 8)		(312)			728	
		(312)			**728**	

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 the shareholder and to pay obligations as they come due. The Company's overall strategy did not change from 2009.

The capital structure of the Company consists of debt (Note 16 and Note 30) totaling EUR 324,461 thousand as of December 31, 2010 (December 31, 2009: EUR 200,026 thousand) and equity (Note 15) totaling EUR 1,005,566 thousand as of December 31, 2010 (December 31, 2009: EUR 942,016 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 a minimum level of base capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of December 31, 2010 and December 31, 2009.

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).

<u>Credit risk</u>

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 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 related credit limits accordingly.

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

The Company is exposed to overall credit risk arising from financial assets as summarized below:

December 31, 2010

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables (net)	-	318,449
Related party accounts receivables (net)	-	157,341
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	1,825	-
Short-term borrowings (Note 30)		
Short-term borrowings	-	1,801
Cash and cash equivalents (Note 13)		
ING Bank N.V. (1)	-	1,027
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky (1)	-	54
HSBC Bank plc, pobočka zahraničnej banky (1)	-	55
Citibank (Slovakia) a.s. (1)	-	3,339
Slovenská sporiteľňa, a.s. (1)	-	68
Other banks	-	10
Cash on hand	-	43
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. (1)	-	7,220
Total	**1,825**	**489,407**

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

December 31, 2009

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables (net)	-	209,396
Related party accounts receivables (net)	-	73,098
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**	**400,756**

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

The Company mitigates credit risk for approximately 78% (2009: 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:

	2010	2009
Credit insurance	**56 %**	50 %
Letters of credit and documentary collection	**2 %**	7 %
Bank guarantees	**6 %**	4 %
Other credit enhancements	**14 %**	14 %
Credit enhanced sales	**78 %**	**75 %**
Unsecured sales	**22 %**	**25 %**
Total	**100 %**	**100 %**

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

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 2009, the Company renewed a EUR 40 million credit facility. The renewed credit facility expires on October 8, 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 December 31, 2010 or December 31, 2009.

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 December 10, 2012 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. As of December 31, 2010 the credit facility has been used in the amount of EUR 5,409 thousand for bank guarantees and letters of credit (December 31, 2009: EUR 5,298 thousand).

On December 17, 2010, the Company entered into a EUR 20 million credit facility to replace its EUR 10 million credit facility that was scheduled to expire in January 2011. The EUR 20 million credit facility may be used until December 2015 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. There were no borrowings against these credit facilities as of December 31, 2010 or December 31, 2009.

On August 6, 2010, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank N.V. pobočka zahraničnej banky. As of December 31, 2010 no borrowings were drawn against this facility.

Each of these facilities bears interest at the applicable inter-bank offer rate plus margin and they contain customary terms and conditions. The Company is the sole obligor on each of these credit facilities and is obliged to pay a commitment fee on the undrawn portion of the facilities.

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

December 31, 2010	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	4,596	-	-	**4,596**
Trade receivables (net)	475,790	-	-	**475,790**
Derivative financial instruments	297,860	-	-	**297,860**
Loans and borrowings	1,801	-	-	**1,801**
Total	**780,047**	**-**	**-**	**780,047**
Liabilities				
Trade payables and accruals	311,121	-	-	**311,121**
Derivative financial instruments	306,412	-	-	**306,412**
Dividends payable	264,862	-	-	**264,862**
Loans and borrowings	36,508	84,038	335,224	**455,770**
Total	**918,903**	**84,038**	**335,224**	**1,338,165**

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

December 31, 2009

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	108,382	-	-	**108,382**
Trade receivables (net)	282,494	-	-	**282,494**
Derivative financial instruments	128,419	-	-	**128,419**
Total	**519,295**	**-**	**-**	**519,295**

	0 – 1 year	1 – 5 years	over 5 years	Total
Liabilities				
Trade payables and accruals	221,291	-	-	**221,291**
Derivative financial instruments	129,503	-	-	**129,503**
Dividends payable	329,990	-	-	**329,990**
Loans and borrowings	726	200,000	-	**200,726**
Total	**681,510**	**200,000**	**-**	**881,510**

Market risk

a) Interest rate risk

The Company's net income is substantially independent of changes in market interest rates.

As of December 31, 2010, the Company has no borrowings with a variable interest rate except for the short term borrowing provided by and to subsidiaries as part of a cash pooling system. Short term bank deposits and cash at bank accounts also did not expose the Company to interest rate risk. If the interest rate had been 1% higher/lower as of December 31, 2010, it would have had insignificant impact on interest expense charged to profit or loss (2009: EUR 0.2 million).

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 structure of cash and cash equivalents and cash restricted in its use by currency is as follows:

December 31, 2010

	Cash and cash equivalents	Cash restricted in its use
EUR	564	7,220
USD	3,556	-
Other	476	-
Total	**4,596**	**7,220**

December 31, 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**

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 December 31, 2010, the Company had open EUR forward sales contracts for U.S. dollars (total notional value of approximately EUR 306.4 million; December 31, 2009: EUR 129.5 million).

