VÝROČNÁ SPRÁVA
a
INDIVIDUÁLNA ÚČTOVNÁ ZÁVIERKA ZA ROK 2008
zostavená podľa Medzinárodných štandardov pre finančné výkazníctvo (IFRS) platných v EU

ANNUAL REPORT
and
SEPARATE FINANCIAL STATEMENTS FOR 2008
prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

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

PricewaterhouseCoopers Slovensko, s.r.o.
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Report on Verifying Consistency of the Annual Report with the Individual Financial Statements,

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

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

We have audited the accompanying individual financial statements of U. S. Steel Košice, s.r.o ("the Company") at 31 December 2008, on which we issued an unqualified Auditor's Report on 29 May 2009 which is included in the annual report.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's annual report at 31 December 2008 is consistent with the audited individual financial statements referred to above.

Statutory Body's Responsibility for the Annual Report

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

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

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

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2008 is consistent, in all material respects, with the audited individual financial statements referred to above.

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

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

Ing. Peter Mrnka
SKAU licence No. 975

Bratislava, 29 May 2009

Translation note:

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

Našou stratégiou je byť významným priemyselným lídrom, ktorý vytvára hodnoty, je svetovo konkurencieschopný a poskytuje kvalitné produkty a služby.

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

William C. King
Viceprezident pre financovanie
Senior Vice-president and Chief Financial Officer

Košice, 29. mája 2009
Košice, 29 May 2009

Obsah
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PROFIL SPOLOČNOSTI

Železiarne v Košiciach boli postavené v 60. rokoch 20. storočia. Postupne sa zaradili medzi významných stredoeurópskych výrobcov ocele a plochých valcovaných výrobkov, stali sa členmi medzinárodných asociácií. V roku 1998, pôvodné Východoslovenské železiarne, a.s. vytvorili spoločný podnik s United States Steel Corporation („U. S. Steel“) na výrobu oceľových obalových materiálov. V roku 2000 sa spoločnosť stala súčasťou U. S. Steel, keď bol založený U. S. Steel Košice, s.r.o. (ďalej aj „Spoločnosť“). U. S. Steel má na americkom kontinente viac ako storočnú tradíciu. Má tiež výrobné prevádzky v Srbsku, ktoré spoločne s U. S. Steel Košice, s.r.o. a jej dcérskymi spoločnosťami tvoria segment U. S. Steel Europe.

V súčasnosti je košická hutnícka spoločnosť moderným podnikom, v ktorom sa spájajú bohaté technické zručnosti a znalosti slovenských oceliarov so západnými manažérskymi postupmi a silnou orientáciou na potreby trhu. Výroba sa orientuje najmä na produkty s vyššou pridanou hodnotou pre obalový, elektrotechnický, spotrebný, stavebný a automobilový priemysel.

Základné informácie o Spoločnosti:

Obchodné meno	U. S. Steel Košice, s.r.o.
Sídlo	Vstupný areál U. S. Steel, 044 54 Košice, Slovenská republika
Právna forma	Spoločnosť s ručením obmedzeným
Dátum založenia	7. jún 2000
Dátum vzniku	20. jún 2000
IČO	36 199 222
Obchodný register	Obchodný register Okresného súdu Košice I, oddiel: Sro, vložka číslo: 11711/V

K 31. decembru 2008 mala U. S. Steel Košice, s.r.o. 12 dcérskych spoločností. Zoznam a vybrané ekonomické ukazovatele týchto spoločností sú uvedené v poznámke 7 priloženej individuálnej účtovnej závierky a na internetovej stránke http://www.usske.sk/units/subs-s.htm. K 31. decembru 2008 Spoločnosť vlastnila 50%-ný podiel v pridruženej spoločnosti U.S. STEEL KOSICE (UK) LIMITED a minoritné vlastnícke podiely v dvoch spoločnostiach: STABILITA, d.d.s., a.s. (9,3 %) a Hutníctví železa, a.s. (11,4 %).

COMPANY'S PROFILE

The Steelworks in Košice were built in the 1960's. They continuously grew to rank among the significant steel and flat rolled producers in Central Europe and became a member of international associations. In 1998, the original Východoslovenské železiarne, a.s. (East Slovakian Steelworks) established a joint-venture company with United States Steel Corporation ("U. S. Steel") to produce steel packaging materials. In 2000, the company became a part of U. S. Steel, when U. S. Steel Košice, s.r.o. (hereinafter also "the Company") was established. U. S. Steel has more than a hundred years tradition on the American continent. It has also production facilities in Serbia, which, with U. S. Steel Košice, s.r.o. and its subsidiaries, constitutes the U. S. Steel Europe segment.

Currently, the metallurgical plant in Košice is a modern facility merging the broad technical skills and experience of Slovak steelmakers with western managerial procedures and strong market orientation. The operations are focused mostly on value-added products for packaging, electro-technical, appliance, construction and automotive industries.

