U. S. Steel Košice

Annual Report 2015

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PRESIDENT'S FOREWORD

The year 2015 was another very challenging one for us. The situation on the global steel market became more complicated and volatile as the year progressed. Our ultimate parent company, United States Steel Corporation, had to make very difficult decisions in 2015 in the United States, which affected thousands of employees. In Europe, we faced a massive surge of imports, many of which we believe are unfairly traded, which dramatically drove down steel prices in the latter half of the year. This negatively impacted us and other European Union producers who are saddled with the increasing costs associated with ever tightening environmental and climate regulations set by the European Union, like Best Available Techniques and the European Trading Scheme for CO2, as well as the high cost of energy prices in the region. Through our membership in professional associations, we have drawn attention to these critical issues and asked for prompt trade defense measures. This means we had to fight on several fronts to overcome very challenging business conditions and maintain our positive results.

We continued working through these difficult times together with the trade unions, the government and other business partners to find the best possible solutions and protect our presence in our markets. In the meantime, we stayed focused on what we could control; the safety of all U. S. Steel Košice, s.r.o. employees, the Carnegie Way transformation, cost reductions and the production of quality steel for our customers.

Through our continued commitment to our transformation process, we delivered remarkable Carnegie Way benefits of 115 million USD in 2015. I appreciate and applaud the efforts of our teams throughout the company who have come up with innovative thinking and approaches, saved costs and increased productivity. In addition to that, our cross-departmental innovation teams contributed by developing new products and technologies enabling us to fulfill the highest quality requirements of our customers.

Most importantly, we accomplished record results in safety performance and fulfilled all key measures in 2015. We achieved a 0.14 injury frequency rate and progressed on our journey towards our ultimate goal of zero injuries. Highly motivated and supported by our employees, we continue in our systematic efforts to identify and eliminate all risks in our workplaces.

In the field of environmental protection, we continued implementing modern technologies in compliance with Slovak and European legislation. De-dusting projects at the blast furnaces and construction of a new boiler were the most important projects aimed at reducing emissions and increasing energy efficiency. Re-certification audits of the environmental and energy management systems confirmed the high efficiency of both systems, as well as the continuous improvement in these processes.

Considering the outlook for 2016, I am sure U. S. Steel Košice, s.r.o. has sufficient internal power to overcome the challenging conditions caused by cheap imports, European Union regulations and high electricity prices. We would hope that the European Commission will act in 2016 to help create a level playing field for the EU steel industry through trade actions to help curb the unfairly traded imports. We will also continue our efforts to affect positive changes in EU policies that damage the competitiveness of the EU steel sector, which include the EU energy and climate policies. However, we cannot rely on such action and must focus on the things that we can control. We must continue our relentless efforts to create value through our Carnegie Way transformation process and remain focused on safety, delivering quality products to our customers and innovating with our customers to better serve their needs. This is imperative for U. S. Steel Košice, s.r.o. to remain competitive and profitable through the whole business cycle.

Scott D. Buckiso
President U. S. Steel Košice, s.r.o.

CORPORATE PROFILE

U. S. Steel Košice, s.r.o. (also "the Company" or "USSK") is one of the largest integrated producers of flat-rolled steel products in Central Europe, providing a wide assortment of hot-rolled, cold-rolled and coated products including hot-dip galvanized, color-coated, tinplate and non-grain-oriented sheets. The Company also produces spiral welded pipes and KORAD panel radiators.

USSK has annual raw steel production capability of 4.5 million metric tons. USSK has two coke batteries, four sintering strands, three blast furnaces, four steelmaking vessels, a vacuum degassing unit, two dual strand continuous casters, a hot strip mill, two pickling lines, two cold reduction mills, a batch annealing facility, two continuous annealing lines, a temper mill, a temper/double cold reduction mill, three hot-dip galvanizing lines, two tin-coating lines, three dynamo lines, a color-coating line, two spiral-welded pipe lines and facilities for manufacturing panel steel heating radiators. The Company also has multiple slitting, cutting and other finishing lines for flat products. In addition, USSK has a research laboratory which, in conjunction with U. S. Steel's Research and Technology Center, supports efforts in coke-making, electrical steels, design and instrumentation, and ecology.
The Company does not have a branch abroad.

The statutory representatives as of December 31, 2015 were as follows:

Scott D. Buckiso	President
Matthew Todd Lewis	Senior Vice President and Chief Financial Officer
Ing. Marcel Novosad	Vice President Operations
Christian Korn	Vice President Commercial
Mgr. Elena Petrášková, LL.M	Vice President Subsidiaries and External Servicest
RNDr. Miroslav Kiraľvarga, MBA	Vice President External Affairs, Administration and Business Development
Richard C. Shank	Vice President BSC
Ing. Vladimír Jacko, PhD., MBA	Vice President Energy, Environment and Technical Inspection
David E. Hathaway	Vice President Engineering and Innovation
Ing. Martin Pitorák, MBA	Vice President Human Resources

The Carnegie Way

The Carnegie Way was launched in 2013 to transform the way we do business to achieve sustainable short and long term profitability regardless of the business cycles. Lean Six Sigma, change management and leadership training have been blended together into a unique Carnegie Way Method to give us the tools to compete in our never-ending journey.

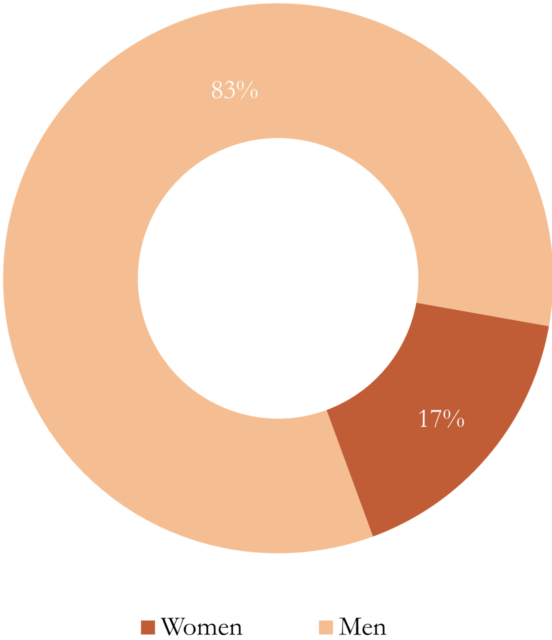
As our journey continued in 2015, an exciting team atmosphere and cadence was created to help turn hundreds of employee ideas into real value creation for all of our stakeholders. Additional tools are being made available that will further empower and engage our employees. Our teams are energized by their performance in 2015 and are looking forward to the challenges of 2016 and beyond.

IMPACT OF THE COMPANY IN THE SOCIAL AREA

U. S. Steel Košice, s.r.o. is the largest private employer in Slovakia and the largest employer in the East Slovakian region. As of December 31, 2015 the workforce was 10,204 people. The Company supports **equal opportunities** through a special project offering work for about eighty participants from socially marginalized groups of the Roma minority, who have problems with inclusion into public and working lives.

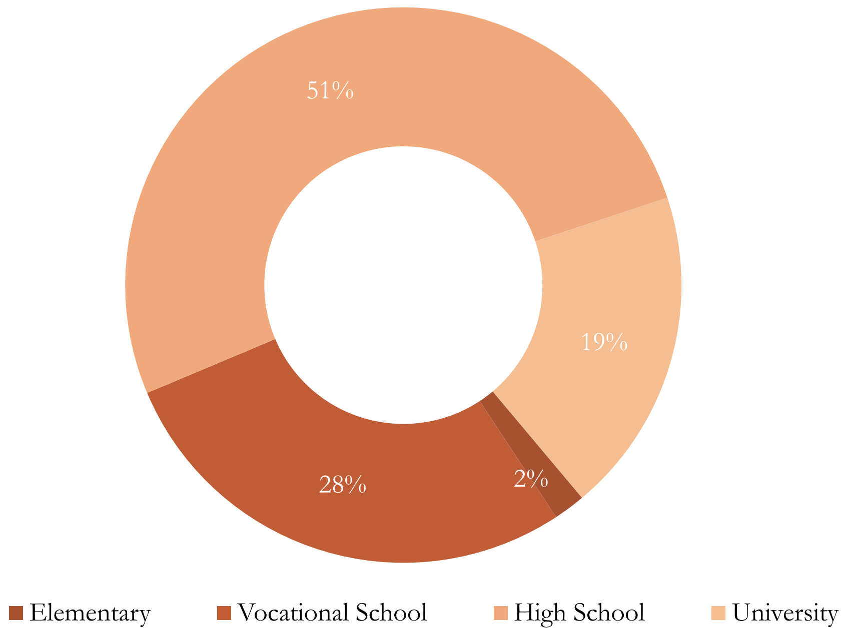
Number of employees by gender as of 12/31/2015

USSK Active Employees Total:
10,204



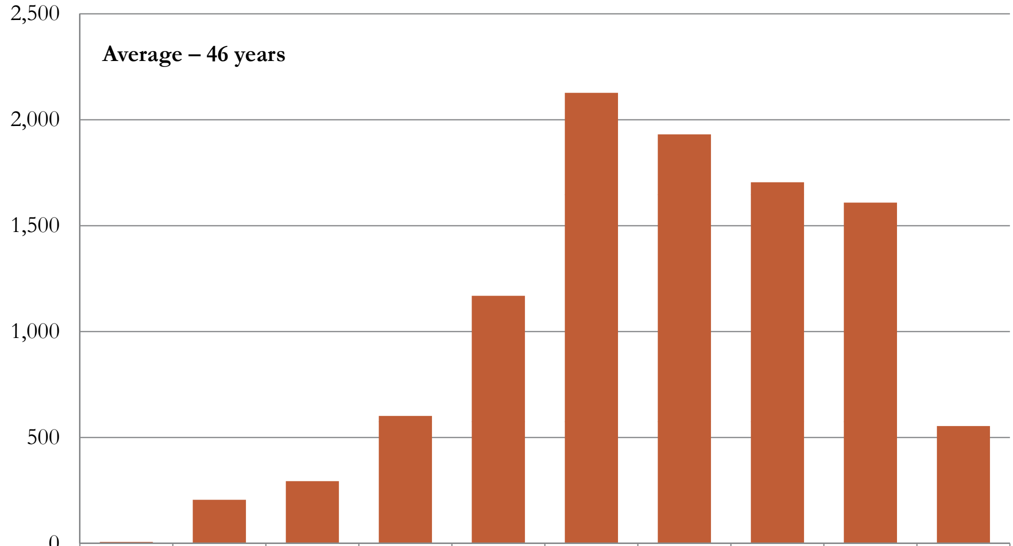
Number of employees by educational background as of 12/31/2015

USSK Active Employees Total:
10,204



Number of employees by age as of 12/31/2015

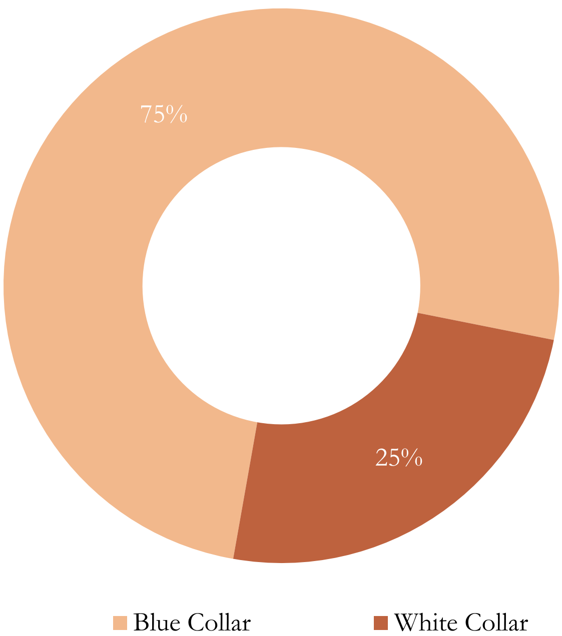
USSK Active Employees Total:
10,204



	up 20	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 59	over 60
# of employees	7	206	294	602	1,169	2,127	1,931	1,705	1,609	554

Number of employees by category as of 12/31/2015

USSK Active Employees Total:
10,204



Occupational Safety and Health Protection

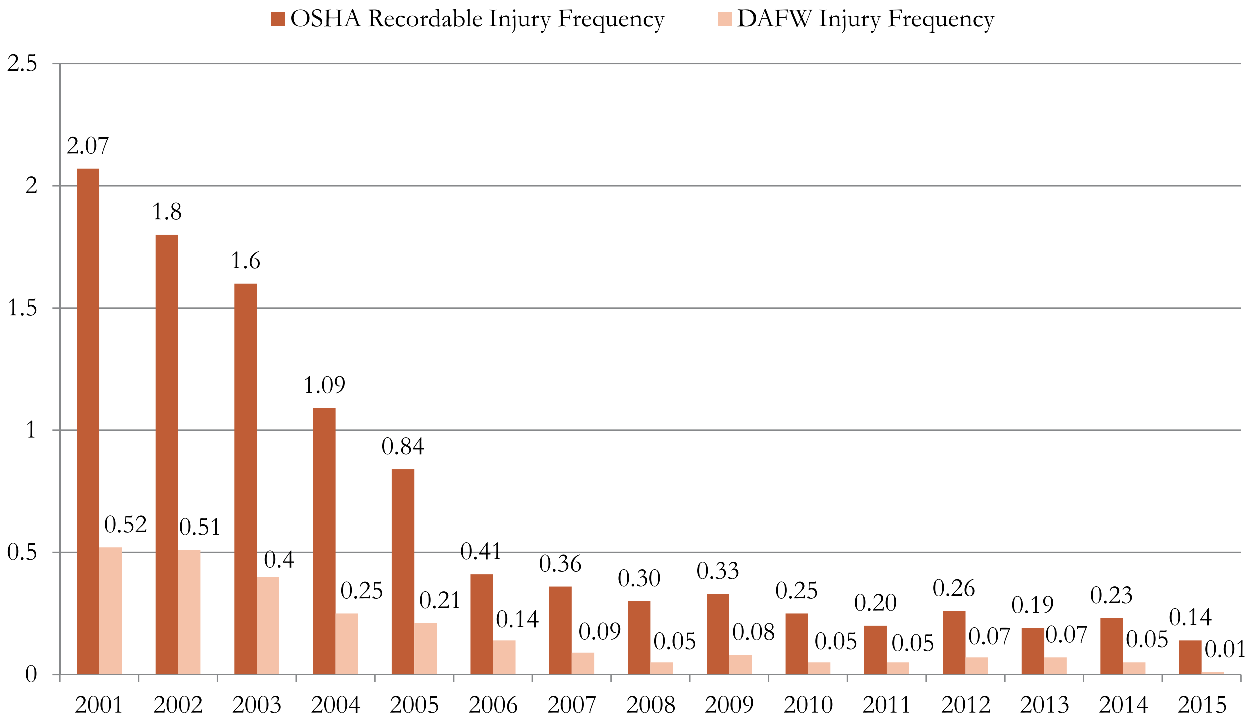
Occupational Safety and Health is and will always be a primary core value at U. S. Steel Košice, s.r.o. Effective engagement of all our employees is essential to accomplish this value.

During 2015, our company employees reached several important milestones. The Steel Shop Division Plant and Subsidiaries reached more than one million, five hundred thousand man hours without an occupational injury. Division Plants that included Transportation, Coking and Hot Rolling reached more than one million man hours without an occupational injury. The Company Management group reached a milestone of more than six million seven hundred thousand employee-hours without an occupational injury. More than two years without an occupational injury was achieved by the employees from the Equipment Reliability Organization and Company Management. More than one year without an occupational injury was reached by the Coke Division Plant, Hot Rolling Mill, and Radiator & Pipe Shop.

The overall results achieved in Safety in 2015 are the best in the history of U. S. Steel Košice, s.r.o. Sustaining and improving on these results will be a great challenge for the future. As shown in the graph below, **comparing the years 2001 through 2015, U. S. Steel Košice, s.r.o. achieved a 93% reduction in OSHA Recordable Injury Frequency (Occupational Safety and Health Administration) and 98% reduction in Days Away from Work Injury Frequency.**

The 2015 results reflect the focus placed on engaging our workforce daily on safety. Along with the traditional use of Safety Conversations, key initiatives were implemented through the Carnegie Way process that included 5S Housekeeping, Fatality Prevention Auditing, Hazard Identification and Risk Assessment, and Employee Representatives for Safety to help open communication channels and eliminate workplace hazards.