As of December 31, 2010, 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 63 million charge / EUR 38 million credit to profit before tax.

As of December 31, 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 34 million charge / EUR 23 million credit to profit before tax.

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

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 profit or loss.

The Company has entered into contracts for most of its coking coal requirements for 2011. Prices for these contracts are negotiated at defined intervals (no less than quarterly).

The Company also routinely executes fixed-price forward physical purchase contracts for a portion of expected business needs of zinc and tin in order to manage exposure to the volatility markets.

The Company did not carry out any other material derivative transaction mitigating commodity price risk and had no outstanding commodity derivatives as of December 31, 2010 and December 31, 2009.

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*:

December 31, 2010

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	318,449	-	-	**318,449**
Related party accounts receivables (net)	157,341	-	-	**157,341**
Derivative financial instruments	-	1,825	-	**1,825**
Short-term borrowings	1,801	-	-	**1,801**
Cash and cash equivalents	4,596	-	-	**4,596**
Restricted cash	7,220	-	-	**7,220**
Total	**489,407**	**1,825**	**259**	**491,491**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	308,962	**308,962**
Trade payables and accruals	-	311,121	**311,121**
Dividends payable	-	264,862	**264,862**
Short-term borrowings	-	15,499	**15,499**
Derivative financial instruments	10,225	-	**10,225**
Total	**10,225**	**900,444**	**910,669**

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

December 31, 2009

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	209,396	-	-	**209,396**
Related party accounts receivables (net)	73,098	-	-	**73,098**
Derivative financial instruments	-	1,039	-	**1,039**
Cash and cash equivalents	108,382	-	-	**108,382**
Restricted cash	9,880	-	-	**9,880**
Total	**400,756**	**1,039**	**259**	**402,054**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	200,026	**200,026**
Trade payables and accruals	-	221,291	**221,291**
Dividends payable	-	329,990	**329,990**
Derivative financial instruments	2,082	-	**2,082**
Total	**2,082**	**751,307**	**753,389**

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:

December 31, 2010

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	1,825	-	**1,825**
Total	**-**	**1,825**	**-**	**1,825**
Liabilities				
Hedging derivatives	-	10,225	-	**10,225**
Total	**-**	**10,225**	**-**	**10,225**

December 31, 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**

During the year 2010, 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.

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

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:

	2010	2009
Not later than 1 year	**756**	1,334
Later than 1 year and not later than 5 years	**2,475**	2,761
Later than 5 years	**-**	-
Total	**3,231**	**4,095**

Capital commitments and commitments to the Slovak Republic

Capital expenditures of EUR 8 million had been committed under contractual arrangements as of December 31, 2010 (December 31, 2009: EUR 40 million).

The Company had 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. The Company has fulfilled this commitment to the Slovak Government in November 2010.
- supporting foreign investment in Slovakia for a period of 2 years from November 2000. The Company fulfilled this commitment to the Slovak Government.

Tax Credit

The provisions of the Slovak Income Tax Act allowed 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 the tax credit was used as of December 31, 2009.

The management believes that all tax credit conditions were met for the entire ten-year period. 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 performed a tax audit of the Company and confirmed that the Company fulfilled all necessary conditions for claiming the tax credit for the years 2000 through 2005. Fiscal periods remain open for review by the tax authorities for five years after the year in which the tax return is filed.

Environmental commitments

The Company is in compliance with environmental legislation. In 2010, the environmental expenses represented by air, water and solid waste pollution fees totaled approximately EUR 9 million (2009: EUR 11 million). There are no material legal proceedings pending against the Company involving environmental matters.

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 the 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 - 2010 and projected production in 2011 and 2012, the 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.

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

Contingent assets

In December 2010, the Company and the Ministry of Labour, Social Affairs and Family of the Slovak Republic entered into the Contract on subsidy for education of the Company's employees during years 2011 and 2012. In case all conditions are met, the Company receives subsidy of EUR 1,498 thousand.

The Company has no other significant contingent assets as of December 31, 2010 or December 31, 2009.

Note 30 Related Party Transactions

Transactions with related parties

The following table provides amounts of transactions with related parties recognized in the profit or loss of the relevant financial year and outstanding balances resulting from transactions with related parties included in the statement of financial position at December 31 of the relevant financial year:

		2010	2009
U.S. Steel Europe (UK) Limited , Associate as of December 31, 2009			
	Revenues	**-**	5,253
	Receivables	**-**	303
U. S. Steel Global Holdings I B.V., Parent company			
	Expenses	**14,708**	-
	Payables	**264,862**	329,990
	Borrowings received	**308,962**	-
United States Steel Corporation, Ultimate parent company			
	Revenues	**34,822**	1,799
	Expenses	**37,355**	52,354
	Receivables	**630**	295
	Payables	**48,453**	13,623
U. S. Steel Serbia d.o.o., Company under common control of U. S. Steel			
	Revenues	**173,262**	114,281
	Expenses	**20,857**	25,010
	Receivables	**149,905**	70,858
	Payables	**4,071**	262
USS International Services, LLC, Company under common control of U. S. Steel			
	Revenues	**14**	25
	Expenses	**7,716**	7,792
	Receivables	**115**	201
	Payables	**1,289**	1,500
U. S. Steel Canada Inc, Company under common control of U. S. Steel			
	Revenues	**26**	121
	Expenses	**2,354**	-
	Receivables	**63**	16
	Payables	**-**	2,073
Subsidiaries under control of the Company Note 7			
	Revenues	**10,712**	6,898
	Expenses	**78,102**	66,795
	Receivables	**6,987**	3,323
	Payables	**10,177**	10,949
	Borrowings received	**15,499**	-
	Borrowings provider	**1,801**	-
Total			
	Revenues	**218,836**	**128,377**
	Expenses	**161,092**	**151,951**
	Receivables	**157,700**	**74,996**
	Payables	**328,852**	**358,397**
	Borrowings received	**324,461**	**-**
	Borrowings provided	**1,801**	**-**

In 2010, the Company increased ownership interest in U. S. Steel Europe (UK) Limited from 50% to 100%. For the year 2010, transactions with U. S. Steel Europe (UK) Limited are included in subsidiaries balances.

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

The balances of payables 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). In year 2010, U. S. Steel Global Holdings I B.V. provided to the Company long-term revolving unsecured credit facility (Note 16).

Transactions with United States Steel Corporation relate to sales and purchases of raw material and the rendering of various services.

Transactions with U. S. Steel Serbia d.o.o. represent mainly sales of Company's own products. As of December 31, 2010, provision for impairment to receivables due from U. S. Steel Serbia d.o.o. was recognized totaling EUR 359 thousand (December 31, 2009: EUR 359 thousand).

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

Transactions with U. S. Steel Canada Inc. relate to purchases of raw materials and services and recharges provided to U. S. Steel Canada Inc.

Transactions with subsidiaries of U. S. Steel Košice, s.r.o. include sales of steel products and purchases of various services provided to U. S. Steel Košice, s.r.o. Transactions related to short-term borrowings as a part of the Company's cash pooling strategy bear interest rate spread over EUR LIBOR plus margin. Borrowing contracts contain customary terms and conditions and are valid until May 31, 2011 with the option to be prolonged. During 2010, the Company under these borrowings credited its subsidiaries with amount of EUR 19,768 thousand from which amount of EUR 17,971 thousand was repaid as well as drawn amount of EUR 87,265 thousand from which amount of EUR 71,800 thousand was repaid. During 2009, the Company under these borrowings credited its subsidiaries with amount of EUR 746 thousand that was repaid in full during the same year as well as drawn amount of EUR 31,347 thousand that was repaid in full during the same year. As of December 31, 2010, there was no provision for impairment to receivables due from subsidiaries (December 31, 2009: EUR 1,539 thousand).

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 2010 and 2009 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 for the year 2010 is included in the charges of EUR 7,039 thousand (2009: EUR 9,378 thousand) paid for salaries and other benefits of all foreign key management employees to USS International Services, LLC. 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:

	2010	2009
Wages and salaries	**9,617**	12,267
Profit sharing expense	**58**	13
Social security – defined contribution plan	**2,357**	2,250
Total	**12,032**	**14,530**

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

With effect from January 1, 2011 David John Rintoul was appointed as a statutory representative and President replacing George F. Babcoke. With effect from March 1, 2011 Mgr. Elena Petrášková, LL.M was appointed as a statutory representative and Vice President Management Services and Administration replacing RNDr. Miroslav Kiraľvarga, MBA. With effect from May 1, 2011 Traci Lynn Vaughan terminated her function as statutory representative and Managing Director Global Project Management & Administration and Vice President BSC - Europe Administration in respect to her new assignments. With effect from May 1, 2011 John Patrick Coyne was appointed as a statutory representative and Vice President BSC Administration for USSE and Director - Business Processes and ERP Integration.

Other

In January 2011, the Company's subsidiary U.S. Steel Košice-Bohemia a.s. changed its name to U. S. Steel Europe – Bohemia a.s.

In January through May 2011, the Company entered into transaction to swap a portion of the excess EUA emission allowances to CER emission allowances. The related gain from the transactions of EUR 1,547 thousand was recorded in the first half of 2011. In addition, on April 20, 2011 the Company delivered 8,445,826 tons of CO_2 emission allowances for 2010 fulfilling its obligation for the second year of the NAP II period.

As of January 1, 2011 Slovakia enacted an 80 percent tax on excess emission allowances registered in 2011 and 2012. The amount of this tax will vary with Company's production levels and the implementing regulations that may be issued.

After December 31, 2010, no other significant events have occurred that would require recognition or disclosure in the 2010 financial statements.