The general information about the Company:

Business Name	*U. S. Steel Košice, s.r.o.*
Location	*Vstupný areál U. S. Steel, 044 54 Košice, Slovak Republic*
Legal Entity	*Limited liability company*
Date of Establishment	*7 June 2000*
Date of Incorporation	*20 June 2000*
Register No.	*36 199 222*
Business Register	*Business Register of District Court Košice I, Section: Sro, Insert No.:11711/V*

As of 31 December 2008 U. S. Steel Košice, s.r.o. had 12 subsidiaries. The list and selected financial information for these companies are disclosed in Note 7 of the accompanying separate financial statements and on internet web page http://www.usske.sk/units/subs-e.htm. As of 31 December 2008 the Company owned a 50% share in associate U.S. STEEL KOSICE (UK) LIMITED and equity investment shares in two companies: STABILITA, d.d.s., a.s. (9.3 %) and Hutníctví železa, a.s. (11.4 %).

Konatelia Spoločnosti

Konateľmi Spoločnosti k 31. decembru 2008 boli:

George F. Babcoke	Prezident
William Clyde King	Viceprezident pre financovanie
Matthew Burnis Perkins	Viceprezident pre výrobu
Peter Joseph Alvarado	Viceprezident pre predaj a marketing
Ing. Anton Jura	Generálny manažér – U. S. Steel Canada Inc.
RNDr. Miroslav Kiraľvarga	Viceprezident pre riadenie externých služieb a vzťahov
John Frederick Wilson	Generálny právny zástupca
Andrew Stewart Armstrong	Viceprezident pre BSC – Európa
Patrick James Mullarkey	Viceprezident pre technológiu
Ing. Martin Pitorák	Viceprezident pre ľudské zdroje

V roku 2008 došlo vo funkcii konateľov k nasledovným zmenám:
David Harman Lohr - zánik funkcie k 18. marcu 2008
George F. Babcoke - vznik funkcie k 18. marcu 2008
John Baird Peters - zánik funkcie k 1. máju 2008
Peter Joseph Alvarado - vznik funkcie k 1. máju 2008

V roku 2009 do dátumu zostavenia individuálnej účtovnej závierky došlo vo funkcii konateľov k nasledovným zmenám:
Matthew Burnis Perkins - zánik funkcie k 1. marcu 2009
Ing. Vladimír Jacko, PhD., MBA - vznik funkcie k 1. marcu 2009
Andrew Stewart Armstrong - zánik funkcie k 1. aprílu 2009
Traci Lynn Vaughan - vznik funkcie k 1. aprílu 2009

Company Executives

The Company's Executives as of 31 December 2008 were:

George F. Babcoke	*President*
William Clyde King	*Senior Vice-president and Chief Financial Officer*
Matthew Burnis Perkins	*Vice-president Operations*
Peter Joseph Alvarado	*Vice-president Commercial*
Ing. Anton Jura	*General Manager – U. S. Steel Canada Inc.*
RNDr. Miroslav Kiraľvarga	*Vice-president Management Services and Administration*
John Frederick Wilson	*General Counsel*
Andrew Stewart Armstrong	*Vice-president BSC – Europe*
Patrick James Mullarkey	*Vice-president Technology*
Ing. Martin Pitorák	*Vice-president Human Resources*

In 2008, the following changes were made in the Executive positions:
David Harman Lohr - resigned effective 18 March 2008
George F. Babcoke - appointed effective 18 March 2008
John Baird Peters - resigned effective 1 May 2008
Peter Joseph Alvarado - appointed effective 1 May 2008

In 2009, by the date of the separate financial statements, the following changes were made in the Executive positions:
Matthew Burnis Perkins - resigned effective 1 March 2009
Ing. Vladimír Jacko, PhD. MBA - appointed effective 1 March 2009
Andrew Stewart Armstrong - resigned effective 1 April 2009
Traci Lynn Vaughan - appointed effective 1 April 2009

VÍZIA A HODNOTY SPOLOČNOSTI

Vízia U. S. Steel

- Profitujúca oceliarenská spoločnosť, ktorá prináša adekvátny zisk pre svojich akcionárov a vynakladá zodpovedajúce prostriedky pre svoj dlhodobý úspech.
- Inovatívna oceliarenská spoločnosť, ktorá je významným priemyselným lídrom, prinášajúca vynikajúcu kvalitu výrobkov a služieb pre svojich zákazníkov, pričom kontinuálne znižuje náklady s cieľom dosiahnutia statusu producenta s nízkymi nákladmi.
- Spoločnosť, ktorá rešpektuje všetkých svojich zamestnancov, vytvára kreatívnu atmosféru motivujúcu zamestnancov k plnému uplatneniu ich talentu, podporuje všetkých k spoločnej práci, uznáva a odmeňuje každého zamestnanca v pomere k ich podielu na úspechu firmy.
- Spoločnosť, ktorá oceňuje diverzitu svojich pracovných síl, podporujúca bezpečné a zdravé pracovné prostredie, ktorá je environmentálne zodpovedná a v každom ohľade rešpektujúca etické správanie.
- Spoločnosť, ktorej každý zamestnanec je hrdý na to, že je jej dôležitým a užitočným členom.