By the end of 2015, **5S standards** were successfully implemented within all scheduled areas of the facility. All operations managed to Sort, Set in Order, Shine, Standardize, and Sustain their work areas. This Six Sigma approach contributed to a significant improvement of the working environment. Three cross functional teams also conducted fatality prevention audits to evaluate and eliminate serious hazards.



In 2015, we continued with our **Hazard Identification and Risk Assessment** effort. 561 managers participated in this process across USSK operations throughout the year with over 5,450 hazards eliminated or controlled. A key role in the process of hazard identification and risk assessment was also played by the Employee Representatives for Safety. The main focus of this group is on rectifying unsafe conditions, implementing general safety improvements, and ensuring safety procedures are correct. Compared to 2014, this group achieved a 27% increase in employee engagement opportunities.

In 2015, we continued with the traditional USSK **Family Safety Day** – "Where my Mom, my Dad Works". On June 6, 2015, we held our fourth annual event that was attended by approximately 6,000 steelmakers and their families. The participants had an opportunity to visit the Ladle Shop to see and learn how refractory material is produced and used in coke, iron, and steel operations. The event also included many fun-filled activities, displays, entertainment, and educational opportunities for all family members.

Human Resources Development

The Company supports the **training and development** of its employees as well as employees of the subsidiaries through various programs focusing on language, managerial, professional and vocational skills and knowledge. Lessons were organized in 2015 to ensure legally required safety and vocational requirements as well as requirements reflecting the company´s strategic goals and employees´ individual development needs.

Employees from both USSK and subsidiaries who enter operation or maintenance premises attended the annual corporate safety awareness training focused on cardinal rules and life threatening programs.

The key training in 2015 was **Carnegie Way 101 training**, intended for all employees of USSK and subsidiaries for better understanding of improvement initiatives for processes and procedures. Carnegie Way 101 training was in place throughout the year as basic training to help employees understand and ultimately use the Carnegie Way method in implementing and creating meaningful changes within each of our own work areas. Some employees were asked to participate in 201 or 301 training, which build on skills learned in 101 and prepare them to lead more complex projects.

We organized ZODIAK - BUSINESS ACUMEN TRAINING for a group of 112 managers. Zodiak was a fast-paced, highly interactive learning experience that helped participants build business acumen as they became business owners responsible for a manufacturing company. Participants learned how to understand financial terms, how strategic initiatives impact financial success; they learned how to think differently and understand the Company's financial and strategic goals.

In 2015, we continued with the **Mentoring Program** focusing on leadership skills of our managers with the aim of transferring the unique experience of mentors to newly-appointed managers or newly-hired graduates. In order to promote professional metallurgy skills, we organized Operation Academies for operators. Sessions were taken by our internal staff from the Research & Development Department as well as external experts in specific fields. In 2015, we focused on coated products and ways of operating the Coke Batteries more efficiently.

The Company shows its appreciation to those employees who have worked at the steelworks for a long time by organizing gala dinners with entertainment and gifts. It also **rewards employees** who participate in the achievement of excellent results in various areas through the quality of their work. A significant

event in 2015 was the **President's Award** for the three best projects in five key areas supporting the Carnegie Way initiative. During a festive evening held in February 2016, in the presence of the USSK President and top management, awards were extended to 15 projects in which over 200 employees participated. During 2015, quarterly recognition of employees from the best shift team was established, rewarding the results achieved while meeting the criteria supporting the Carnegie Way in the form of a financial bonus and a challenge Carnegie Cup. The Company regularly rewards all employee safety representatives for activities in their respective areas and recognizes the most active ones with a contribution to their recuperation stays. As part of social policy, the Company supports voluntary blood donorship by its active participation in Jansky and Knazovicky Plaque award ceremonies, and at the same time contributes to recuperation of the employees who are blood donors.

U. S. Steel Košice, s.r.o. also provides conditions for better involvement of women in the steelmaking company and their further development through educational and networking activities. Events organized by the **U. S. Steel Košice Women's Network** support strategic business initiatives, enable discussions on current topics and support better cooperation among departments.

Various events also help to build team spirit and USSK allegiance, among them the event called **Families Do Sport**, and the **Company Summer and Winter Games**, which include soccer and ice-hockey tournaments for the President's Cup with several thousand amateur sportspeople participating. Many of these activities are approved in the Collective Labor Agreement, in special policies and company goals, and we organize them in addition to the legal requirements. The Company continuously informs the employees and general public about its business through the intranet, the company website www.usske.sk and the corporate newspaper "Oceľ Východu", which has won the national Best Corporate Medium Award several times.

Business Ethics

The **Code of Ethical Business Conduct** as a fundamental internal regulation of U. S. Steel Košice, s.r.o. constitutes a cornerstone of confidence necessary for the long-term success of our company. The commitment to act in an ethical manner has been helpful to ensure that USSK confirms its reputation of a company respecting its employees, shareholders, business partners and the communities which it operates in. USSK's collective commitment to perform business activity in an ethical manner must be and is fulfilled without reservation.

U. S. Steel Košice, s.r.o. belongs among the leaders in the promotion of business ethics as well as in the battle against corruption. In 2015, USSK employees

were informed on a continuous basis about matters related to reporting of any illegal or unethical conduct as well as the process of familiarization with company internal ethical policies via the USSK intranet site, presentations for employees, on-line training courses, and an information campaign in the company newspaper "Oceľ Východu".

In accordance with Law No. 307/2014 Coll. on Certain Measures Related to Reporting of Anti-social Activity (the so-called Whisleblowing Law) which came into force in 2015, USSK has, thanks to the **U. S. Steel Ethics Line**, complied with its duty to create an internal system of handling reports from employees related to anti-social activity, and has informed employees through the company newspaper that they may report suspicious conduct that constitutes anti-social activity according to the Whistleblowing Law also via the Ethics Line, which is available 24 hours a day, seven days a week, and provides the reporter with the option to remain anonymous.

The legal requirements for mandatory internal regulation have been included in the internal company Policy dealing with Reports by Employees of Illegal and Unethical Conduct. In addition, following the process initiated in 2014 by our parent company the United States Steel Corporation, during 2015 the Company carried out an extensive revision as well as adoption and implementation of several new internal company policies regulating matters of ethical conduct including a new Anti-corruption Policy that does not deal solely with matters of participation of government officials or of entities that perform their activities in the public sphere in the Company business, but it also introduced a significant new procedure for verification of business partners based on the degree of risk evaluation (so-called Due Diligence process). All USSK employees became acquainted with the new or revised company policies and confirmed with their signature on a certification statement their commitment to comply with the standards of ethical conduct set forth in the policies, as well as in the Code of Ethical Business Conduct. These policies were, after appropriate modification as necessary to comply with local laws and specific conditions, also adopted by all USSK subsidiaries and affiliates.

Between September 21 and 25, 2015, the **Fifth Annual Ethics and Compliance Week** took place. Throughout this week employees were reminded of their common commitment to ethical behavior in various ways, e.g. in the form of emails from top representatives of our Company, by means of a brief training course that presented examples of ethical dilemma, as well as via an on-line survey of the standard of Company ethical culture. At the same time, throughout all this week, several employees within the corporation were recognized, who had proven through outstanding working results as well as through their exemplary behavior while performing their work that they set an example of strong moral character, and they were awarded the internal honorary title of 2015 Ethics and Compliance Champion.

IMPACT OF THE COMPANY IN THE ECONOMIC, ENVIRONMENTAL, AND ENERGY SPHERES

U. S. Steel Košice, s.r.o. 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 including hot-dip galvanized, color-coated, tinplate and non-grain-oriented sheets. The Company also produces spiral welded pipes and panel radiators. **In 2015, USSK produced 4.24 million metric tons of raw steel slabs.**

USSK serves several steel consuming sectors including the construction, service centre, transportation (including automotive), container, further conversion, and appliance industries. To maintain our competitive position in tough market conditions, the commercial organization in 2015 strongly focused on continuous improvement projects and activities. Continuous improvement tools helped our managers to make decisions and implement projects which led to sustainable bottom line improvements. In addition to EBITDA improvements, we generated ideas and steps toward better cash management.

Being a successful steelmaker requires continuous development of new value-added products with specific properties while adhering to strict EU standards. Research and Development efforts in 2015 resulted in an increased product portfolio in all segments. **For the automotive industry** we developed new quench-hardenable steel with increased formability for improved safety performance in car body components for hot-forming applications. Additionally, further high-strength dual-phase and micro-alloyed grades and grades with BH effect were added to the automotive production portfolio.
USSK developed three new grades with low core losses and high magnetic polarization **in the field of non-grain-oriented silicon strips for electrical applications**. These grades take into consideration individual requirements of our customers and at the same time represent our effort to penetrate into the energy segment.
USSK is a prominent European producer of **tinplate**. Our customers can select from a wide variety of tinplate grades that cover the current market requirements. In 2015, USSK focused on the optimization of mechanical properties of tinplate products and tailored them to our customers' needs. USSK responds flexibly to the current situation within the European market related to REACH legislation, actively participating in the development of tinplate chrome-free passivation technology.
Significant effort is dedicated to increasing corrosion resistance and expanding the surface-related properties of our products. Production of a new zinc coating named **"ZINKOMAG Plus"** alloyed with Al and Mg was successfully tested, and it provides better corrosion resistance than standard zinc coatings. Use of this material is expected to grow in both the construction and automotive industries.
Surface protection of galvanized sheets with a transparent thin organic coating (TOC) has been added to the regular production schedule. TOC is a great alternative for applications requiring in-

creased corrosion resistance and better processing ability during stamping and forming. Thanks to its multi-functional properties, TOC is the choice product in many industries, especially in the field of white and black goods. USSK currently offers transparent TOC and we expect to provide colored TOC shortly. In the field of pre-painted sheets, USSK smoothly transitioned from Cr^{6+} to Cr-free technology in November 2015.
Panel radiators sold under the **KORAD** brand remain as one of USSK's finished goods. The product mix includes 1088 basic types and dimensions.
The Research and Development organization uses modern equipment including a new scanning electron microscope based on hot tungsten cathode, allowing operation in a high or low vacuum. The unit was commissioned in December 2015. The microscope has become an important tool used to evaluate properties of the new developments in materials. Research and Development is certified in analyses according to ISO EN 17025.
In 2015, total research costs amounted to EUR 3 million.

In 2015, four cross-functional innovations teams were created: Automotive & Appliance, Color-coated, Electrical Products, and Tinplate. The main purpose of these teams is to coordinate company innovation activities and processes, and focus on innovations based on customer, market requirements and future trends in the steel industry.
The Company is certificated in accordance with the international EN ISO 9001 and ISO/TS 16949 (automotive industry) standards. **Quality Management System** performance (QMS) is regularly reviewed once a year. In the area of pipes, USSK has maintained the Spec Q1 certificate with American Petroleum Institute. The Company also holds several dozen individual product certificates, and several of its laboratories are accredited in compliance with ISO/IEC 17025. In 2015, the Company successfully passed the QMS re-certification process according to EN ISO 9001 and the first control audit of ISO/TS 16949, thus proving that the implemented systems are appropriate and effective.

Record low internal quality rejections were attained during the year with a diversion rate of 1.14%, significantly below the objective of 1.21%, and the retreatment rate was 0.62%, meeting the goal of 0.65%. Notable improvements were made in the areas of sliver reduction, Hot Strip Mill coiling quality, and strip tracking issues on the continuous annealing lines in the Tin Mill. These improvements were achieved by utilizing the tools and methodologies defined in the Carnegie Way transformation process. In addition, significant improvement in gauge tolerance capability is being realized through the control system upgrade at the Hot Strip Mill.

Protection of the environment is one of the main strategic goals of the company and the fundamental objectives in this area are reflected in the Quality, Environmental and Energy Policy. In accordance with these objectives, TÜV SÜD Slovakia s r.o. conducted the re-certification audit of the USSK **Environmental Management System** in October, which confirmed the high efficiency of the system, as well as continuous improvement of processes. Based on the results of that audit, a new international certificate of the environmental management system was issued to USSK for the coming three-year period.

Since 2000, the company has invested more than 590 million USD in dozens of **environmental projects.** The greatest success of the targeted protection of individual components of the environment in USSK is the fact that since 2008 there has been no external adverse event recorded and no fines have been imposed on the company in this area. In 2015, we continued to implement the fulfillment of BAT (best available techniques) conclusions, where we have to comply with the environmental requirements of the European Union. Maximum reduction of particulate emissions into the air in 2015 was the result of two major environmental projects, Dedusting of Blast Furnace 2 and Dedusting of Blast Furnace 3. Their objective was to achieve a concentration of particulates of up to 10 mg/m^3. Although the new equipment of the blast furnaces was only in trial operation for less than one year, the year-on-year drop in emissions totaled 54.3%. Other environmental improvements were achieved through the Coke Oven Battery 1 and 3 Door Cleaning Systems projects. The most significant project in 2015 was the ongoing reconstruction and modernization of the Boiler House and the construction of Boiler 7. The provisional deadline for completion of construction is the second half of 2016. The benefit of this project, in addition to improving the efficiency of generation of heat and electricity at reduced costs, will be in the environmental field, specifically reduced emissions and waste in line with the BAT conclusions.

A major project in the **water protection area** was the reconstruction and modernization of the Sokoľany Waste Water Treatment Plant, which was successfully finished in 2014. The results in 2015 confirmed the improved efficiency of waste water treatment in various indicators of pollution, and the plant is able to manage the treatment of water more quickly during torrential rainfall. At the National Business Awards for the Environment in October 2015, this project won first place in the Business and Biodiversity category and third place in the Process category.

In the field of **waste management**, in 2015 the second stage of construction of the Hazardous Waste Landfill and the third stage of the Non-Hazardous Waste Landfill were finished. The objective of these projects is to ensure sufficient capacity for landfilling with hazardous waste and non-hazardous waste from 2016.

The Company, in accordance with legislative requirements, continuously monitors and regularly informs its employees and the professional and general public of its environmental performance in its corporate newspaper "Oceľ Východu", as well as on its website www.usske.sk.

In addition to environmental capital expenditures, the company spent significant amounts on projects aiming to assure our competitiveness and stable position on the market. Several important projects were completed supporting the sales of our products and customer-oriented approach; examples include the Continuous Galvanizing Line 2 Tension Reel Upgrade, Two New High-temperature Bases for the Batch Annealing Shop, Upgrade for the Paint Line Coaters, and the ongoing Pickling Line 1 Upgrade. New technical improvements will significantly contribute to the higher added value of our products.

Investments in the Company infrastructure also comprised a considerable part our capital expenditures last year. Project examples include the purchase of two 350 t Torpedo Cars for Hot Metal Transport from the Blast Furnaces to the Steel Shops, Hot Strip Mill Control System Upgrade – Phase 3, and a new Hot Coil Marker. These projects will significantly boost the overall technical condition of our production facilities.

Energy management is very important for the Company due to both the amount of energy consumed and costs, as well as due to environmental protection. In accordance with international standard EN ISO 50001, since 2013 U. S. Steel Košice, s.r.o. has been operating its **Energy Management System** (EnMS), based on which appropriate conditions were set up for a complete and systematic solution enabling efficient energy management. In April 2015, the Company successfully completed its second EnMS supervisory audit, which confirmed the fulfillment of the standard´s requirements as well as the efficiency of the whole system.