Princípy podnikania

Kľúčom k úspechu v novodobej histórii firmy je **šesť hlavných princípov** podnikania, ktoré sa uplatňujú vo výrobe, v obchodovaní, v komunikácii so zamestnancami i partnermi vo všetkých prevádzkach U. S. Steel a prostredníctvom ktorých sa spoločensky zodpovedný postoj Spoločnosti aplikuje v praxi:

- Bezpečnosť – ochrana zdravia zamestnancov, ostatných pracovníkov a návštevníkov, nachádzajúcich sa v priestoroch Spoločnosti.
- Životné prostredie – rešpektovanie požiadaviek ochrany životného prostredia a platnej environmentálnej legislatívy.
- Kvalita – poskytovanie vysokej kvality výrobkov a služieb.
- Služby – poskytovanie vynikajúcich služieb zákazníkom a obchodným partnerom.
- Náklady – výroba produktov a poskytovanie služieb pri čo najnižších nákladoch.
- Produktivita – zvyšovanie produktivity prevádzok Spoločnosti.

VISION AND VALUES OF THE COMPANY

Vision of U. S. Steel

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

Business Drivers

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

- *Safety – protecting the health of employees, contractors and visitors present on the Company's premises.*
- *Environment – respecting the environment and complying with environmental laws and regulations.*
- *Quality – providing high quality products and services.*
- *Services – providing excellent services to customers and business partners.*
- *Costs – providing our products and services at the lowest possible costs.*
- *Efficiency – increasing efficieny of the Company's operations.*

Garyho princípy

Zodpovedný postoj k podnikaniu je neoddeliteľnou súčasťou našej Spoločnosti. Už začiatkom 20. storočia pri založení U. S. Steel, prvý predseda správnej rady Elbert Gary položil základy etického a transparentného podnikania zadefinovaním a uplatňovaním tzv. Garyho princípov. Ich správnosť sa potvrdila v priebehu rokov a prejavili sa v úspechu U. S. Steel v globálnom oceliarskom priemysle.

- Som presvedčený, že ak je vec správna, bude nakoniec trvalo úspešná.
- Najvyššia odmena pochádza z poctivého a správneho výkonu práce. Koniec koncov, zlé výsledky pochádzajú zo sebeckého, nečestného a nepoctivého konania.
- Verím v hospodársku súťaž, pretože súťaž môže vyhrať ten najšikovnejší a úspech dosiahne len ten, kto je najserióznejší, najaktívnejší a najvytrvalejší.
- Som presvedčený, že žiadne priemyselné odvetvie, v ktorom sa nezaobchádza so zamestnancami spravodlivo a humánne, nemôže byť trvalo úspešné.
- Absolútne verím záujmu verejnosti. Zo všetkých pravidiel je verejná mienka najspoľahlivejšia a najrozumnejšia.
- Ak máme uspieť v podnikaní, tak ho musíme robiť na princípoch, ktoré sú čestné, férové, zákonné a spravodlivé.
- Musíme sa dostať a udržať sa na takom férovom, vysokom a opodstatnenom stupni, aby sme upútali pozornosť, vyvolali a zabezpečili si uznanie všetkých, ktorí vedia, čo robíme.
- Neobhajujeme spojenia alebo dohody, ktorými by sme bránili podnikaniu, neobhajujeme žiadne činnosti, ktoré sú v protiklade so zákonom alebo blahom verejnosti.
- Nikdy nesmieme zabudnúť, že naše práva a záujmy sú, alebo by mali byť, prospešné verejnosti, že práva a záujmy jednotlivca musia vždy ustúpiť záujmom verejným.

The Gary Principles

A responsible approach to business is an integral part of our Company. As far back as at the beginning of the 20th century, when U. S. Steel was established, the first Chairman, Elbert Gary, set the basis for ethical and transparent business by defining and implementing the "Gary Principles." Their correctness has been confirmed over the years and demonstrated by U. S. Steel's success in the global steel industry.

- *I believe that when a thing is right, it will ultimately and permanently succeed.*
- *The highest rewards come from honest and proper practice. Bad results come in the long run from selfish, unfair and dishonest conduct.*
- *I believe in competition ... that the race should be won by the swiftest, and that success should come to him who is most earnest and active and persevering.*
- *I believe that no industry can permanently succeed that does not treat its employees equitably and humanely.*
- *I believe thoroughly in publicity. The surest and wisest of all regulation is public opinion.*
- *If we are to succeed as businessmen we must do it on principles that are honest, fair, lawful, and just.*
- *We must put and keep ourselves on a platform so fair, so high, so reasonable, that we will attract the attention and invite and secure the approval of all who know what we are doing.*
- *We do not advocate combinations or agreements in restraint of trade, nor action of any kind which is opposed to the laws or to the public welfare.*
- *We must never forget that our rights and interests are and should be subservient to the public welfare, that the rights and interests of the individual must always give way to those of the public.*

VPLYV ČINNOSTI SPOLOČNOSTI NA BEZPEČNOSŤ

Bezpečnosť a ochrana zdravia pri práci zamestnancov, dodávateľov a partnerov pracujúcich v priestoroch Spoločnosti je prioritou č. 1. Používanie certifikovaných osobných ochranných prostriedkov a dodržiavanie kardinálnych bezpečnostných pravidiel sa stalo samozrejmosťou. Prostredníctvom tréningového programu H.E.L.P. (Hazard Elimination and Loss Prevention) manažéri a zamestnanci spoločne identifikujú výrobné postupy a miesta, ktoré by mohli byť potenciálnym zdrojom rizika a ohrozenia zdravia zamestnancov, a prijímajú nápravné opatrenia.