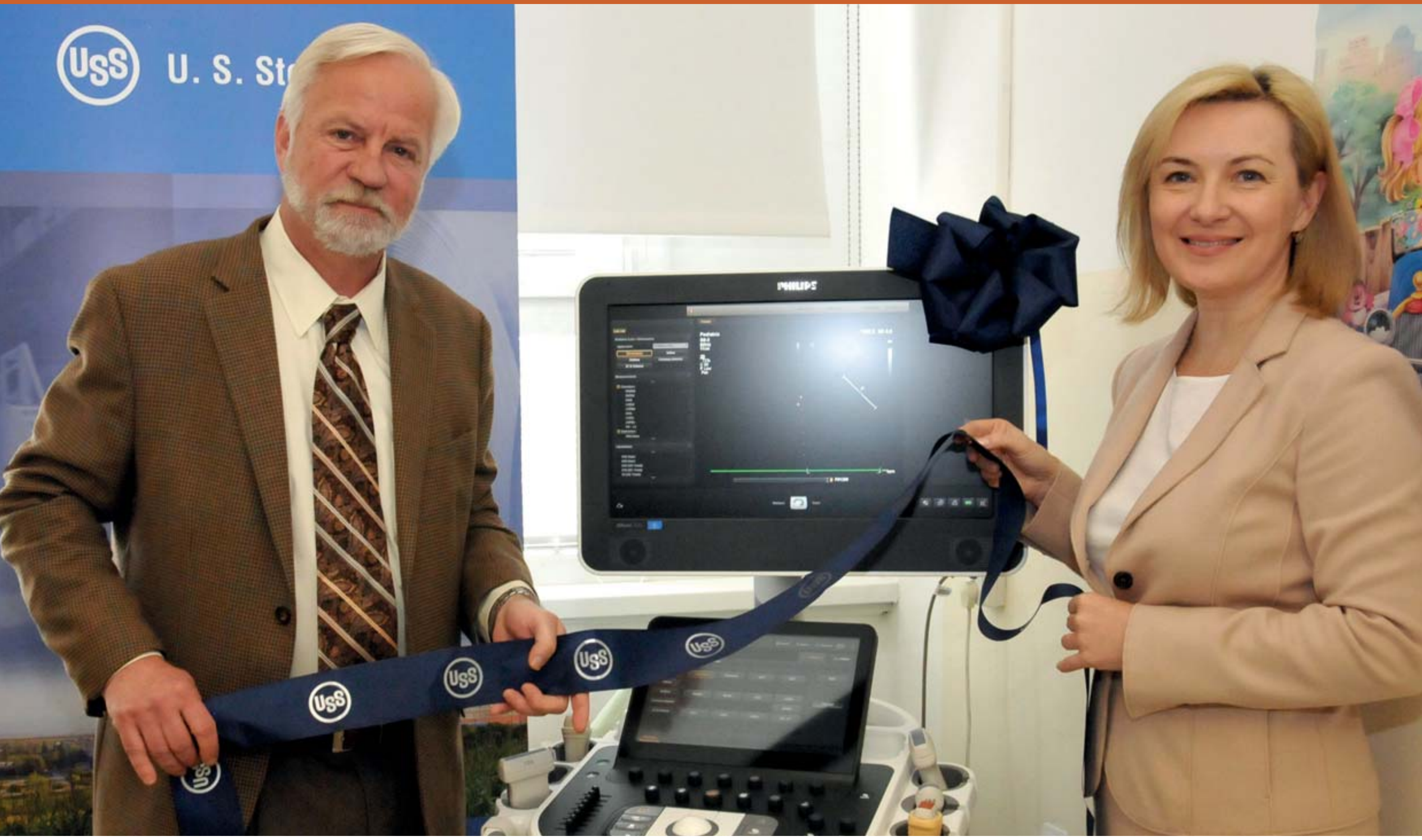
Throughout 2015, continuous improvement program tools and the Carnegie Way were used to achieve energy goals (decrease costs per ton of steel produced and increase energy efficiency of the whole metallurgical process) in compliance with the Energy Management Action Plan.

We have carried out 37 energy projects with significant cost savings including:
- Natural gas cost saving through purchasing and operational management
- Optimization of electricity generation and consumption in U. S. Steel Košice, s.r.o.
- Extended support for high-efficiency combined power-heat generation on turbo-generator 4.

IMPACT OF THE COMPANY ON THE COMMUNITY AND THE REGION

The Company has been interested in regional needs for a long time and is engaged in resolving them in compliance with its core values and business principles, either directly or through its foundation, the **U. S. Steel Košice Foundation**. The priorities in the area of donations and sponsorship are public-benefit projects for children, and support for healthcare, education and science, culture and sport. The Company has become a partner to many non-profit organizations which are active in solving problems and providing innovative solutions for community development and social care for disabled people and seniors.

In support of 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 preparing pupils for employment in the steel-making industry. In the field of extending practice and professional skills, we enable university students and graduates to participate in plant tours and practice at operations, and to work on their dissertations and theses directly in the steelworks environment. Moreover, selected university students increase their theoretical knowledge, practical experience, communication and managerial skills during a summer stay called the **Summer Internship Program**. With the Technical University of Košice and Pavol Jozef Šafárik University in Košice, the Company has also been cooperating in research and development. The main areas of cooperation are primary operations and ecology, power engineering, mathematical modeling, optimization, metallurgy processes control, development of new materials and control of their properties, as well as education of new specialists. U. S. Steel Košice, s.r.o. has cooperated on the Teach for Slovakia educational program and for several years it has also supported the educational programs organized by the Junior Achievement Slovakia non-profit organization. In 2004, the USSK Foundation started its own **Scholarship Program** to provide access to higher education for talented students from socially disadvantaged families in Eastern Slovakia, and in 2007, this was extended to the children of USSK employees. In the academic year 2014/2015, fifteen new scholarships were granted, and twelve more in 2015/2016.



In support of health care, U. S. Steel Košice, s.r.o. focuses mainly on specialized medical institutions in the region. At the beginning of 2015, USSK provided new ultrasound equipment, 45 computers and three printers for doctors and patients at the Children's Faculty Hospital in Košice to improve diagnosis and treatment of the children. This modern equipment could be bought due to the mutual efforts of employees, the Company and its foundation, which together collected EUR 111,878 in 2014 pre-Christmas fund-raising. The small patients could also benefit from proceeds of EUR 6,990 from the Company Ball charity auction, which in 2015 helped the Red Nose Clowndoctors non-profit organization. As a traditional partner of the League Against Cancer, USSK jointly organizes the public fund-raising on Daffodil Day, the proceeds from which support public education, research and prevention of oncological diseases, and improve care for oncology patients in the Košice region. In 2015, the collection among employees raised the record sum of EUR 5,435.

In support of social care, USSK directs its assistance mainly towards supporting foster homes. It also provides long-term support to the Autumn of Life civic association, whose members are retired 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 buy gifts that will turn the specific wishes of children into reality; in 2015 these were in the Sečovce and Nižná Kamenica foster homes, halfway houses in Košice and Prešov and children from ten steelmakers' families in difficult circumstances. Within the special project named **We are with you at the right time,** the Company took care of the latter families during the whole year, inviting them to various corporate events and helping them overcome difficult moments in their life through this solidarity.

In support of culture, the Company has been 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 Višegrad Days international cultural festival, the Festival of Central European Theaters, as well as several events organized by the city of Košice.

Support for sports has been focused on traditional sports and events in the Košice region. For many years the Company has been the main partner of the Košice Peace Marathon, which is the oldest marathon in Europe and very popular among the Company employees as well. The Company is also a long-term partner of the HC Košice ice-hockey club, which has won the Slovakian Extra League several times. U. S. Steel Košice, s.r.o. supports children's sports, and either talented or disadvantaged young sports people. Our own program called **Your Chance to Play** continued in 2015 as well, and provided equal opportunities both for children from socially-disadvantaged and steelmakers' families to play ice-hockey, basketball and soccer. Since 2006, USSK has contributed almost EUR 175,000 towards club membership fees and sports equipment for 491 children.

Voluntary programs are part of the community support. Our largest corporate volunteer event is the **Volunteer Days – U. S. Steel for Košice**, which were held for the ninth time on May 15-16, 2015. Employees of the Company and its subsidiaries helped fourteen organizations with public-benefit activities, giving blood in the "Steelmakers' Drop of Blood" donor drive, collecting used clothing and other requirements for the halfway houses, crisis center, community center and charity house, and improving premises and surroundings of two foster homes and a day-care center for disabled youth. They also helped out at the children's historical railway, the international cycling trail, the botanical gardens, the zoo and the animal sanctuary. For many years, the employees of the Company have been actively involved in support to their region helping as teachers in educational programs, contributors to public fund-raising and in-kind donations, as well as organizers of community life.

Every year in cooperation with the Carpathian Foundation, the Company runs the **Together for the Region** grant program, which focuses on supporting leisure-time activities for children and teenagers, environmental protection and increasing safe behavior in all activities. In 2015, six other community projects with active involvement of USSK employees were supported in towns and villages of Eastern Slovakia, and altogether 82 developing initiatives have been supported with EUR 215,000 and implemented since 2008.

SELECTED FINANCIAL INFORMATION

Statement of Financial Position

Selected items from the Statements of Financial Position for the last three years are:

In million EUR	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Property, plant and equipment, and investment property	382	369	373
Intangible assets	76	87	39
Other non-current assets	99	104	120
Inventories	313	376	363
Short-term receivables	260	356	350
Other current assets	253	355	226
Total Assets	**1,383**	**1,647**	**1,471**
Equity	940	913	856
Trade and other payables	318	384	324
Long-term loans and borrowings	-	222	196
Other liabilities	125	128	95
Total Equity and Liabilities	**1,383**	**1,647**	**1,471**

IIn 2015, the Company invested EUR 118 million (2014: EUR 61 million) into property, plant and equipment. In 2015, the Company recorded an additional impairment of property, plant and equipment and intangible assets of EUR 85 million (2014: EUR 49 million). The deferred tax impact of the impairment expense in the amount of EUR 18 million (2014: EUR 10 million) is included in the Other non-current assets line.

The decrease in receivables reflects the impact of initiatives to improve working capital as well as a decrease in selling prices. The change in payables is in line with the decrease in costs and timing of Carnegie Way Initiatives.

The decrease in inventories was mainly due to a lower volume of steel inventories. In September 2015, the Company repaid borrowings under the long-term revolving credit facility with U. S. Steel Global Holdings I B.V., which is the primary reason for the decrease in cash and cash equivalents included within Other current assets.

Statement of Comprehensive Income

Selected items from the Statements of Comprehensive Income for the last three years are:

In million EUR	2015	2014	2013
Revenues and other income	2,192	2,252	2,243
Operating profit/loss	67	35	(462)
Profit/Loss for the Year	**43**	**17**	**(369)**

The increase of profit for the year 2015 compared to the year 2014 primarily reflects benefits from our Carnegie Way Initiative, lower raw material costs, decreased repairs and maintenance costs, decreased foreign exchange losses and increased income from derivative instruments, which were partially offset by increased impairment charges and a decrease in sales prices.

Proposal for 2015 Profit Distribution

In million EUR	**2015**
Profit for 2015	43
Contribution to legal reserve fund	(2)
Retained earnings	7
Proposal for profit sharing for U. S. Global Holdings I B.V.	(48)

Significant Events after 2015 Reporting Period and Expected Development in 2016

Significant events after balance sheet date are disclosed in Note 32 of the Financial Statements.

The EU economy finished 2015 on a solid footing with the latest market indicators boding well for economic fundamentals and business conditions in the quarters ahead. Additionally, conditions are improving to the point that capital investment will gradually take over the baton from private consumption as the main growth driver for the EU economy in 2016. With continued support from consumer and government spending as well as exports, the economic recovery in the EU looks set to becoming more broad-based and self-sustaining.

Expected steady strengthening of end-user activity, rising investment and private consumption are expected to contribute to increased activity in the steel consuming sectors, and consequently to a further modest increase in steel consumption.

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Report on Verifying Consistency of the Annual Report with the Separate 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 separate financial statements of U. S. Steel Košice, s.r.o. ("the Company") at 31 December 2015, on which we issued Independent Auditor's Report on 12 April 2016 and on which we expressed an unqualified audit opinion as follows:

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as at 31 December 2015, 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.

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 2015 is consistent with the audited separate 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 Separate 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 Company's audited separate financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the accounting information presented in the annual report is consistent, in all material respects, with the Company's audited separate financial statements.

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

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

PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, Bratislava - mestská časť Staré Mesto 815 32, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2015 is consistent, in all material respects, with the audited separate 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.

Mgr. Radoslav Náhlik, FCCA
UDVA licence No.: 1078

Bratislava, 12 April 2016

Our report has been prepared in the Slovak and in the 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, 2015

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.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying separate financial statements of U. S. Steel Košice, s.r.o., which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate 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 control. 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 separate 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 separate financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as at 31 December 2015, 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
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Č. licencie 161
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Mgr. Radoslav Náhlik, FCCA
UDVA licence No.: 1078

Bratislava, 12 April 2016

Our report has been prepared in the Slovak and in the 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.

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U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Financial statements for the year ended December 31, 2015, 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 U. S. Steel Košice, s.r.o. ("the Company") on April 12, 2016. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, April 12, 2016

Scott Douglas Buckiso
President
(statutory representative)

M. T. Lewis

Matthew Todd Lewis
Senior Vice President and Chief Financial Officer
(statutory representative)

Ing. Silvia Gaálová, FCCA
General Manager of General Accounting and Consolidation
(responsible for accounting)

Beáta Marčáková

Ing. Beáta Marčáková
Director of 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, 2015

Table of Contents

(all amounts are in thousands of EUR)

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2015	December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	**378,652**	366,312
Investment property	6	**3,091**	3,099
Intangible assets	7	**75,888**	87,090
Investments	8	**13,507**	13,250
Financial assets available-for-sale		**259**	259
Deferred income tax asset	9	**79,423**	85,566
Restricted cash	10	**5,743**	4,734
Total non-current assets		**556,563**	**560,310**
Current assets			
Inventories	11	**312,913**	375,990
Trade and other receivables	12	**259,808**	355,627
Derivative financial instruments	13	**3,458**	25,560
Restricted cash	10	**57**	55
Other current assets	15	**1,137**	1,183
Cash and cash equivalents	14	**248,940**	327,995
Total current assets		**826,313**	**1,086,410**
TOTAL ASSETS		**1,382,876**	**1,646,720**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**839,357**	839,357
Reserve funds	16	**50,733**	61,323
Retained earnings / (accumulated losses)		**50,109**	12,631
Total equity		**940,199**	**913,311**
Liabilities			
Non-current liabilities			
Long-term loans and borrowings	17, 31	**-**	222,495
Long-term provisions for liabilities	18	**7,498**	4,906
Long-term deferred income – Government grants		**-**	6,190
Long-term employee benefits payable	19	**31,435**	30,990
Trade and other payables – long-term	20	**2,672**	2,006
Total non-current liabilities		**41,605**	**266,587**
Current liabilities			
Trade and other payables	20	**315,499**	383,752
Current income tax liability		**2,159**	3
Derivative financial instruments	13	**911**	-
Deferred income		**1**	2
Short-term borrowings	31	**9,439**	13,124
Short-term provisions for liabilities	18	**71,616**	67,537
Short-term employee benefits payable	19	**1,447**	2,404
Total current liabilities		**401,072**	**466,822**
TOTAL EQUITY AND LIABILITIES		**1,382,876**	**1,646,720**

The accompanying notes on pages F-9 to F-54 are an integral part of these financial statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(all amounts are in thousands of EUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2015	2014
Revenue	21	**2,079,925**	2,193,991
Other income	21	**112,538**	57,895
Materials and energy consumed	22	**(1,311,644)**	(1,419,350)
Salaries and other employees benefits	23	**(277,264)**	(282,399)
Depreciation and amortization	5, 6, 7	**(29,091)**	(29,447)
Repairs and maintenance		**(65,728)**	(68,134)
Transportation services		**(117,865)**	(122,247)
Advisory services		**(13,098)**	(12,334)
Foreign exchange gain / (loss)		**(20,992)**	(34,174)
Impairment loss	5, 7	**(85,194)**	(49,109)
Other operating expenses	24	**(204,679)**	(199,425)
Profit from operations		**66,908**	**35,267**
Dividend income		**3,276**	1,556
Finance income	25	**197**	171
Finance cost	25	**(10,197)**	(14,370)
Profit before tax		**60,184**	**22,624**
Income tax expense	26	**(16,955)**	(5,595)
Profit after tax		**43,229**	**17,029**
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligations	26	**344**	(3,836)
Change in revaluation of intangible assets	7, 26	**4,337**	16,981
Items that may be subsequently reclassified to profit or loss			
Change in fair value of derivative hedging instruments	26	**(15,778)**	26,919
Other comprehensive income / (loss), net of tax		(11,097)	**40,064**
Total comprehensive income for the year		32,132	**57,093**

The accompanying notes on pages F-9 to F-54 are an integral part of these financial statements.

(all amounts are in thousands of EUR)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve funds	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2015	**839,357**	**61,323**	**12,631**	**913,311**
Profit/Loss for 2015	-	-	43,229	43,229
Other comprehensive income/loss	-	(4,985)	344	**(4,641)**
Total comprehensive income/loss for the year		**(4,985)**	**43,573**	**38,588**
Release of reserves:				
Release of revaluation reserve – CO2 Emission allowances		(6,456)	6,456	-
Total adjustments		**(6,456)**	**6,456**	**-**
Transactions with owners:				
Dividends			(11,700)	**(11,700)**
Contribution to legal reserve fund	-	851	(851)	**-**
Total transactions with owners		**851**	**(12,551)**	**(11,700)**
Balance as of December 31, 2015	**839,357**	**50,733**	**50,109**	**940,199**

	Share capital	Reserve funds	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2014	**839,357**	**43,728**	**(26,867)**	**856,218**
Profit for 2014	-	-	17,029	**17,029**
Other comprehensive income	-	43,900	(3,836)	**40,064**
Total comprehensive income for the year	**-**	**43,900**	**13,193**	**57,093**
Transactions with owners:				
Loss settlement from legal reserve fund	-	(26,305)	26,305	**-**
Total transactions with owners	**-**	**(26,305)**	**26,305**	**-**
Balance as of December 31, 2014	**839,357**	**61,323**	**12,631**	**913,311**

The accompanying notes on pages F-9 to F-54 are an integral part of these financial statements.

(all amounts are in thousands of EUR)

STATEMENT OF CASH FLOWS

	Note	Total	
		2015	**2014**
Profit before tax		**60,184**	**22,624**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**27,959**	28,343
Amortization of intangible assets	7	**1,132**	1,104
Amortization of deferred income from CO_2 emission allowances	21	**(46,242)**	(48,550)
Recognition of Government Grants	21	**(6,057)**	-
Charge of provision for CO_2 emissions emitted	18, 24	**71,075**	65,677
Impairment of property, plant and equipment	5	**84,060**	47,707
Impairment of intangible assets	5, 7	**1,134**	1,402
(Reversal of impairment) / impairment of investments		**(257)**	(107)
Loss / (gain) on disposal of property, plant and equipment and intangible assets	21,24	**2,003**	(851)
Loss / (gain) from changes in fair value of derivative financial instruments	21	**(55,950)**	(4,486)
Dividend income and distribution of profit		**(3,276)**	(1,556)
Interest income	25	**(197)**	(171)
Interest expense	25	**10,197**	14,370
Foreign exchange loss / (gain) on operating activities		**17,515**	26,620
Changes in working capital			
(Increase) / decrease in inventories	11	**63,077**	(13,309)
Decrease/ (increase) in trade and other receivables and other current assets	12, 15	**89,827**	(5,448)
(Decrease) / Increase in trade and other payables and other current liabilities	20	**(82,960)**	54,634
Cash generated from operations		**233,224**	**188,003**
Interest paid		**(9,414)**	(13,142)
Income taxes paid		**(16)**	(13)
Net (payments) / receipts from derivative financial instruments		**58,122**	4,974
Net cash generated from operating activities		**281,916**	**179,822**
Cash flows from / (used in) investing activities			
Purchases of property, plant and equipment	5	**(117,642)**	(60,822)
Proceeds from sale of property, plant and equipment		**6,166**	179
Purchases of intangible assets	7	**(2,607)**	(2,202)
Proceeds from sale of CO_2 emission allowances		**-**	12,677
Change in restricted cash, net	10	**(1,011)**	(827)
Government Grants received		**6,038**	-
Interest received		**197**	171
Dividends received and distribution of profit		**3,276**	1,556
Net cash used in investing activities		**(105,583)**	**(49,268)**
Cash flows from / (used in) financing activities			
Intercompany borrowings repaid	17,31	**(240,010)**	-
Proceeds from borrowings	28	**83,471**	89,734
Repayment of borrowings	28	**(87,149)**	(86,061)
Dividends paid to the Company´s shareholder	16	**(11,700)**	-
Net cash generated from / (used in) financing activities		**(255,388)**	**3,673**
Net increase in cash and cash equivalents		**(79,055)**	**134,227**
Cash and cash equivalents at beginning of year	14	**327,995**	193,768
Cash and cash equivalents at end of year	14	**248,940**	**327,995**

The accompanying notes on pages F-9 to F-54 are an integral part of these financial statements.

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

Note 1 General Information

U. S. Steel Košice, s.r.o. (hereinafter also “the Company”) was established as a limited liability company on 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

Business activities of the Company
The principal activity of the Company is production and sale of steel products (Note 21).

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 23.

The Company’s management
Statutory representatives as of December 31, 2015 were as follows:

Scott Douglas Buckiso	President
Matthew Todd Lewis	Senior Vice President and Chief Financial Officer
Ing. Marcel Novosad	Vice President Operations
Christian Korn	Vice President Commercial
Mgr. Elena Petrášková, LL.M	Vice President Subsidiaries and External Services
RNDr. Miroslav Kiraľvarga, MBA	Vice President External Affairs, Administration and Business Development
Richard Carl Shank	Vice President BSC
Ing. Vladimír Jacko, PhD., MBA	Vice President Energy, Environment and Technical Inspection
David Earle Hathaway	Vice President Engineering and Innovation
Ing. Martin Pitorák, MBA	Vice President Human Resources

Emoluments of statutory representatives are disclosed in Note 31.

Shareholder of the Company
As of December 31, 2015, 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 percent share of the share capital, representing 100 percent of the voting rights.

On April 27, 2015, 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.

Consolidated Group
According to the Slovak Accounting Law, the Company is not required to prepare consolidated financial statements in the case that the impact of consolidated subsidiaries is immaterial. Management considers all conditions of the exemption to be met as of December 31, 2015 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, 2015.

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 of America (“US GAAP”) and are available at the registered address stated above and internet web page www.ussteel.com.

Note 2 Summary of 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, 2015 and effective for annual periods then ended.

2.2 Basis of Preparation

The Slovak Accounting Law requires the Company to prepare financial statements for the year ended December 31, 2015 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 emission allowances and by the revaluation of financial assets and financial liabilities at fair value through profit or loss or designated as hedging instruments.

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

<u>Functional and presentation currency</u>

Items included in these financial statements are measured in euro ("EUR") which was determined to be the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in EUR, rounded to thousands, if not stated otherwise.

<u>Transactions and balances</u>

The accounting books and records are kept in functional currency EUR. Transactions in currencies other than the EUR are translated into the EUR 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 EUR, and from the translation of monetary assets and liabilities denominated in currencies other than the EUR 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 2.9).

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	6 – 15 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 the end of each 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 of disposal 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 Investment Properties

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated losses. Investment properties (excluding land) are depreciated on a straight-line basis over their estimated useful lives (35 years). The depreciation period and method are reviewed at the end of each reporting period.

Where the Company uses only an insignificant part of a property it owns, the whole property is recognized as investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers to or from investment property are made only when there is a change in use.

Fair values are obtained from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy (Notes 2.25 and 6).

2.7 Intangible Assets

Intangible assets other than emission allowances are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits 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 emission 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 the end of each 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 its estimated useful life (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 5 years.

Emission 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 emission allowances are swapped, the purchase and sale transactions are recognized separately. When emission allowances are sold, the intangible asset is derecognized and the gain or loss is recognized in profit or loss.

Carbon dioxide emission allowances which are allocated to emitting facilities annually free of charge by the Slovak Government, 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 European Climate Exchange as of the date they are credited to the NRER. Emission allowances that are not yet received from the government, but for which there is reasonable assurance that the emission allowance grant will be received and the Company will comply with the conditions attaching to the grant, are recognized as emission allowances receivable at fair value when the above-mentioned conditions are met.

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 in the period for which the emission allowances have been allocated.

As emissions are produced, a provision is recognized for the obligation to deliver the emission allowances equal to emissions that have been produced. The provision is disclosed under short-term provisions for liabilities. 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 released at the end of reporting period.

The intangible asset representing the emission 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 they exceed the revaluation surplus previously recorded in other comprehensive income and accumulated in equity. Revaluations are based on market prices published by European Climate Exchange. The above mentioned fair value valuation falls within Level 1 of the fair value hierarchy (Note 2.25 and 7).

The revaluation reserve is transferred to retained earnings as the surplus is realized. Realisation of the entire surplus may occur on the retirement or disposal of the asset.

2.8 Impairment of Non-Financial Assets

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. Intangible assets not yet available for use are not subject to amortization but are tested annually for impairment. 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 of disposal 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 the end of each reporting period.

2.9 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 the time 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.

2.10 Accounting for Leases

Leases of assets are classified as:

- finance leases when substantially all the risks and rewards of ownership are transferred to the lessee, or
- 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 lease 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.

2.11 Investments

<u>Subsidiaries</u>

Subsidiaries are those investees (including structured entities) that the Company controls because the Company (i) has the power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use power over the investees to affect the amount of the investor's returns. 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.

2.12 Financial Assets

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

The 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 which is the date on which the Company commits to purchase or sell the asset. Financial assets not carried 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.

<u>Loans and receivables</u>

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, which are classified as non-current assets.

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

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 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 due date are considered to be indicators 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 related provision account.

Financial assets at fair value through profit and loss

This asset category has two sub-categories: financial assets held for trading, and those assets 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.

2.13 Inventories

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

The cost of raw material inventories is assigned by using the first-in, first-out (FIFO) cost formula. The cost of work in progress, semi-finished production and finished products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Work in progress, semi-finished production and finished products are valued at standard cost throughout the year and revalued to actual costs only at the end of the year.

2.14 Cash and Cash Equivalents

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

2.15 Equity and Reserves

Equity and liabilities

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

Interest, dividends, gains and losses related 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, 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.

Reserve funds

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 in a minimum amount of 5 percent from profit after tax, for a total reserve fund balance of up to 10 percent of the share capital. A legal reserve fund is not distributable and may be used only to cover losses of the Company.

b) Revaluation Reserves

Revaluation reserves include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the financial derivative instruments (Note 2.24), the cumulative revaluation reserves are released through 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 profit or loss of the current period.

2.16 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.

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 recognized 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.

2.17 Dividends and profit distribution

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

2.18 Government Grants

Government grants are recognized only if there is a reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Non-monetary grants are recognized at the fair value of the asset received. Grants are treated as deferred income 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. Income related to government grants is recognized in other income

2.19 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 of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

Provisions are reviewed at the end of each 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 related 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 related to any provision is presented in profit or loss net of any reimbursement.

2.20 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax expense. Current and deferred tax expenses are recognized in profit or loss, except when related 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 such as 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 Company is obliged to pay minimum income tax (tax license), in accordance with valid legislation of Slovak republic, in value of EUR 3 thousands if current income tax for related period would be lower than the tax license. 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. Where appropriate, management establishes provisions on the basis of amounts expected to be paid to the tax authorities.

In the statement of financial position, deferred income tax is calculated by using the liability method based on temporary differences between the tax basis of assets and liabilities and their carrying amounts in these financial statements. However, 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 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.

2.21 Employee Benefits

Defined contribution pension plan

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.

Employee retirement obligation

The Company is committed to make payments to the employees upon retirement in accordance with Slovak legislation and the Collective Labor Agreement.

Upon first termination of labor contract and reaching the entitlement to disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than 40 percent compared to healthy individuals, the employee is entitled to a retirement benefit corresponding to his/her average monthly wage.

Upon first termination of labor contract and reaching the entitlement to old-age retirement, the employee is entitled to a retirement benefit corresponding to a summary of his/her average monthly wage plus an amount up to EUR 1,830 based on years worked for the Company, if the employee terminated the labor contract in the month in which he/she becomes entitled to the old-age retirement. In other cases, the retirement benefit corresponds to his/her average monthly wage.

Upon first termination of labor contract and reaching the entitlement to premature old-age retirement, the employee is entitled to a retirement benefit in the amount of his/her average monthly wage, if premature old-age retirement was conceded to the employee based on application filled prior to termination of the labor contract or within 10 days afterwards.

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.

Remeasurements of the net defined benefit liability arising from changes in actuarial assumptions are charged to other comprehensive income and will not be reclassified to profit or loss in a subsequent period. Amendments to the benefit plan are charged to profit or loss. Past service cost is recognized as expense at the earlier of the following dates: a) when the plan amendment or curtailment occurs; and b) when the entity recognizes related restructuring cost or termination benefits.

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. 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 the reporting period are discounted to present value.

Profit sharing and bonus plans

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

2.22 Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the 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 transfers significant risks and rewards of ownership to the buyer and retains 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 for the current period.

Dividend income and distribution of profit

Dividend income and distribution of profit are recognized in profit or loss when the shareholder's right to receive payment is established.

2.23 Contingent Liabilities and Contingent Assets

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

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

2.24 Accounting for Derivative Financial Instruments

Derivative financial instruments 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 for the current period.

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 for the current period.

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.

Forward physical purchase contracts for commodities

The company utilizes forward physical purchase contracts for certain commodities. These contracts are entered into and continue to be held for the purpose of the receipt or delivery of commodities in accordance with Company's expected usage requirements. These contracts do not meet the definition of financial instruments and are accounted for as normal purchase contracts.

2.25 Fair Value Estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Financial and non-financial instruments, which are measured at fair value, are classified into three categories depending on how the data for measurement was obtained (Note 29):

- 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 classification of financial and non-financial instruments into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period in which they occur.

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 being used by the Company for similar financial instruments.

The Company measures or discloses a number of items at fair value:

- Emission allowances (Note 2.7 and 7)
- Derivative financial instruments (Note 2.24, 13 and 29)
- Fair value disclosures for investment properties measured using the cost model (Note 2.6 and 6)
- Fair value disclosures for financial instruments measured at amortised cost (Note 29)
- Impairment of property, plant and equipment, intangible assets and investment properties (Note 5)

More detailed information in relation to the fair value measurement is disclosed in the applicable notes.

2.26 Events After the Reporting Period

Events after the reporting period that provide evidence of the condition that existed at the end of the 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

Estimates and judgments made by the Company are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 and investment property

The average useful life of depreciable property, plant and equipment and investment property represents approximately 20 years (2014: 20 years). An increase of the average useful life by 1 year would change the annual depreciation charge by EUR 0.3 million (2014: EUR 1 million). A decrease of the average useful life by 1 year would change the annual depreciation charge by EUR 3 million (2014: EUR 1 million).

Impairment of property, plant and equipment, intangible assets and investment properties

The Company evaluates impairment of its property, plant and equipment, intangible assets and investment properties whenever circumstances indicate that the carrying amount exceeds its recoverable amount.

Since the economic crisis in 2008, European economies have struggled to recover, particularly in the steel consuming sectors such as the construction industry which lead to a significant overcapacity in the European steel market and intense competition for tonnage amongst the steel mills. In addition, the Company and the EU steel industry are facing an unprecedented level of imports. This puts downward pressure on steel pricing and adds additional uncertainty to the Company's cash flow projections.

In 2013, there were deemed to be impairment indicators and the Company recorded significant impairment charges. The impairment test was performed again in 2014 and 2015 and resulted in additional impairment charges. As part of the impairment evaluation the Company was divided into two cash-generating units and their recoverable amounts have been determined. The recoverable amount is the higher of fair value less costs of disposal or value in use. As the fair value less costs of disposal was higher than the value in use, the recoverable amounts of relevant cash-generating units have been determined on the basis of fair value calculation. Due to interdependence between individual Division Plants, the determination of cash-generating units was made based on two main steel product categories from which a sufficient volume of steel production is sold on active markets, specifically hot-rolled products on one side and cold-rolled, coated products and spiral welded pipes and panel radiators on the other side. Thus, the first cash-generating unit is represented by production process from coke-making to hot rolled products. The second cash-generating unit is represented by production process from cold rolled products through further processing into hot dip galvanized, color coated, tinplate and non grain-oriented sheets, pipes and radiators, up to shipments to customers. The fair value calculation uses cash flow projections based on actual operating results, the most recent business plans approved by management and appropriate discount rate which reflects the time value of money and risks associated with future economic and operating conditions. Projected cash flows also reflect assumptions the market participants would use in estimating the fair value.