Permanentne vynakladané úsilie všetkých zamestnancov vyústilo do trvalo klesajúceho trendu vo vývoji úrazovosti. V oblasti celkovej úrazovosti sme k 31. decembru 2008 oproti roku 2001 zaznamenali 87%-ný a v oblasti početnosti registrovaných úrazov dokonca 90%-ný pokles.

Spoločnosť DuPont Safety Resources, svetový líder v oblasti bezpečnosti a ochrany zdravia pri práci, udelila spoločnosti U. S. Steel Košice, s.r.o. cenu za projekt Manažérstvo rizík. Súčasťou pokračujúcej snahy Spoločnosti v otázkach bezpečnosti bol v roku 2007 zavedený Program bezpečnostných rozhovorov, ktorý pokračoval v roku 2008 a napomáha stanovenému cieľu Spoločnosti trvale znižovať počet úrazov. Spoločnosť vybudovala interaktívne tréningové centrum pre kardinálne pravidlá, kde si každý zamestnanec môže prakticky vyskúšať aplikáciu pravidiel.

Mimoriadnu pozornosť venujeme bezpečnosti našich dodávateľov, ktorým poskytujeme školenie a pravidelne organizujeme spoločné mítingy. Formou bezpečnostnej bleskovky okamžite oznamujeme každému nebezpečné udalosti, ktoré by mohli ohroziť našich zamestnancov, zamestnancov našich dodávateľov alebo iných spoločností, ktorí vykonávajú prácu na našom území. V rámci prevencie kontinuálne monitorujeme správanie našich zamestnancov i dodávateľov a výsledky priebežne vyhodnocujeme. K zlepšovaniu výkonnosti BOZP nám výraznou mierou pomáha i náš Safety Record Keeping System, ktorý umožňuje sledovať zistenia z bezpečnostných rozhovorov, registrovaných incidentov a bezpečnostných auditov a monitorovať plnenie prijatých opatrení v stanovenom termíne.

IMPACT OF THE COMPANY ON SAFETY

Occupational Safety and Health of the employees, suppliers and partners working on the Company's premises is the No.1 priority. Using certified personal protective equipment and complying with safety cardinal rules has become a matter of course for the employees. Through the H.E.L.P. (Hazard Elimination and Loss Prevention) training program managers and employees jointly identify operational procedures and locations that are a potential source of risks and hazards to the health of employees and correct these situations.

The constant efforts made by all employees resulted in a continuously falling trend in the incidence of injuries. As of 31 December 2008, we have recorded a 87 percent drop in the total recordable injury rate since 2001, and as much as a 90 percent drop in the number of days-away-from-work injuries.

U. S. Steel Košice, s.r.o. was given an award for its Risk Management project by DuPont Safety Resources, the world leader in the safety area. As part of the Company's ongoing efforts in this area, a program of Safety Conversations was implemented in 2007 and continued in 2008, which helps in the Company's goal to permanently decrease the number of accidents. The Company has built up an interactive cardinal rules training center where every employee can try out the application of these rules in practice.

We devote particular attention to the safety of our suppliers and contractors, providing them with training and organizing joint meetings on a regular basis. We distribute printed Safety Flashes to immediately inform everyone about dangerous events which could threaten the safety of our employees, employees of our suppliers or other companies working on our premises. As part of our prevention policy, we continuously monitor the behavior of our employees and those of our suppliers, and we regularly evaluate the results. We get considerable assistance in our efforts to improve occupational safety and health efficiency from our Safety Record Keeping System, which enables us to follow up the findings from the Safety Conversations, reported incidents and safety audits, and to monitor the implementation of corrective measures within established deadlines.

VPLYV ČINNOSTI SPOLOČNOSTI NA ZAMESTNANOSŤ

Odvtedy ako Spoločnosť bola prevzatá spoločnosťou U. S. Steel, všetky činnosti v oblasti zamestnanosti sú vykonávané s cieľom zabezpečiť konkurencieschopnosť Spoločnosti v porovnaní s ostatnými hutníckymi spoločnosťami a zároveň splniť záväzok voči vláde SR neznižovať zamestnanosť počas desiatich rokov na základe nadbytočnosti, ale len na základe prirodzeného úbytku. V roku 2008 pracovalo v Spoločnosti priemerne 12 227 zamestnancov. Spoločnosť je najväčším zamestnávateľom v regióne východného Slovenska a mesta Košice.

Súčasťou firemnej kultúry je aj oceňovanie zamestnancov, ktorí svojou kvalitnou prácou prispievajú k dosahovaniu vynikajúcich výsledkov v rôznych oblastiach. Patria sem napr. pravidelné obedy prezidenta Spoločnosti s najlepšími pracovníkmi, ktorí dosiahli najlepšie výsledky v oblasti bezpečnosti práce, kvality či znižovania nákladov, rôzne podujatia, medzi nimi letné a zimné športové hry i recipročné obsadzovanie postov a výmena zamestnancov medzi slovenskými, americkými a srbskými prevádzkami. Spoločnosť má prepracované programy sociálnej a zdravotnej starostlivosti o zamestnancov a pravidelne komunikuje pri ich dolaďovaní s predstaviteľmi troch odborových organizácií (OZ METALURG, OZ Kovo a OZ Nezávislé kresťanské odbory Slovenska).