The following key assumptions and estimates were used by management in the calculation:

- Cash flow projections based on business plans cover a period of 5 years, which assume slow but steady economic recovery across the EU with a corresponding improvement in steel consumption.
- Cash flow projections beyond the five-year period have been extrapolated taking into account a terminal growth rate of 2.9 percent for sales and production costs and reflect the best estimates for stable perpetual growth of the Company. This percentage is in line with long-term average growth rates for countries in which the Company sells the majority of its production and it is applicable both for year 2015 and year 2014.
- Cash flow projections also reflect the initiated shareholder value creation strategy: earn the right to grow, and drive and sustain profitable growth. Through a disciplined approach, now referred to as "The Carnegie Way", the Company is working to strengthen its financial situation, with more intense focus on cash flow, and launched a series of initiatives that are believed to enable the Company to add value, get leaner, faster, right-sized, and improve performance in core business process

capabilities, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support.

- Cash flow projections were prepared in nominal terms.
- The discount rate was estimated in nominal terms based on risk-adjusted post-tax weighted average cost of capital of 20 percent and it is applicable both for year 2015 and year 2014. The discount rate was adjusted in relation to the geopolitical situation in Ukraine, which may affect raw materials and gas supplies, the ongoing sluggish recovery of European steel consumption and an unprecedented level of imports into the EU, many of which we believe to be unfairly traded. These factors increase uncertainty inherent in the Company's cash flow projections.

The sensitivity of the calculated recoverable amount is disclosed in Note 5.

Impairment loss attributable to each cash-generating unit is allocated to assets in the cash-generating unit on pro rata basis based on the carrying amount of each asset. Carrying amount of an individual asset is reduced only to the highest of asset´s individual fair value less cost of disposal or zero. The fair value less cost of disposal for individual assets, comprising of land, office buildings, mobile equipment, is determined using the market approach using market multiples derived from comparable transactions. Due to the nature of the assets, the fair value of those assets is largely based on comparable transactions since in management's view the necessary adjustments to the comparable transactions had insignificant impact. For these specific assets the valuation was within Level 2 of the fair value hierarchy.

The valuation for other assets falls within Level 3 of the fair value hierarchy.

Income taxes

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.

At the end of each reporting period, unrecognized deferred tax assets and the carrying amount of deferred tax assets are re-assessed by the Company. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Litigation

The Company is party to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses its own judgment to assess the most likely outcome of these and a provision is recognized when necessary (Note 18).

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. The appropriate assumptions are determined by U. S. Steel actuaries at the end of each year. Any changes in these assumptions will impact the carrying amount of employee benefits obligations (Note 2.21 and Note 19).

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 18).

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective for the first time for periods on or after January 1, 2015

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2015 that had a material impact on the Company.

4.2 Standards, amendments and interpretations issued but not effective until the financial year beginning January 1, 2016 or later and not early adopted

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are as follows:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income and those to be measured subsequently at fair value through profit or loss.
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as fair value through other comprehensive income. Financial assets that do not contain cash flows that are SPPI must be measured at fair value through profit or loss (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard expectedly has no significant impact on the Company's financial statements. The standard has not yet been endorsed by the EU.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning on or after 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Company is currently assessing the impact of the new standard on its financial statements and the estimated date of completion is 31 December 2016. The standard has not yet been endorsed by the EU.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company intends to not use the equity method to account for investments in subsidiaries, joint ventures and associates.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labeled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017) The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company is currently assessing the impact of the amendment on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to have a material impact on the Company's financial statements.

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

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2015 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2015	**440,147**	**1,083,164**	**12,835**	**48,848**	**1,584,994**
Additions	-	-	2,381	130,712	**133,093**
Disposals	(710)	(31,061)	(2)	(578)	**(32,351)**
Transfer to / from investment property	(82)	-	-	-	**(82)**
Transfers to base	6,382	59,298	-	(65,680)	**-**
December 31, 2015	**445,737**	**1,111,401**	**15,214**	**113,302**	**1,685,654**
Accumulated Depreciation and Impairment Losses					
January 1, 2015	**(278,646)**	**(897,899)**	**(12,452)**	**(29,685)**	**(1,218,682)**
Depreciation for the year	(5,149)	(22,690)	(15)	-	**(27,854)**
Disposals	1,547	22,047	-	-	**23,594**
Transfer to / from investment property	-	-	-	-	**-**
Impairment losses	(6,000)	(36,919)	(2,376)	(38,765)	**(84,060)**
December 31, 2015	**(288,248)**	**(935,461)**	**(14,843)**	**(68,450)**	**(1,307,002)**
Carrying amount	**157,489**	**175,940**	**371**	**44,852**	**378,652**

Movements in property, plant and equipment during 2014 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2014	**434,438**	**1,066,698**	**13,226**	**29,744**	**1,544,106**
Additions	-	-	-	73,681	**73,681**
Disposals	(385)	(32,150)	(392)	(328)	**(33,255)**
Transfer to / from investment property	462	-	-	-	**462**
Transfers to base	5,632	48,616	1	(54,249)	**-**
December 31, 2014	**440,147**	**1,083,164**	**12,835**	**48,848**	**1,584,994**
Accumulated Depreciation and Impairment Losses					
January 1, 2014	**(269,951)**	**(871,735)**	**(12,981)**	**(20,242)**	**(1,174,909)**
Depreciation for the year	(3,918)	(24,301)	(18)	-	**(28,237)**
Disposals	328	32,020	-	-	**32,348**
Transfer to / from investment property	(177)	-	-	-	**(177)**
Impairment losses	(4,928)	(33,883)	547	(9,443)	**(47,707)**
December 31, 2014	**(278,646)**	**(897,899)**	**(12,452)**	**(29,685)**	**(1,218,682)**
Carrying amount	**161,501**	**185,265**	**383**	**19,163**	**366,312**

Additions to property, plant and equipment include EUR 1,969 thousand in 2015 (2014: EUR 1,008 thousand) of interest capitalized at an average borrowing rate of 6.80 percent (2014: 6.78 percent). Interest was capitalized until September 3, 2015, when all borrowings were repaid (Note 17).

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of December 31, 2015 or December 31, 2014.

Additionally, purchases of plant, property and equipment in the Statement of Cash Flows excludes a non-cash change in accrued capital expenditures and a change in unpaid capital expenditures in the amount of EUR 13 million for the year ended December 31, 2015 and EUR 13 million for the year ended December 31, 2014.

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

Balance of impairment as of December 31, 2015:

	Cash-generating unit 1	Cash-generating unit 2
Carrying amount of plant, property and equipment, investment properties and intangible assets (before impairment)	**727,408**	**328,614**
Impairment loss – property, plant and equipment	(592,152)	-
Impairment loss – intangible assets	(6,239)	-
Revised carrying amount	**129,017**	**328,614**

Balance of impairment as of December 31, 2014:

	Cash-generating unit 1	Cash-generating unit 2
Carrying amount of plant, property and equipment, investment properties and intangible assets (before impairment)	**620,721**	**348,977**
Impairment loss – property, plant and equipment	(508,092)	-
Impairment loss – intangible assets	(5,105)	-
Revised carrying amount	**107,524**	**348,977**

No impairment of property, plant and equipment, investment properties and intangible assets was recognized in relation to the second cash generating unit as the recoverable amount is higher than then carrying amount of the unit, excluding the annual revaluation of emission allowances.

Impairment in the first cash generating unit is primarily driven by lower margins on hot-rolled coils compared to products with higher added value. This commodity is highly exposed to imports from other countries and more sensitive to changes in market prices. The fair value less cost of disposal for land, selected buildings and mobile equipment exceed their carrying amounts, therefore no impairment was allocated to these assets. The impairment loss could not be recognized in full amount as it could be allocated to individual assets to the extent of their individual recoverable amounts only.

As discussed above, a change in key assumptions used in the measurement of fair value less costs of disposal of the whole cash-generating unit would not lead to a material impact to the amount of impairment loss, as in case of reasonable changes in the key assumptions, the fair value less costs of disposal of individual assets would still be higher than the recoverable value of the whole cash generating unit, so there would be no change as to the amount of impairment loss recognized. The fair values less costs of disposal of individual assets were measured using market approach. The impairment testing is disclosed in Note 3.

The increase in impairment loss recognized in 2015 and 2014 is caused mainly due to additions of newly acquired non-current assets in the first cash-generating unit.

Insurance

Property, plant and equipment are insured by KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group. The insurance covers damage caused by theft, disaster and other causes of machinery and equipment failure while maximum insurance compensation for one insurance claim is USD 750 million (i.e. EUR 689 million using the exchange rate at the end of reporting period) (2014: USD 750 million (i.e. EUR 618 million using the exchange rate as of December 31, 2014)). Compensation sublimits for individual risks are specified in the insurance contract. Self insurance is USD 25 million (i.e. EUR 23 million using the exchange rate at the end of reporting period) per claim.

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

Property, Plant and Equipment acquired using Government Grant

In 2015, the Company invested EUR 19,422 thousand in Property, Plant and Equipment related to Casthouse Emissions Efficiency improvement projects at Blast Furnaces No. 2 and 3. The Government Grant related to the projects was EUR 6,057 thousand. The Government Grant was recognized in Other Income in 2015 as the related assets were fully impaired in year 2015.

	2015
Deferred income – Government Grant	**6,057**
Less: Other income	**6,057**
Deferred income balance at year end	**-**

Note 6 Investment Properties

Movements in investment properties during 2015 and 2014 are as follows:

	2015	2014
Cost		
Opening balance as of January 1	**4,247**	**4,709**
Transfers to / from property, plant and equipment	82	(462)
Closing balance as of December 31	**4,329**	**4,247**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,148)**	**(1,219)**
Depreciation for the year	(105)	(106)
Transfers to / from property, plant and equipment	15	177
Closing balance as of December 31	**(1,238)**	**(1,148)**
Carrying amount	**3,091**	**3,099**

Direct operating expenses (including repair and maintenance) arising from investment properties that generated rental income and direct operating expenses (including repair and maintenance) arising from investment properties that did not generate rental income are considered to be immaterial.

Investment properties of the Company are carried at historical cost less provision for depreciation and impairment.

The fair value of the investment properties totaled EUR 6,743 thousand as of December 31, 2015 (December 31, 2014: EUR 6,922 thousand).

The fair value of the properties has not been determined on transactions observable in the market because of the nature of the property and lack of comparable data nor has been evaluated by an accredited external independent valuer. Instead, the fair values are determined by management using discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

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

Note 7 Intangible Assets

Movements in intangible assets during 2015 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2015	**30,229**	**83,192**	**571**	**1,032**	**115,024**
Additions	-	46,242	-	2,607	**48,849**
Disposals	(255)	(58,434)	(4)	-	**(58,693)**
Revaluation surplus	-	664	-	-	**664**
Transfers to base	1,990	-	35	(2,025)	**-**
December 31, 2015	**31,964**	**71,664**	**602**	**1,614**	**105,844**
Accumulated Amortization and Impairment Losses					
January 1, 2015	**(26,866)**	**-**	**(444)**	**(624)**	**(27,934)**
Amortization for the year	(1,106)	-	(26)	-	**(1,132)**
Disposals	240	-	4	-	**244**
Impairment losses	(909)	-	(1)	(224)	**(1,134)**
December 31, 2015	**(28,641)**	**-**	**(467)**	**(848)**	**(29,956)**
Carrying amount	**3,323**	**71,664**	**135**	**766**	**75,888**

Movements in intangible assets during 2014 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2014	**28,837**	**63,221**	**376**	**924**	**93,358**
Additions	-	79,991	-	1,816	**81,807**
Disposals	(121)	(81,791)	-	-	**(81,912)**
Revaluation surplus	-	21,771	-	-	**21,771**
Transfers to base	1,513	-	195	(1,708)	**-**
December 31, 2014	**30,229**	**83,192**	**571**	**1,032**	**115,024**
Accumulated Amortization and Impairment Losses					
January 1, 2014	**(25,229)**	**(28,528)**	**(320)**	**-**	**(54,077)**
Amortization for the year	(1,077)	-	(27)	-	**(1,104)**
Disposals	121	28,528	-	-	**28,649**
Impairment losses	(681)	-	(97)	(624)	**(1,402)**
December 31, 2014	**(26,866)**	**-**	**(444)**	**(624)**	**(27,934)**
Carrying amount	**3,363**	**83,192**	**127**	**408**	**87,090**

Additions to intangible assets include EUR 1 thousand of interest capitalized at an average borrowing rate of 6.80 percent in 2015 (in 2014: EUR 2 thousand at an average borrowing rate of 6.78 percent). Interest was capitalized until September 3, 2015, when all borrowings were repaid (Note 17).

No intangible assets were pledged in favor of a creditor or restricted in its use as of December 31, 2015 or December 31, 2014.

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

Insurance

Intangible assets are not insured.

Emission allowances

The Company received free of charge allocations of CO_2 emission allowances from the Slovak Government. The allowances were initially measured at fair value as of the allocation date at EUR 7.47 per allowance (2014: EUR 7.05 per allowance). The allowances are revalued at the end of reporting period. The European Climate Exchange is used to obtain the fair value of the emission allowances. The liability for the obligation to deliver the emission 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 emission allowances are as follows:

	December 31, 2015	December 31, 2014
Emission allowances (intangible asset)	**71,664**	83,192
Liability from the obligation to deliver allowances (provision) (Note 18)	**71,075**	64,890

Fair value of intangible assets

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

December 31, 2015

	Level 1	Level 2	Level 3	Total
Assets				
Emission allowances	71,664	-	-	71,664
Total	**71,664**	**-**	**-**	**71,664**

December 31, 2014

	Level 1	Level 2	Level 3	Total
Assets				
Emission allowances	83,192	-	-	83,192
Total	**83,192**	**-**	**-**	**83,192**

During the year 2015 and 2014, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 49,230 thousand as of 31 December 2015 (31 December 2014: EUR 61,421 thousand).

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

Note 8 Investments

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

Entity, Place of incorporation, Principal activities		2015	2014
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)	**383**	369
	Equity	**4,217**	4,185
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit / (loss)	**113**	95
	Equity	**395**	377
RMS, a.s. Košice, Slovakia, Maintenance and vulcanization services, Refractory production			
	Ownership interest (%)	**76.01**	76.01
	Carrying amount	**1,995**	1,995
	Profit / (loss)	**1,312**	1,885
	Equity	**17,408**	18,597
U. S. Steel Services s.r.o., Slovakia, Various services			
	Ownership interest (%)	**99.96**	99.96
	Carrying amount	**1,804**	1,804
	Profit / (loss)	**381**	378
	Equity	**2,938**	2,916
OBAL-SERVIS, a.s. Košice, Slovakia, Packaging			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**6,106**	6,106
	Profit / (loss)	**925**	562
	Equity	**6,868**	6,449
U. S. Steel Europe – Bohemia a.s., Czech Republic, Sales Agent			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**452**	295
	Profit / (loss)	**60**	56
	Equity	**1,616**	1,572
U. S. Steel Europe – France S.A. [(1)], France, Sales Agent			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit / (loss)	**14**	16
	Equity	**183**	185
U. S. Steel Europe – Germany GmbH[(1)], Germany, Sales Agent			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**544**	444
	Profit / (loss)	**45**	65
	Equity	**1,270**	1,290
U. S. Steel Europe – Italy S.r.l. [(1)], Italy, Sales Agent			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**110**	110
	Profit / (loss)	**13**	10
	Equity	**146**	133
Total carrying amount of investments		**13,507**	13,250

Profit / (loss) and equity of subsidiaries are presented under local accounting standards.
[(1)] Financial information for the year 2015 is unaudited.

The change in carrying amounts of investments in U. S. Steel Europe – Germany GmbH and U. S. Steel Europe – Bohemia a.s. as of December 31, 2015 relates to adjustments made in the provisions for impairment to the investments.

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

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, 2015 or December 31, 2014.

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

Note 9 Deferred Income Tax

Differences between IFRS, as adopted by the EU and Slovak tax laws 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 22 percent as of December 31, 2015 (2014: 22 percent).

The tax effect of the movements in the temporary differences during year 2015 is as follows:

	January 1, 2015	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2015
Property, plant and equipment	**66,285**	(4,633)	-	**61,652**
Inventories	**3,997**	(1,004)	-	**2,993**
Employee benefits	**6,547**	766	(97)	**7,216**
Deferred charges	**93**	25	-	**118**
Provision for impairment of receivables	**3,504**	(3,267)	-	**237**
Unused tax loss 2012 and 2013	**8,480**	(2,481)	-	**5,999**
Emission allowances transactions	**(588)**	(3,362)	3,673	**(277)**
Derivative financial instruments	**(5,623)**	-	5,063	**(560)**
Other items	**2,871**	(826)	-	**2,045**
Total	**85,566**	**(14,782)**	**8,639**	**79,423**
Deferred tax asset/(liability)	**85,566**			**79,423**

The tax effect of the movements in the temporary differences during year 2014 is as follows:

	January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2014
Property, plant and equipment	**75,529**	(9,244)	-	**66,285**
Inventories	**4,638**	(641)	-	**3,997**
Employee benefits	**5,275**	190	1,082	**6,547**
Deferred charges	**93**	-	-	**93**
Provision for impairment of receivables	**2,850**	654	-	**3,504**
Unused tax loss 2012 and 2013	**15,890**	(7,410)	-	**8,480**
Emission allowances transactions	**(5,364)**	9,566	(4,790)	**(588)**
Derivative financial instruments	**1,832**	-	(7,455)	**(5,623)**
Other items	**1,564**	1,307	-	**2,871**
Total	**102,307**	**(5,578)**	**(11,163)**	**85,566**
Deferred tax asset/(liability)	**102,307**			**85,566**

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

	December 31, 2015	December 31, 2014
Deferred tax to be realized within 12 months	**11,606**	10,552
Deferred tax to be realized after 12 months	**67,817**	75,014

The Company has unrecognized potential deferred tax assets of EUR 271 thousand related to subsidiaries as of December 31, 2015 (December 31, 2014: EUR 883 thousand).

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

Tax loss carryforward

The Company recognized a deferred tax asset for the tax losses in accordance with IAS 12 Income taxes. The 2015 cumulative tax loss amounted to EUR 27,269 thousand (December 31, 2014: EUR 38,545 thousand). The Company believes that it is probable that taxable profits will be available against which the deferred tax asset can be utilized. Furthermore, the Company has available tax planning opportunities which it intends to use.

Effective January 1, 2014, the Slovak Government enacted new tax legislation requiring that the accumulated tax losses for the years 2010 through 2013 be used proportionately in each of the following four years, 2014 through 2017. Also, beginning with 2014, any tax losses generated in one year must be used proportionately over the four years following the year in which they are generated.

Impairment of property, plant and equipment

By the end of 2015 and 2014, the Company recognized a deferred tax asset for the impairment of property, plant and equipment in accordance with IAS 12 Income taxes. The Company believes that it is probable that taxable profits will be available against which the deferred tax asset can be utilized. Furthermore, the Company has available tax planning opportunities which it intends to use.

Note 10 Restricted Cash

	December 31, 2015	December 31, 2014
Cash restricted in its use - long-term portion	**5,743**	4,734
Cash restricted in its use - short-term portion	**57**	55
Total (Notes 28 and 29)	**5,800**	**4,789**

Cash restricted in its use represents mainly cash deposits made by the Company which can be used only for closure, reclamation and monitoring of landfills after their closure (Note 18). The effective interest rate on restricted cash in bank is disclosed in Note 14.

Credit risk of cash restricted in its use is disclosed in Note 28.

Note 11 Inventories

	December 31, 2015	December 31, 2014
Raw materials	**154,203**	169,873
Work-in-progress	**30,658**	42,431
Semi-finished production	**51,669**	48,794
Finished products	**76,383**	114,892
Total	**312,913**	**375,990**

Inventory as of December 31, 2015 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 4,920 thousand (December 31, 2014: EUR 3,776 thousand). No inventories were pledged in favor of a creditor or restricted in use as of December 31, 2015 or December 31, 2014.

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

Movements of write-down allowances for inventories were as follows:

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2015	**1,673**	**505**	**829**	**769**	**3,776**
Allowance made	2,664	906	1,463	1,466	**6,499**
Allowance used	(3,672)	(268)	(569)	(451)	**(4,960)**
Allowance reversed	(320)	(18)	(7)	(50)	**(395)**
December 31, 2015	**345**	**1,125**	**1,716**	**1,734**	**4,920**

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2014	**1,265**	**570**	**635**	**869**	**3,339**
Allowance made	761	259	720	769	**2,509**
Allowance used	(338)	(301)	(518)	(801)	**(1,958)**
Allowance reversed	(15)	(23)	(8)	(68)	**(114)**
December 31, 2014	**1,673**	**505**	**829**	**769**	**3,776**

Note 12 Trade and Other Receivables

	December 31, 2015	December 31, 2014
Trade receivables	**241,804**	318,702
Related party accounts receivable (Note 31)	**1,304**	1,249
Total trade receivables (Note 29)	**243,108**	**319,951**
Advance payments made	**6,135**	6,189
VAT receivable	**29,762**	42,258
Other receivables – government grants	**20**	6,190
Other receivables	**512**	538
Trade and other receivables (gross)	**279,537**	**375,126**
Provision for impairment of trade receivables	**(19,711)**	(19,467)
Provision for impairment of other receivables	**(18)**	(32)
Trade and other receivables (net)	**259,808**	**355,627**
Short-term receivables	**259,808**	355,627

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2015 or December 31, 2014. 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 28.

Government Grants

On May 23, 2014, Ministry of Environment of the Slovak Republic approved the Company's application for EU grants from Operational Program Environment for the purpose of Casthouse Emissions Efficiency improvement projects at Blast Furnaces No. 2 and 3. The amount of the grant received was determined based on 35 percent of the identified eligible costs actually incurred to complete the projects, which represented amount of EUR 6 million. As of December 31, 2015, the closing balance of grant represented EUR 20 thousand (as of December 31, 2014 represented EUR 6,190). The government grant receivable was denominated in Euro and was neither subject to substantial credit risk nor currency risk.

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

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

	December 31, 2015	December 31, 2014
EUR	**233,235**	305,319
USD	**3,581**	3,769
Other	**6,292**	10,863
Total	**243,108**	**319,951**

The structure of trade receivables is as follows:

	December 31, 2015	December 31, 2014
Receivables not yet due and not impaired	**215,521**	276,296
Receivables past due but not impaired	**6,609**	22,953
Receivables impaired	**19,674**	19,453
Trade receivables	**241,804**	**318,702**
Receivables not yet due and not impaired	**1,267**	1,219
Receivables past due but not impaired	**-**	16
Receivables impaired	**37**	14
Related party accounts receivable	**1,304**	**1,249**
Total	**243,108**	**319,951**

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

	December 31, 2015	December 31, 2014
No or low-risk counterparties	**104,727**	142,899
Increased or high-risk counterparties	**110,794**	133,397
Trade receivables	**215,521**	**276,296**
No or low-risk counterparties	**1,267**	1,219
Related party accounts receivable	**1,267**	**1,219**
Total	**216,788**	**277,515**

No or low-risk counterparties are customers with prompt payment discipline supported by requested credit enhancement endorsement.

Increased or high-risk counterparties are customers in high risk locations with inconsistent payment discipline and limited credit enhancement endorsement.

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

	December 31, 2015	December 31, 2014
Past due 0 – 30 days	**6,212**	20,754
Past due 30 – 90 days	**284**	1,873
Past due 90 – 180 days	**100**	215
Past due more than 180 days	**13**	111
Trade receivables	**6,609**	**22,953**
Past due 0 – 30 days	**-**	-
Past due 30 – 90 days	**-**	9
Past due 90 – 180 days	**-**	7
Past due more than 180 days	**-**	-
Related party accounts receivable	**-**	**16**
Total	**6,609**	**22,969**

Discounted present value of receivables past due is not materially different from their book values as of December 31, 2015 and 2014.

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

Ageing structure of trade receivables individually impaired is as follows:

	December 31, 2015	December 31, 2014
Not yet due	**-**	-
Past due 0 – 30 days	**-**	-
Past due 30 – 90 days	**-**	90
Past due 90 – 180 days	**1**	-
Past due 180 – 365 days	**817**	125
Past due over 365 days	**18,856**	19,238
Trade receivables	**19,674**	**19,453**
Not yet due	**-**	-
Past due 0 – 30 days	**-**	3
Past due 30 – 90 days	**-**	4
Past due 90 – 180 days	**-**	7
Past due 180 – 365 days	**25**	-
Past due over 365 days	**12**	-
Related party accounts receivable	**37**	**14**
Total	**19,711**	**19,467**

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

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
January 1, 2015	**19,453**	**14**	**32**	**-**	**19,499**
Provision made	858	26	-	-	884
Receivables written-off	(354)	(3)	(13)	-	(370)
Provision reversed	(283)	-	(1)	-	(284)
December 31, 2015	**19,674**	**37**	**18**	**-**	**19,729**

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
January 1, 2014	**19,957**	**-**	**93**	**-**	**20,050**
Provision made	220	14	2	-	**236**
Receivables written-off	(365)	-	(61)	-	**(426)**
Provision reversed	(359)	-	(2)	-	**(361)**
December 31, 2014	**19,453**	**14**	**32**	**-**	**19,499**

Accounts receivable totaling EUR 370 thousand were written off in 2015 (2014: EUR 426 thousand).

Note 13 Derivative Financial Instruments

The Company has entered into forward foreign exchange contracts which are not traded and are 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 12 months. Gains and losses on forward foreign exchange contracts recognized in other comprehensive income and accumulated in revaluation reserves in equity (Note 16) as of December 31, 2015 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. Gains and losses from revaluation of forward exchange contracts as of December 31, 2014 and December 31, 2013 recognized in other comprehensive income and accumulated in revaluation reserves in equity were reclassified into profit or loss in 2015, respectively 2014. The actual value recognized in Other operating expenses in 2015 amounts to a loss of EUR 2 million (2014: loss of EUR 1 million).

The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time. Fair value of hedging derivatives is determined using valuation techniques that utilize observable market data. The fair value of these forward foreign exchange contracts is determined using market forward exchange rates at the end of reporting period calculated from data obtained from Bloomberg and European Central Bank. The table below sets out fair values, at the end of the reporting period, of the Company's forward foreign exchange contracts:

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

	December 31, 2015		December 31, 2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	3,458	911	25,560	-
Total	**3,458**	**911**	**25,560**	**-**

Balances as of December 31, 2015 and December 31, 2014 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, Commerzbank and The Bank of Nova Scotia as of December 31, 2015 and with ING Bank N.V., Citibank Europe plc, PNC Bank, Commerzbank and The Bank of Nova Scotia as of December 31, 2014. The financial asset for each counterparty represents less than 35 percent of total financial assets. The ratings of the banks are A- and higher (according to Standard & Poor's) as of December 31, 2015 (December 31, 2014: A- and higher). Information about the fair value hierarchy as of December 31, 2015 is disclosed in Note 29.

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

	December 31, 2015	December 31, 2014
Payable on settlement in EUR thousand	(240,549)	(304,103)
Receivable on settlement in USD thousand	266,200	401,000

The Company is exposed to a fluctuation of Iron Ore, Zinc and Tin prices. In order to eliminate the Company's exposure to Iron Ore, Zinc and Tin prices fluctuation, the Company entered into financial swaps to protect its profit margin. All commodity financial swaps commenced in 2015 matured in 2015, resulting in an overall gain of 683 thousand EUR.

Note 14 Cash and Cash Equivalents

	December 31, 2015	December 31, 2014
Cash on hand	**49**	40
Cash at bank	**248,891**	327,955
Total (Note 29)	**248,940**	**327,995**

Interest rates on bank accounts were approximately 0.11 percent per annum for EUR deposits, 0.04 percent per annum for USD deposits and 0.07 percent per annum for CZK deposits as of December 31, 2015 (December 31, 2014: 0.14 percent per annum for EUR deposits, 0.04 percent per annum for USD deposits and 0.01 percent per annum for CZK 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 10.

All balances are neither past due nor impaired. The credit risk of cash and cash equivalents is disclosed in Note 28.

Note 15 Other Current Assets

The balance of other current assets represents prepaid expenses totaling EUR 1,137 thousand as of December 31, 2015 (December 31, 2014: EUR 1,183 thousand).

Note 16 Equity

Share capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased share capital as of December 31, 2015.

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

Reserve funds

The movement in reserve funds is as follows:

	Other capital funds	Legal reserve fund	Revaluation reserves	Total
January 1, 2015	**44**	**24,098**	**37,181**	**61,323**
Changes in fair value of derivative hedging instruments	-	-	(15,778)	**(15,778)**
Changes in fair value of CO_2 emission allowances	-	-	4,337	**4,337**
Contribution to legal reserve fund	**-**	**851**	**-**	**851**
December 31, 2015	**44**	**24,949**	**25,740**	**50,733**

	Other capital funds	Legal reserve fund	Revaluation reserves	Total
January 1, 2014	**44**	**50,403**	**(6,719)**	**43,728**
Changes in fair value of derivative hedging instruments	-	-	26,919	**26,919**
Changes in fair value of CO_2 emission allowances	-	-	16,981	**16,981**
Loss settlement from legal reserve fund	-	(26,305)	-	**(26,305)**
December 31, 2014	**44**	**24,098**	**37,181**	**61,323**

As of December 31, 2015 the closing balance of revaluation reserves consisted of the revaluation reserve for derivative hedging instruments in the amount of EUR 4,422 and the revaluation reserve for CO2 emission allowances in the amount of EUR 21,318 (December 31, 2014, the closing balance of the revaluation reserves consisted of revaluation reserve for derivative hedging instruments in the amount of EUR 20,200 and the revaluation reserve for CO2 emission allowances in the amount of EUR 16,981). The remeasurements of post employment benefit obligations in 2015 and 2014 are recognized in Retained Earnings / Accumulated Losses.

Dividends

In April 2015, dividends totaling EUR 11,700 thousand were approved for distribution and paid to U.S.Steel Global Holdings I B.V. There were no declared but unpaid dividends as of December 31, 2015 (December 31, 2014: no declared but unpaid dividends).

Note 17 Long-Term Loans and Borrowings

	December 31, 2015	December 31, 2014
USD 500 million credit facility	-	222,495
EUR 200 million credit facility	-	-
EUR 40 million credit facility	-	-
EUR 10 million credit facility	-	-
	-	**222,495**
Current portion of the borrowings	-	-
Non-current portion of the borrowings	-	222,495

On 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 percent per annum and the agreement contains customary terms and conditions. As of June 16, 2010, the amount of this credit facility was increased by EUR 100 million. As of April 1, 2012 the EUR 400 million credit facility was changed to USD 500 million credit facility. As of September 3, 2015, all borrowings totaling of USD 270 million were repaid (i.e. EUR 240 million using the exchange rate valid at transaction day). As of December 31, 2015, there were no new borrowings against this credit facility (December 31, 2014: USD 270 million, i.e. EUR 222 million using the exchange rate at the end of reporting period).

On July 15, 2013, the Company entered into a EUR 200 million three-year revolving unsecured credit facility that replaced a EUR 200 million three-year revolving unsecured credit facility which was set to expire in August 2013. The EUR 200 million credit facility may be used until July 2016. The facility bears interest at the applicable inter-bank offer rate plus a margin and the agreement contains customary terms and conditions. As of December 31, 2015, there were no borrowings against this credit facility (December 31, 2014: no borrowings against the replaced facility).

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

On December 14, 2015, the Company entered into the supplemental agreement no.5 to its EUR 20 million credit facility that was scheduled to expire in December 2015. The amount of the credit facility increased to EUR 40 million and may be used until December 2018 for working capital financing, drawing bank overdraft, and issuing of bank guarantees and letters of credit. As of December 31, 2015, the credit facility has been used in the amount of EUR 133 thousand for bank guarantees (December 31, 2014: EUR 362 thousand).

Bilateral Loan Agreement in the amount of EUR 10 million between the Company and Commerzbank with the final maturity date in December 2016 was amended in December 2015. Amendment no. 1 defines next maturity dates as follows: EUR 8.8 million on December 31, 2016 and EUR 1.2 million on March 15, 2017. The amount of EUR 1.2 million is used for bank guarantees. As of December 31, 2015, the credit facility has been used in the amount of EUR 2,016 thousand for bank guarantees (December 31, 2014: EUR 1,732 thousand).

Within credit facilities, the Company draws loans with terms of not more than six months with interest fixed for each particular loan at the applicable inter-bank offer rate plus margin. The credit facilities 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.

During 2015, the Company did not draw any loans against these credit facilities (2014: no borrowings against these credit facilities).

Carrying amounts of the borrowings as of December 31, 2014 were measured at amortized costs. Fair values of the borrowings as of December 31, 2014 approximated their carrying amounts.

Management of capital is disclosed in Note 27 and information about credit facilities available to the Company and interest rate risk exposure is disclosed in Note 28.