Spoločnosť si uvedomuje, že stanovené vysoké ciele sa dajú splniť iba prostredníctvom vlastných zamestnancov. Spoločnosť preto zamestnancom poskytuje sociálne a ekonomické benefity, dobré zárobky i podmienky pre zabezpečenie ich všestranného rozvoja. Za základ dôvery potrebnej pre dlhodobý úspech Spoločnosti považuje Spoločnosť princípy uvedené v Kódexe etického správania, ktorý dostane každý zamestnanec pri podpise pracovnej zmluvy. Kódex etického správania definuje prijateľné normy správania sa zamestnancov v oblastiach ako sú diskriminácia, sexuálne obťažovanie, nedovolené a neetické postupy, ochrana hospodárskej súťaže, konflikt záujmov a politická angažovanosť.

IMPACT OF THE COMPANY ON EMPLOYMENT

Since the Company was acquired by U. S. Steel, all activities in the area of employment are conducted to ensure that the Company is competitive in comparison with other metallurgical companies and to honor the commitment to the Slovak Government not to reduce the number of employees by declaring redundancies, but only based on natural attrition during a period of ten years. In 2008, there were 12,227 employees on average working in the Company. The Company is the largest employer in the region of Eastern Slovakia and Košice.

The rewarding of employees, who participate in the achievement of excellent results in various areas through their quality work, is also a part of the Company's culture. This includes regular lunch meetings of the Company's President with employees achieving the best results in occupational safety, quality or cost reduction areas, various events including summer and winter games, as well as reciprocal filling of positions and exchange of employees between Slovak, American and Serbian operations. The Company has carefully formulated social and health care programs for employees and regularly discusses their modifications with the representatives of three union organizations (METALURG, Kovo and the Independent Christian Trade Union of Slovakia).

The Company realizes that its demanding objectives can only be fulfilled through its employees. The Company gives its employees social and economic benefits, good salaries, and conditions to assure comprehensive personal development. The principles of the Code of Ethical Business Conduct, that all employees receive when signing their employment contract, are considered to be the foundation of the trust necessary for the long-term success of the Company. The Code of Ethical Business Conduct defines the acceptable standards of employee conduct in areas such as discrimination, sexual harassment, unauthorized and unethical practices, protection of economic competition, conflict of interests, and political involvement.

VPLYV ČINNOSTI SPOLOČNOSTI NA ŽIVOTNÉ PROSTREDIE

Ochrana životného prostredia je ďalším z hlavných strategických princípov Spoločnosti. Základné záväzky Spoločnosti v tejto oblasti sú zakotvené v Environmentálnej politike, ktorá bola pripravená v súlade s normami EN ISO radu 14001. Systém environmentálneho manažérstva (EMS) bol postupne implementovaný vo všetkých divíznych závodoch Spoločnosti. Toto úsilie vyústilo v roku 2003 úspešnou medzinárodnou certifikáciou EMS spoločnosti U. S. Steel Košice, s.r.o. podľa EN ISO 14001 v rozsahu šiestich finalizujúcich divíznych závodov. Certifikácia bola v roku 2006 úspešne obhájená a certifikujúca spoločnosť TÜV NORD vydala Spoločnosti nový medzinárodný certifikát EMS podľa EN ISO 14001:2004 s platnosťou do 8. novembra 2009.

Od roku 2000 Spoločnosť investovala do desiatok ekologických projektov približne 300 mil. USD, z toho v rokoch 2006 – 2008 najmä do hermetizácie prevádzky Chémia, primárneho odprášenia na Oceliarni č. 2, odprášenia odlievárne Vysokej pece č. 1, rekonštrukcie filtrov a denitrifikácie energetických kotlov, modernizácie neutralizačnej stanice na Studenej valcovni, ako aj skládky nie nebezpečných odpadov. Výsledkom projektov na ochranu ovzdušia bolo zníženie tuhých znečisťujúcich látok o viac než 80 % na tonu vyrobenej ocele. V oblasti ochrany vôd sa znížil podiel odpadových vôd na tonu ocele. Na úseku odpadového hospodárstva Spoločnosť dlhodobo vykazuje vysoký trend zhodnocovania odpadov a znižovania relatívneho podielu technologických odpadov na tonu ocele.

V súvislosti s plnením záväzkov Kjótskeho protokolu na znižovanie skleníkových plynov začala od roku 2005 platiť na Slovensku schéma Európskej únie pre obchodovanie s emisiami CO_2. Súvisiace informácie sú uvedené v poznámke 29 priloženej individuálnej účtovnej závierky .