Note 18 Provisions for Liabilities

Movements in provisions for liabilities were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2015	**4,920**	**2,392**	**64,890**	**241**	**72,443**
Provision made	2,633	1,326	71,075	74	**75,108**
Provision used / reversed	(1)	(3,307)	(64,890)	(239)	**(68,437)**
December 31, 2015	**7,552**	**411**	**71,075**	**76**	**79,114**
Long-term provisions	7,498	-	-	-	**7,498**
Short-term provisions	54	411	71,075	76	**71,616**

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2014	**5,164**	**3,794**	**40,645**	**43**	**49,646**
Provision made	142	224	65,677	371	**66,414**
Provision used / reversed	(386)	(1,626)	(41,432)	(173)	**(43,617)**
December 31, 2014	**4,920**	**2,392**	**64,890**	**241**	**72,443**
Long-term provisions	4,906	-	-	-	**4,906**
Short-term provisions	14	2,392	64,890	241	**67,537**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2015 and 2014 was considered to be immaterial.

Provision reversals for the year 2015 and 2014 were considered to be immaterial.

<u>Landfill</u>

The provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Act on Waste. In 2015, the Company has four operating landfills; two for non-hazardous waste and two for hazardous waste. Reclamation of one non-hazardous and one hazardous landfill was completed and landfills were closed in 2012 and 2013. One non-hazardous waste landfill was closed in July 2009 and one hazardous waste landfill was closed in November 2010. Reclamation cost was charged against the provision. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

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

Litigation

The Company uses external legal counsel to act in some legal proceedings and internal legal counsel in other proceedings. These proceedings are at different stages and some may proceed for undeterminable periods of time. 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 provisions accordingly. The provisions are considered immaterial to the Company's financial statements. Based on facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position of the Company.

CO_2 emissions

A provision was recognized for CO_2 emissions emitted in 2015. The provision is calculated as a multiple of the final volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Climate Exchange as of December 31, 2015. The provision was charged to Other operating expenses (Note 24). Amortization of related deferred income from assigned CO_2 emission allowances is recognized in Other income (Note 21).

Other

Other provisions include provisions for warranty and other business risks.

Note 19 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 for the current period.

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

	2015	2014
January 1	**33,394**	**24,815**
Total expense charged in profit or loss – pension	**1,547**	1,531
Total expense charged in profit or loss – jubilee	**528**	2,328
Total expense charged in profit or loss – termination	**-**	1,262
Remeasurements of post employment benefit obligations	**(441)**	4,918
Benefits paid	**(2,146)**	(1,460)
December 31	**32,882**	**33,394**
Long-term employee benefits payable	**31,435**	30,990
Short-term employee benefits payable	**1,447**	2,404

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

	December 31, 2015	December 31, 2014
Present value of the obligation – pension	**18,813**	17,688
Present value of the obligation – jubilee	**8,872**	9,120
Present value of the obligation – termination	**-**	948
Remeasurements of post employment benefit obligations	**5,197**	5,638
Unrecognized past service costs	**-**	-
Total liability in the statement of financial position	**32,882**	**33,394**

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

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

	2015	2014
Current service costs – pension	**1,127**	772
Current service costs – jubilee	**388**	315
Current service costs – termination	**-**	1,262
Interest costs	**539**	1,082
Net actuarial losses / (gains)	**21**	1,690
Remeasurements of post employment benefit obligations	**(441)**	4,918
Total	**1,634**	**10,039**

Current service cost and net actuarial losses are presented in salaries and other employee benefits (Note 23) and interest costs are reflected in finance costs.

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

	2015	2014
Discount rate	**2.00%**	**1.84%**
Annual wage and salary increases	**5.00%**	**5.00%**
Staff turnover (1)	**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 percent annually.

For calculating the discount rate for euro-denominated pension and postretirement obligations in accordance with FASB's Accounting Standards Codification (ASC) 715 the Company used a suitable bond yield curve. The yield curve used was a Euro bond yield as of December 31 developed by Buck Consultants. The curve plots yield rates as a function of time. Each point on the curve represents a spot rate that can be used to discount a benefit amount expected to be paid at that time. The curve is constructed by examining the yields on selected highly rated corporate bonds.

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 representing 24.9 percent (2014: 24.4 percent) of total salaries and other employee benefits up to a monthly salary ceiling of EUR 4,120 (2014: EUR 4,025). The amount of contributions for social security is presented in Note 23.

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 percent from the monthly accounted wage in 2015 (2014: 1.7 percent).

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

Note 20 Trade and Other Payables

	December 31, 2015	December 31, 2014
Trade payables	**144,508**	186,636
Related party accounts payable (Note 31)	**20,855**	20,712
Assigned trade payables	**47,698**	31,143
Uninvoiced deliveries and other accrued expenses	**67,922**	105,554
Trade payables and accruals (Note 29)	**280,983**	**344,045**
Advance payments received	**2,011**	2,543
Liability to employees and social security institutions	**26,813**	29,885
VAT and other taxes and fees	**4,547**	5,073
Other payables	**3,817**	4,212
Total	**318,171**	**385,758**

Trade payables also include liability for discounts and rebates the Company will provide to the customers which fulfilled all requirements stated in sale contracts as of December 31, 2015.

	December 31, 2015	December 31, 2014
Short-term trade and other payables	**315,499**	383,752
Long-term trade and other payables	**2,672**	2,006
Total	**318,171**	**385,758**

Long-term trade and other payables represents the retention portion of capital expenditures for which different due dates were agreed upon in trade contracts, longer than 12 months.

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

	December 31, 2015	December 31, 2014
Trade and other payables not yet due	**312,705**	380,061
Trade and other payables past due	**5,466**	5,697
Total	**318,171**	**385,758**

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

	December 31, 2015	December 31, 2014
EUR	**221,410**	258,719
USD	**57,694**	80,702
Other	**1,879**	4,624
Total	**280,983**	**344,045**

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

	2015	2014
Opening balance as of January 1	**97**	**95**
Company contribution (company costs)	**1,542**	1,483
Employees contribution (repayments)	**162**	204
Withdrawals	**(1,701)**	(1,685)
Closing balance as of December 31	**100**	**97**

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 21 Revenue and Other Income

The main activities of the Company are the production and sale of steel products, which include slabs, sheet, strip mill plate, tin mill products, spiral welded pipes and panel radiators. In addition, the Company also produces and distributes electricity, heat and gas. The Company also produces coke which is primarily used in the steel making process. The Company also provides certain functional support services to its subsidiaries and parent company.

Revenue consists of the following:

	2015	2014
Sales of own production	**2,055,581**	2,168,263
Sales of merchandise	**4,461**	4,840
Rendering of services	**19,883**	20,888
Total	**2,079,925**	**2,193,991**

In 2015 and 2014, sales of merchandise represent primarily sales of electricity.

<u>Other income</u>

Other income consists of the following:

	2015	2014
Amortization of deferred income - CO_2 emission allowances	**46,242**	48,550
Recognition of deferred income - Government Grant (Note 5)	**6,057**	-
Gain on disposal of property, plant and equipment and intangible assets	**-**	851
Gain on derivative financial instruments	**55,950**	4,486
Rental income	**1,854**	1,903
Income from contractual penalties	**405**	349
Other income	**2,030**	1,756
Total	**112,538**	**57,895**

Note 22 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2015	2014
Materials consumed	**(1,133,797)**	(1,281,360)
Energy consumed	**(124,972)**	(138,377)
Costs of merchandise sold	**(4,324)**	(4,797)
Changes in internally generated inventory	**(42,447)**	7,579
Inventory write-down allowance (Note 11)	**(6,104)**	(2,395)
Total	**(1,311,644)**	**(1,419,350)**

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

Note 23 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2015	2014
Wages and salaries	**(191,300)**	(194,249)
Profit sharing expense	**(3,795)**	(3,151)
Termination benefits (Note 19)	**-**	(1,262)
Social insurance – defined contribution plan (Note 19)	**(68,918)**	(68,602)
Other social expenses	**(11,715)**	(12,358)
Pension expenses – retirement and work and life jubilees (Note 19)	**(1,536)**	(2,777)
Total	**(277,264)**	**(282,399)**

The average number of the Company's employees for 2015 was 10,196 (2014: 10,368).

Note 24 Other Operating Expenses

Other operating expenses during 2015 are as follows:

	2015	2014
Packaging	**(14,231)**	(15,608)
Cleaning and waste disposal	**(8,443)**	(9,056)
Rent	**(2,334)**	(1,912)
Advertising and promotion	**(2,847)**	(3,478)
Intermediary fees	**(3,020)**	(2,959)
Training	**(1,070)**	(1,136)
Charge for provision for CO_2 emissions (Note 18)	**(71,075)**	(65,677)
Impairment of receivables – (loss) and receivables written-off (Note 12)	**(704)**	131
Loss on disposal on property, plant and equipment and intangible assets	**(2,003)**	-
Real estate tax and other taxes	**(6,025)**	(5,457)
Laboratory and heat tests	**(6,116)**	(5,996)
External processing of internally produced inventories	**(8,161)**	(7,716)
Costs of processing of steel slag, sludge and dust	**(4,955)**	(5,104)
Audit fees	**(661)**	(668)
Other services provided by the auditor	**(12)**	(30)
Other operating expenses [1]	**(73,022)**	(74,759)
Total	**(204,679)**	**(199,425)**

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

Note 25 Finance Income and Finance Cost

Finance income and finance cost during 2015 are as follows:

	2015	2014
Interest income	**197**	171
Interest expense	**(10,197)**	(14,370)
Total	**(10,000)**	**(14,199)**

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

Note 26 Income Tax

The income tax (expense) / credit consists of following:

	2015	2014
Current tax	**(2,173)**	(17)
Deferred tax (Note 9)	**(14,782)**	(5,578)
Total	**(16,955)**	**(5,595)**

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:

	2015	2014
Profit / (loss) before tax	**60,184**	22,624
Tax calculated at 22% tax rate	**(13,240)**	(4,977)
Non-deductible expenses	**270**	(220)
Other	**(3,985)**	(398)
Tax (charge) / credit	**(16,955)**	**(5,595)**

The effective tax rate was 28 percent (2014: 25 percent).

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

	2015			2014		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative hedging instruments	**(20,841)**	**5,063**	**(15,778)**	34,374	(7,455)	26,919
Changes in actuarial gains and losses	**441**	**(97)**	**344**	(4,918)	1,082	(3,836)
Changes in revaluation reserve	**664**	**3,673**	**4,337**	21,771	(4,790)	16,981
Other comprehensive income	**(19,736)**	**8,639**	**(11,097)**	**51,227**	**(11,163)**	**40,064**
Current tax	-	-	-	-	-	-
Deferred tax (Note 9)	-	**8,639**	-	-	**(11,163)**	-
	-	**8,639**	**-**	**-**	**(11,163)**	**-**

Note 27 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 2014.

The capital structure of the Company consists of debt (Note 17 and Note 31) totaling EUR 9,439 thousand as of December 31, 2015 (December 31, 2014: EUR 235,619 thousand) and equity (Note 16) totaling EUR 940,199 thousand as of December 31, 2015 (December 31, 2014: EUR 913,311 thousand) that includes share capital, reserve funds and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include a minimum level of share capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of December 31, 2015 and December 31, 2014.

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

Note 28 Financial Risk Management

Financial risk is managed in compliance with policies and procedures established by 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). The overall financial risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the company's financial performance.

Credit risk

The Company is exposed to credit risk in the event of non-payment by customers principally within the construction, service center, transportation (including automotive), container, further conversion, and appliance industries. Changes in these industries may significantly affect management's estimates and the Company's financial performance.

Credit risk is managed by the Credit and Collections Department. 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. Company management carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and related credit limits accordingly. Trade receivables are monitored on a daily basis for individual customers and groups of customers under common control. Overdue receivables are handled in accordance with established collection management practices such as reminders, phone contact, suspension of orders and shipments, customers visits and likewise.

Credit risk resulting from financial market transactions is minimized through the diversification of financial activities between various financial institutions and the determination of maximum limits for individual counterparties. Internal policy establishes a minimum acceptable credit rating for financial institutions. The ratings of banks are monitored on a monthly basis or if circumstances change. The ratings of the banks are BBB- and higher (according to Standard & Poor's or equivalent per Moody's).

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

December 31, 2015	Derivative financial instruments	Loans and receivables
Trade receivables (Note 12)		
Trade receivables (net)	-	222,093
Related party accounts receivables (net)	-	1,304
Derivative financial instruments (Note 13)		
Forward foreign exchange	3,458	-
Cash and cash equivalents (Note 14)		
ING Bank N.V.	-	31,296
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	35,262
Citibank (Slovakia) a.s.	-	70,149
Slovenská sporiteľňa, a.s.	-	48,827
Komerční Banka, a.s.	-	63,297
Other banks	-	61
Cash on hand	-	48
Cash restricted in its use (Note 10)		
Slovenská sporiteľňa, a.s.	-	839
Všeobecná úverová banka, a.s.	-	4,195
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	763
ING Bank N.V.	-	3
Total	**3,458**	**478,137**

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

December 31, 2014

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 12)		
Trade receivables (net)	-	299,235
Related party accounts receivables (net)	-	1,249
Derivative financial instruments (Note 13)		
Forward foreign exchange	25,560	-
Cash and cash equivalents (Note 14)		
ING Bank N.V.	-	75,768
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	63,600
Citibank (Slovakia) a.s.	-	67,303
Slovenská sporiteľňa, a.s.	-	61,136
Komerční Banka, a.s.	-	60,091
Other banks	-	57
Cash on hand	-	40
Cash restricted in its use (Note 10)		
Slovenská sporiteľňa, a.s.	-	839
Všeobecná úverová banka,a.s.	-	3,348
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	561
ING Bank N.V.	-	41
Total	**25,560**	**633,268**

The maximum exposure to credit risk at the reporting date is the carrying value of the above mentioned financial assets before consideration of collateral and other credit enhancements. The Company mitigates credit risk for approximately 72 percent (2014: 79 percent) of its revenues by requiring credit insurance, letters of credit, bank guarantees, prepayments or other collateral. Information about collateral or other credit enhancements is as follows:

	2015	2014
Credit insurance	56%	**63 %**
Letters of credit and documentary collection	4%	**4 %**
Bank guarantees	3%	**3 %**
Other credit enhancements	9%	**9 %**
Credit enhanced sales	**72%**	**79 %**
Unsecured sales	28%	**21 %**
Total	**100%**	**100 %**

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

Liquidity risk

The Company's 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. Company management monitors expected and actual cash flows and the 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 125 million or equivalent in other currency for sole obligor. The investment exposure by country is also closely monitored.

During 2015, the Company drew short-term borrowings as a part of the Company's cash pooling strategy of EUR 83 million and repaid EUR 87 million. During 2014, the Company under this strategy drew amount of EUR 90 million from which EUR 86 million was repaid. Borrowings drawn within the 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, 2016 with the option to be prolonged.

Longterm borrowings are disclosed in Note 17.

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

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

December 31, 2015

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	248,940	-	-	**248,940**
Restricted cash	57	-	5,743	**5,800**
Trade receivables (net)	223,397	-	-	**223,397**
Derivative financial instruments	244,512	-	-	**244,512**
Total	**716,906**	**-**	**5,743**	**722,649**
Liabilities				
Trade payables and accruals	278,311	2,672	-	**280,983**
Derivative financial instruments	240,549	-	-	**240,549**
Loans and borrowings	9,439	-	-	**9,439**
Total	**528,299**	**2,672**	**-**	**530,971**

December 31, 2014

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	327,995	-	-	**327,995**
Restricted cash	55	-	4,734	**4,789**
Trade receivables (net)	300,484	-	-	**300,484**
Derivative financial instruments	330,286	-	-	**330,286**
Total	**958,820**	**-**	**4,734**	**963,554**
Liabilities				
Trade payables and accruals	342,039	2,006	-	**344,045**
Derivative financial instruments	304,103	-	-	**304,103**
Loans and borrowings	28,254	241,407	-	**269,661**
Total	**674,396**	**243,413**	**-**	**917,809**

Market risk

a) Interest rate risk

The Company is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facilities (Note 17). As the Company did not draw any variable interest rate borrowings in 2015 and in 2014, operating cash flow was not affected by changes in market interest rates.

The Company’s income is substantially independent of changes in market interest rates. The Company had no significant interest income other than that arising from short term bank deposits and cash at bank accounts as of December 31, 2015 and December 31, 2014.

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 EUR, particularly the U. S. dollar. The fluctuation of exchange rates represents significant risk as the majority of sales are denominated in EUR, while purchases of strategic raw materials are mainly in USD.

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

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

December 31, 2015

	Cash and cash equivalents	Cash restricted in its use
EUR	189,175	5,800
USD	8,907	-
CZK	50,750	-
Other	108	-
Total	**248,940**	**5,800**

December 31, 2014

	Cash and cash equivalents	Cash restricted in its use
EUR	294,852	4,789
USD	16,619	-
CZK	16,270	-
Other	254	-
Total	**327,995**	**4,789**

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. Derivative hedging instruments are carried out in compliance with an approved hedging strategy and internal policy. Financial instruments are used exclusively for hedging of financial risk. Trading for speculative purposes is prohibited. The risk exposure, as determined by the analysis of income and expense structured by foreign currency, is hedged on the basis of highly probable cash flow forecast transactions. These cash flows are planned in the form of the annual business plan for the next 12 months and updated in line with quarterly short range forecasts or whenever new business circumstances occur. Management monitors the open positions on a monthly basis.

As of December 31, 2015, the Company had open USD forward purchase contracts for Euros (total notional value of approximately EUR 241 million; December 31, 2014: EUR 304 million). The Company changed its EUR 400 million credit facility to a USD 500 million credit facility as of April 1, 2012. As of September 3, 2015, all borrowings totaling of USD 270 million were repaid (i.e. EUR 240 million using the exchange rate valid at transaction day). As of December 31, 2015, there were no new borrowings against this credit facility. (December 31, 2014: USD 270 million, i.e. EUR 222 million using the exchange rate at the end of reporting period). (Note 17).

As of December 31, 2015, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 52 million credit / EUR 31 million charge to total comprehensive income, mainly as a result of gains/losses from the fair value of forward foreign exchange contracts.

As of December 31, 2014, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 15 million credit / EUR 6 million charge to total comprehensive income, mainly as a result of gains/losses from the fair value of forward foreign exchange contracts, partially offset by foreign exchange losses/gains on the translation on USD denominated borrowings.

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, 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 hedges. 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 also routinely executes London Metal Exchange fixed-price forward physical purchase contracts for a portion of expected business needs of zinc and tin in order to manage exposure to market volatility.

The Company is exposed to a fluctuation of Iron Ore, Zinc and Tin prices. An increase in these commodity prices would have an adverse impact on the Company's profitability. In order to mitigate the Company's exposure to Iron Ore, Zinc and Tin price fluctuation, the Company entered into financial swaps to protect its profit margin. Participating in this hedging program fixed the price for the portion of the Company's Iron Ore, Zinc and Tin requirements, which helped the Company's profitability objectives. All commodity financial swaps commenced in 2015 matured in 2015.

In 2014 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, 2014.

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

Note 29 Financial Instruments by Category

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

December 31, 2015

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	222,093	-	-	**222,093**
Related party accounts receivables (net)	1,304	-	-	**1,304**
Cash and cash equivalents	248,940	-	-	**248,940**
Restricted cash	5,800	-	-	**5,800**
Derivative financial instruments	-	3,458	-	**3,458**
Total	**478,137**	**3,458**	**259**	**481,854**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	-	**0**
Trade payables and accruals	-	280,983	**280,983**
Short-term borrowings	-	9,439	**9,439**
Derivative financial instruments	911	-	**911**
Total	**911**	**290,422**	**291,333**

December 31, 2014

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	299,235	-	-	**299,235**
Related party accounts receivables (net)	1,249	-	-	**1,249**
Cash and cash equivalents	327,995	-	-	**327,995**
Restricted cash	4,789	-	-	**4,789**
Derivative financial instruments	-	25,560	-	**25,560**
Total	**633,268**	**25,560**	**259**	**659,087**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	222,495	**222,495**
Trade payables and accruals	-	344,045	**344,045**
Short-term borrowings	-	13,124	**13,124**
Derivative financial instruments	-	-	**-**
Total	**-**	**579,664**	**579,664**

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

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

December 31, 2015

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	3,458	-	**3,458**
Total	**-**	**3,458**	**-**	**3,458**
Liabilities				
Hedging derivatives	-	911	-	**911**
Total	**-**	**911**	**-**	**911**

December 31, 2014

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	25,560	-	**25,560**
Total	**-**	**25,560**	**-**	**25,560**
Liabilities				
Hedging derivatives	-	-	-	**-**
Total	**-**	**-**	**-**	**-**

During the year 2015 and 2014, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

All other financial instruments, with the exception of hedging derivatives, are measured at amortised cost as of December 31, 2015 and December 31, 2014. Fair values of these instruments as of December 31, 2015 and December 31, 2014 approximate their carrying amounts.

Note 30 Contingent Liabilities and Contingent Assets

Operating leases

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:

	2015	2014
Not later than 1 year	5,815	5,583
Later than 1 year and not later than 5 years	4,593	7,103
Later than 5 years	5	40
Total	**10,413**	**12,726**

Capital Commitments

Capital expenditures of EUR 81 million had been committed under contractual arrangements as of December 31, 2015 (December 31, 2014: EUR 157 million).

Environmental Commitments

The Company is in compliance with environmental legislation. In 2015, the environmental expenses represented by air, water and solid waste pollution fees totaled approximately EUR 14 million (2014: EUR 12 million). There are no material legal proceedings pending against the Company involving environmental matters.

USSK is subject to the environmental laws of Slovakia and the European Union (EU). An EU law commonly known as Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation 1907/2006 (REACH) requires the registration of certain substances produced in or imported into the EU, and application for authorization to continue use where replacement of certain substances is not possible or feasible. In some cases replacements for substances currently used in our operations will have to be implemented. Suppliers in EU have filled the Application for Authorization to be permitted to continue using hexavalent chromium substances also in our production until suitable alternatives can be identified.

If granted, the authorizations shall last for four years, after which the replacement substances must be implemented or a new Application for Authorization must be filled. Efforts are ongoing to identify, test and prove the feasibility of replacement substances. In 2016 USSK shall start to produce new substances from boiler operation which will require registration. Although USSK is currently compliant with REACH, efforts to remain compliant will require capital investment and increased operational costs. We cannot reliably estimate the potential cost of complying with these measures at this time.

Slovakia adopted a new waste code in March 2015 that became effective January 1, 2016. This legislation implements the EU Waste Framework Directive that strictly regulates waste disposal and encourages recycling, among other provisions, by increasing fees for waste disposed of in landfills, including privately owned landfills. We are currently analyzing the legislation in order to estimate the potential financial impact on USSK's operations.

Carbon Dioxide (CO_2) Emissions

The European Commission (EC) has created an Emissions Trading System (ETS) and starting in 2013, the ETS began to employ centralized allocation, rather than national allocation plans, that are more stringent than the previous requirements. The ETS also includes a cap designed to achieve an overall reduction of greenhouse gas (GHG) for the ETS sectors of 21% in 2020 compared to 2005 emissions and auctioning as the basic principle for allocating emissions allowances, with some transitional free allocation provided on the basis of benchmarks for manufacturing industries under risk of transferring their production to other countries with lesser constraints on GHG emissions, commonly referred to as carbon leakage. Manufacturing of sinter, coke oven products, basic iron and steel, ferro-alloys and cast iron tubes have all been recognized as exposing companies to a significant risk of carbon leakage, but the ETS is still expected to lead to additional costs for steel companies in Europe.

The EU has imposed limitations under the ETS for the period 2013-2020 (Phase III) that are more stringent than those in NAP II, reducing the number of free allowances granted to companies to cover their CO_2 emissions.

In September of 2013, the EC issued EU wide legislation further reducing the expected free allocation for Phase III by an average of approximately 12%. The Company's final allocation for the Phase III that was approved by the EC in January 2014 is approximately 48 million allowances. Based on 2015 emission intensity levels and projected future production levels, and as a result of carryover allowances from the NAP II period, the earliest the Company would have to purchase allowances to meet the annual compliance submission would be the first quarter of 2018. The Company currently estimates a shortfall of 15 million allowances for the entire Phase III period. However, due to a number of variable factors, such as the future market value of allowances, future production levels and future emission intensity levels, the Company cannot reliably estimate the full cost of complying with the ETS regulations at this time.

Best Available Techniques (BAT's)

The EU's Industry Emission Directive requires implementation of EU determined BAT's to reduce environmental impacts as well as compliance with BAT associated emission levels. This directive includes operational requirements for air emissions, wastewater discharges, solid waste disposal and energy conservation, dictates certain operating practices and imposes stricter emission limits. Producers are required to be in compliance with the iron and steel BAT since March 8, 2016, unless specific exceptions or extensions are granted by the Slovak environmental authority. The Company has updated operating permits for different facilities involved in producing iron and steel in the plant in accordance with the new BAT requirements. Through this process for some facilities, the Company has obtained some extensions from the 2016 compliance deadline in order to meet or exceed the BAT requirements. Compliance with stricter emission limits going beyond BAT requirements makes the Company eligible for EU funding support and prepares the Company for any further tightening of environmental protection standards. The most recent broad estimate of likely capital expenditures for projects to go beyond the BAT requirements is approximately EUR 165 million over the 2016 to 2020 time period.

The EU has various programs under which funds are allocated to member states to implement broad public policies, which are then awarded by the member states to public and private entities on a competitive basis. The funding intensity under these programs currently ranges from 55 percent of defined eligible costs on a project under the standard state scheme to 90 percent on a recently approved ad hoc scheme to improve the air quality in the Kosice region of Slovakia. Based on the list of projects that comprise the approximate EUR 165 million of spending noted, the Company may be eligible to receive up to EUR 115 million of incentive grants. This could potentially reduce company's net cash expenditures to approximately EUR 50 million. The actual amount of capital spending will be dependent upon, among other things, the actual amount of incentive grants received.

The Company also believes there will be increased operating costs associated with these projects, such as increased energy and maintenance costs. The Company is currently unable to reliably estimate what the increase in operating costs will be as many projects are still in the development stage.

Due to other EU legislation, the Company will be required to make changes to the boilers at the steam and power generation plant in order to comply with stricter air emission limits for large combustion plants. In January of 2014, the operation of the Company's boilers was approved by the European Commission as part of Slovakia's Transitional National Plan (TNP) for bringing all boilers in Slovakia into BAT compliance no later than 2020. The TNP establishes parameters for determining the date by which specific boilers are required to reach compliance with the new air standards, which has been determined to be October 2017 for the Company's boilers. The boiler projects have been approved by U. S. Steel Board of Directors and the Company is now in the execution phase. These projects will result in a reduction in electricity, operating, maintenance, and waste disposal costs once completed. The current projected cost to reconstruct one existing boiler and build one new boiler to achieve compliance is approximately EUR 131 million of which EUR 66 million has already been spent through December 31, 2015. Legislative changes were enacted by the Slovak Republic to extend the scope of support for renewable sources of energy, which will allow the Company to participate in Slovakia's renewable energy incentive program once both boiler projects are completed.

Memorandum of Understanding

A Memorandum of Understanding (MOU) was signed in March of 2013 between U. S. Steel and the government of Slovakia. The MOU outlines areas in which the government and U. S. Steel will work together to help create a more competitive environment and conditions for the Company. Incentives the government of Slovakia agreed to provide include potential participation in a renewable energy program that provides the opportunity to reduce electricity costs as well as the potential for government grants and other support concerning investments in environmental control technology. Although there are many conditions and uncertainties regarding the grants, including matters controlled by the EU, the value of these incentives as stated in the MOU could be as much as EUR 75 million. In the MOU, U. S. Steel agreed to refrain from undertaking a massive layoff according to Article 73 of the Slovak Labor Code for the reasons stated in Article 63 sec. 1, letter a-b of the Slovak Labor Code, except in cases of severe economic downturn or a material adverse change, but may rely on natural attrition to permit the business to reach a more efficient level of employment. U. S. Steel also agreed to pay the government of Slovakia specified declining amounts should U. S. Steel sell the Company within five years of the date of the MOU. U. S. Steel continues to work closely with the government of Slovakia to monitor the progress of the respective commitments and to achieve the incentives described in the MOU.

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

Note 31 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:

		2015	2014
U. S. Steel Global Holdings I B.V., Parent company			
	Expenses	**11,120**	13,896
	Borrowings	**-**	222,495
United States Steel Corporation, Ultimate parent company			
	Revenues	**2,467**	32,865
	Expenses	**36,191**	46,671
	Receivables	**823**	681
	Payables	**10,627**	8,892
USS International Services, LLC, Company under common control of U. S. Steel			
	Revenues	**1**	2
	Expenses	**5,546**	7,127
	Receivables	**186**	184
	Payables	**690**	760
U. S. Steel Canada Inc, Company under common control of U. S. Steel until September 2014			
	Revenues	**-**	8
United States Steel International Inc, Company under common control of U. S. Steel			
	Revenues	**-**	69
Subsidiaries under control of the Company (Note 8)			
	Revenues	**6,978**	5,460
	Expenses	**77,587**	84,187
	Receivables	**295**	384
	Payables	**9,538**	11,060
	Borrowings	**9,439**	13,124
Total			
	Revenues	**9,446**	38,404
	Expenses	**130,444**	151,881
	Receivables	**1,304**	1,249
	Payables	**20,855**	20,712
	Borrowings	**9,439**	235,619

On September 3, 2015 the Company repaid all borrowings received from U. S. Steel Global Holdings I B.V. under the long-term revolving unsecured credit facility (Note 17). Expenses in 2015 and 2014 represented related interest costs only. In April 2015, dividends totaling EUR 11,700 thousand were approved for distribution and paid to U. S. Steel Global Holdings I B.V. (Note 16).

Transactions with United States Steel Corporation relate mainly to sales of slabs (2014: EUR 30,542 thousand), rendering of services (2015: EUR 2,467 thousand; 2014: EUR 2,323 thousand) and purchases of raw material (2015: EUR 28,658 thousand; 2014: EUR 43,101 thousand), managerial services (2015: EUR 5,444 thousand; 2014: EUR 3,570 thousand) and net impact of the sale of tangible assets (2015: EUR 2,089 thousand).

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

In 2014, transactions with U. S. Steel Canada Inc. related to purchases of raw materials and services and recharges provided to U. S. Steel Canada Inc. On September 16, 2014 U. S. Steel determined that U. S. Steel Canada Inc. and its subsidiaries would be deconsolidated from U. S. Steel's financial statements, but transactions between U. S. Steel and U. S. Steel Canada Inc. are considered related party transactions.

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.

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

Borrowings drawn and provided within 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, 2016 with the option to be prolonged. During 2015, the Company under these borrowings drew from its subsidiaries the amount of EUR 83,470 thousand and repaid amount of EUR 87,150 thousand. During 2014, the Company drew amount of EUR 89,734 thousand from which amount of EUR 86,061 thousand was repaid.

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 2015 and 2014 that arise from their positions of statutory representatives. Foreign statutory representatives of the Company are employed and paid based on their employment contract with USS International Services, LLC and their compensation is included in charges for managerial services provided to the Company. Compensation of Slovak statutory representatives is included in the salaries and other employee benefits of the Company's key management employees at amounts shown in the following table:

	2015	2014
Wages and salaries	**15,904**	16,302
Profit sharing expense	**32**	28
Social security – defined contribution plan	**3,710**	3,580
Total	**19,646**	**19,910**

b) Shares 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 32 Events after the Reporting Period

The 2016 CO_2 emission allowances were credited to the Company account on February 9, 2016 in the volume of 6,075,671 tons.

On February 22, 2016, the Company entered into a EUR 200 million revolving unsecured credit facility agreement that replaced the Company's existing EUR 200 million credit facility that was scheduled to expire in July 2016. The new credit agreement contains customary representations and warranties, substantially similar to the Company's current credit facility and expires on July 15, 2019.

The current Collective Labor Agreement expired on March 31, 2016. A tentative agreement has been reached with the Unions and we expect to have the new Collective Labor Agreement in place by the end of April.

On April 1, 2016, the Company delivered 8,646,638 CO_2 emission allowances for 2015 to the Slovak Government fulfilling its obligation for the third year of the Phase III period.

After December 31, 2015, no other significant events have occurred that would require recognition or disclosure in the 2015 financial statements.