V júni 2007 vstúpila do platnosti nová legislatíva REACH (Registrácia, hodnotenie, autorizácia a obmedzovanie chemikálií), ktorá okrem iného vyžaduje, aby každá chemická látka predávaná na trhoch EÚ bola registrovaná v Európskej chemickej agentúre. Spoločnosť U. S. Steel Košice, s.r.o. vytvorila tím s cieľom zabezpečiť plnenie požiadaviek legislatívy REACH. Spoločnosť spolupracuje aj so svojimi obchodnými partnermi i ďalšími výrobcami železa a ocele v pracovných skupinách EUROFER a EUROSLAG, ktorých cieľom je získať spoločný výklad nariadení, vytvoriť spoločný postup a následne znížiť náklady na registráciu.

Spoločnosť priebežne monitoruje a pravidelne informuje verejnosť o množstvách emisií a kvalite odpadových vôd v týždenníku Oceľ východu i na svojej webovej stránke www.usske.sk.

IMPACT OF THE COMPANY ON ENVIRONMENT

Environmental protection is another of the Company's strategic business drivers. The Company's main commitments are stated in the Environmental Policy, which was prepared in compliance with the EN ISO 14001 standards. The Environmental Management System (EMS) was implemented in all division plants of the Company. In 2003, this effort resulted in successful international certification of Company's environmental management system in compliance with EN ISO 14001, covering the six finishing plants. This certification was successfully renewed in 2006, and a new international EMS certificate in compliance with EN ISO 14001:2004 was issued by the certification company TÜV NORD, which is valid until 8 November 2009.

Since 2000, the Company has invested about USD 300 million into dozens of ecological projects, including specifically between the years 2006 and 2008 the isolation of the Chemicals division, primary de-dusting systems at Steel Plant No.2, de-dusting of the casting hall at Blast Furnace No.1, reconstruction of the NOx filters for the power plant boilers, modernization of the neutralizing station at the Cold Rolling Mill, and the creation of new landfills for non-hazardous waste. Air protection projects have resulted in a decrease of total solid particulates by over 80 percent per ton of steel produced. In the area of water protection, the proportion of waste water per ton of steel has been reduced. In waste management, the Company has shown a strong long term trend in recycling of waste and reducing the proportion of technical waste relative to each ton of steel produced.

With respect to the Kyoto Protocol commitments for reducing greenhouse gas emissions, in 2005 the CO_2 Emissions Trading Scheme of the European Union became effective in Slovakia. Related information is disclosed in Note 29 of the accompanying separate financial statements.

A new legislation called REACH (Registration, Evaluation and Authorization of Chemicals) became effective in June 2007, which requires inter alia that every chemical substance sold on the European markets is to be registered with the European Chemicals Agency. U. S. Steel Košice, s.r.o. has set up a team to ensure compliance with REACH legislation requirements. The Company also works with its business partners and other iron and steel producers in the EUROFER and EUROSLAG working groups to ensure that the regulations are commonly understood and to establish a common approach and subsequently reduce costs of registration.

The Company continuously monitors emissions and regularly informs the public about emission volumes and waste water quality in the weekly newspaper Oceľ východu and on its web site www.usske.sk.

VPLYV ČINNOSTI SPOLOČNOSTI NA KOMUNITU A REGIÓN

U. S. Steel Košice, s.r.o. uznáva a akceptuje svoju pozíciu zodpovedného partnera voči komunite a je popredným prispievateľom k ekonomickému, environmentálnemu a sociálnemu vývoju Košíc a východného Slovenska.

Spoločnosť prispieva na projekty komunity hlavne v oblasti zdravotníctva, vzdelania, charity, športu a kultúry priamo ako aj prostredníctvom svojej nadácie **Nadácia U. S. Steel Košice**, ktorá bola založená v roku 2002. Prioritou Spoločnosti v oblasti darovania je hlavne zameranie sa na pomoc a podporu tých, ktorí sú priamo závislí na takejto pomoci, najmä detské domovy a zdravotne postihnutí, ako aj organizácie a združenia, ktoré sa zaoberajú sociálnymi a charitatívnymi aktivitami.

Za svoje filantropické aktivity boli spoločnosti U. S. Steel Košice, s.r.o. udelené ocenenia **U. S. State Department Award for Corporate Excellence** a **Pontis Foundation's Via Bona Slovakia**.

IMPACT OF THE COMPANY ON COMMUNITY AND REGION

U. S. Steel Košice, s.r.o recognizes and accepts its role as a responsible community partner and is a leading contributor to the economic, environmental and social development of Kosice and Eastern Slovakia.

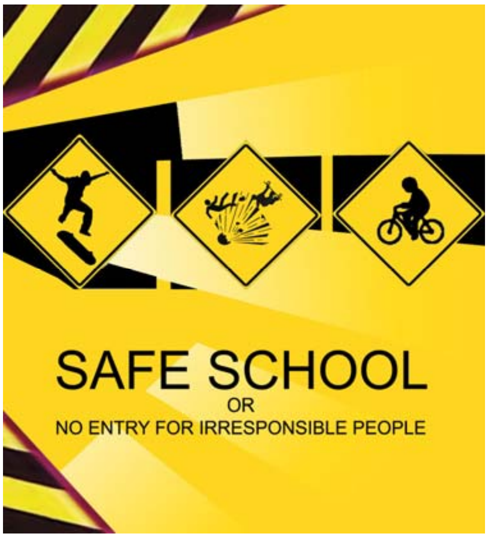
*The Company supports community projects mainly in healthcare, education, charity, sports and culture areas either directly or through its foundation **U. S. Steel Košice Foundation**, which was established in 2002. The Company's priorities in the area of donations focus primarily on assisting and supporting those who are directly dependent on such support, especially foster homes and handicapped people, as well as organizations and associations involved in social and charity activities.*

*U. S. Steel Košice, s.r.o. was awarded the **U. S. State Department's Award for Corporate Excellence**, and the **Pontis Foundation's Via Bona Slovakia A**ward for its philanthropic activities.*

Vplyv na komunitu a región v oblasti bezpečnosti

Spoločnosť považuje otázku bezpečnosti za tak dôležitú, že sa rozhodla šíriť myšlienku bezpečného správania nie iba medzi vlastnými zamestnancami Spoločnosti, ale taktiež medzi mladými ľuďmi, študentmi a širokou verejnosťou.

V školskom roku 2006/2007 spoločnosť U. S. Steel Košice, s.r.o. otvorila nový grantový program „*V školách bezpečnejšie*“. Cieľom tohto projektu bolo implementovať do škôl špecifické opatrenia za účelom zvýšenia bezpečnosti študentov a učiteľov. Výberová komisia zložená zo špecialistov z oblastí vzdelávania, bezpečnosti práce a mimovládnych organizácií vybrala v apríli 2007 päť víťazných projektov z celkových 70-tich, ktoré Spoločnosť podporila sumou 1 mil. Sk. Zámery projektov sa realizovali v praxi v priebehu rokov 2007 a 2008, kedy napr. študenti Strednej filmovej školy v Košiciach natočili pre svojich rovesníkov 12 grotesiek o význame zákazových značiek a v Strednom odbornom učilišti hutníckom v Košiciach – Šaci bol zriadený kabinet BOZP ako metodické a výukové centrum pre otázky bezpečnosti.



Impact on Community and Region in Safety

The Company considers the value of safety to be so important that it decided to spread the idea of safe behavior not only among the Company's own employees but among young people, students and the general public as well.

U. S. Steel Košice, s.r.o. opened a new grant program "More Safely at Schools" in the 2006/2007 school year. The goal of this project was to implement specific measures at schools to increase the safety of students and teachers. The committee consisting of specialists in the areas of education, occupational safety and non-governmental organizations selected five winners out of a total of 70 projects in April 2007, which were supported by the Company in amount of SKK 1 million. The projects were accomplished during 2007 and 2008, when for example the students of the Secondary Film School in Košice shot twelve slapstick sketches for teenagers about traffic signs and a special safety room has been equipped at the Metallurgy Vocational School in Košice-Šaca as a methodological and educational center for safety issues.

Vplyv na komunitu a región v oblasti životného prostredia

U. S. Steel Košice, s.r.o. prostredníctvom niekoľkých ekologických projektov podporuje vývoj pozitívneho postoja k ochrane a zlepšeniu životného prostredia medzi žiakmi základných, stredných škôl a študentmi univerzít a verí, že mladá generácia, ktorá bude pokračovateľom nášho aktívneho prístupu k ochrane životného prostredia.

Kde a ako budeme žiť" je názov súťaže pre žiakov základných škôl so zameraním na ochranu vzduchu, vody a prírody prostredníctvom separovaného zberu odpadov. Žiaci sa podieľali na tejto súťaži už štvrtý rok.

„*Čo sme dosiaľ nevedeli*" je vedomostná súťaž určená pre študentov stredných škôl. Cieľom tejto súťaže je motivovať študentov k záujmu o životné prostredie, podporiť pozitívny prístup k životnému prostrediu a pomôcť si uvedomiť dôležitosť ochrany životného prostredia. Do tretieho ročníka súťaže sa v školskom roku 2007/2008 prihlásilo 83 trojčlenných tímov, ktoré odpovedali na súťažné otázky elektronickou formou v troch kolách. Na organizácii oboch súťaží Spoločnosť spolupracuje s občianskym združením Sosna.

„*Inšpirácie z kovu*" je názov medzinárodného workshopu pre študentov umenia organizovaného spoločnosťou U. S. Steel Košice, s.r.o., Technickou univerzitou v Košiciach a SOU hutníckym. Počas jedného týždňa študenti z kovového odpadu tvoria umelecké diela a prostredníctvom vystavenia svojich prác sa učia, že kov je užitočný a recyklovateľný materiál. Úlohou dizajnérov počas 7. ročníka v roku 2008 bolo vytvoriť kovový model pútača pre mesto Košice, kandidujúceho na Európske hlavné mesto kultúry 2013, s podtitulom Vitajte v Košiciach, ako i malý kovový objekt, symbolizujúci snahu o zachovanie bezpečného a zdravého prostredia. Vytvorené diela majú nielen úžitkový či dekoratívny charakter, ale tiež pomáhajú našej komunite, keďže sa niektoré z nich dražia počas plesu Spoločnosti na verejno-prospešné ciele. V roku 2007 výťažok z dražby smeroval krízovému centru Arcidiecéznej charite Košice, v roku 2008 pomohol pri výstavbe zariadenia pre nových obyvateľov košickej ZOO, tučniakov.

Impact on Community and Region in Environment

U. S. Steel Košice, s.r.o. supports development of positive attitudes toward environmental protection and improvement through several ecological projects among elementary, secondary school and college students and believes that the young generation will be the people who must continue our active sustainability approach.

"Where and how we will live" is a competition intended for elementary schools focusing on the protection of air, water and nature through waste separation and collection. The pupils have been participating in this competition project for four years.

"What we never knew until now" is a knowledge competition for secondary school students. Its objective is to motivate students to take an interest in the environment, support positive attitudes toward the environment, and help recognize the importance of its protection. In the 2007/2008 school year, 83 teams, each with three members, took part in the third year of this knowledge competition and replied to questions via electronic form in three rounds. The Company has cooperated with the civil association Sosna in the organization of both competitions.

"Metal Inspirations" is an international workshop for art college students, organized by U. S. Steel Košice, s.r.o., the Technical University of Košice and the Metallurgical Vocational School. During one week, students make artistic objects from steel scrap and by showing their artwork they learn that steel is a useful and recyclable material. In the 7th edition of this workshop in 2008, the task of the designers was to create a metal model of a billboard for the city of Košice as a candidate for the European Capital of Culture in 2013, with the subtitle Welcome to Košice, as well as a small metal object expressing the effort to sustain a safe and healthy environment. The artworks created have decorative as well as practical character and they help our community too, since they are auctioned off for public-beneficiary purposes during the Company's annual ball. The collected contributions helped the Archdiocesan Charity Košice crisis center in 2007 and helped to build a facility for new inhabitants of Košice Zoo – penguins - in 2008.

Podpora športových aktivít

Podpora Spoločnosti v oblasti športu je zameraná na tradičné športy v tomto regióne: ľadový hokej, hádzaná, futbal, basketbal a krasokorčuľovanie. Počas mnohých rokov bola Spoločnosť sponzorom miestnych profesionálnych športových klubov a tradičných podujatí, akými sú najstarší európsky maratónsky beh „Medzinárodný maratón mieru“ a tenisový turnaj „Steelers Cup“.

Spoločnosť sa v rámci sponzorského programu zameriava na detské športy a na talentovaných alebo znevýhodnených mladých športovcov. V roku 2006 Spoločnosť prišla s novým programom „Tvoja šanca hrať“, aby dala rovnakú príležitosť hokejovým, basketbalovým a futbalovým talentom zo sociálne znevýhodnených rodín. Spoločnosť naďalej aj v roku 2008 podporila deti, ktoré splnili kritéria programu tým, že im prispieva na členské poplatky a na časť ich výstroja. Za tri školské roky tak dostalo šancu rozvíjať svoj talent už viac ako 200 malých športovcov.

U. S. Steel Košice, s.r.o. tiež osobitne podporuje rozvoj detských ihrísk a športových zariadení, kde môžu deti zmysluplne stráviť svoj voľný čas, napr. viacúčelový športový areál pre deti a mládež na Alejovej ulici v Košiciach, ktorý zahŕňa amfiteáter, športové ihriská, klzisko a modelové ihrisko s dopravnými značkami, ako aj centrum na vzdelávanie v oblasti cestnej dopravy. V rokoch 2006 – 2008 Spoločnosť podporila aj otvorenie multifunkčného ihriska v areáli Strednej zdravotníckej školy v Michalovciach, Strednej priemyselnej školy hutníckej v Košiciach a ZŠ na Bruselskej ulici v Košiciach, výstavbu školskej plavárne v obci Buzica a ihriska v obci Rešica, ako i otvorenie detských ihrísk v obciach Moravany, Sokoľany, Haniska, Valaliky, Nižný Klátov i Vyšný Klátov.

Supporting Sport Activities

The Company's support for sports has been focused on traditional sports in this region: ice-hockey, handball, soccer, basketball and figure-skating. For many years the Company has been a sponsor of local professional sports clubs and traditional events such as the oldest European marathon race, the "Kosice Peace Marathon", and the "Steelers Cup" tennis tournament.

Within the donation program, the Company focuses on children's sports, and either talented or disadvantaged young athletes. In 2006, the Company came up with a new program "Your Chance to Play", to provide equal opportunities for ice-hockey, basketball and football to socially-disadvantaged families. The children, who met the program criteria were also supported by the Company in 2008 by subsidizing their club membership fees and part of their sports equipment costs. During three school years, more than 200 young athletes were given the chance to develop their talent.

U. S. Steel Košice, s.r.o. also provides special support for kids' playgrounds and sport facilities, where children can spend their free time to good purpose, e.g. the Multipurpose Sports Facility for Children & Youth on Alejova Street in Košice, which includes an amphitheatre, sports fields, an ice-rink and a model road-traffic playground as well as a training center for traffic education. Between 2006 and 2008, the Company also supported the startup of multi-functional sports-grounds at the Secondary Medical School in Michalovce, the Secondary Technical School of Metallurgy in Košice and the Bruselská Street Elementary School in Košice, a school pool in the village of Buzica and a sports-ground in the village of Rešica, as well as the opening of children's playgrounds in the villages of Moravany, Sokoľany, Haniska, Valaliky, Nižný Klátov and Vyšný Klátov.

Vplyv na komunitu a región v oblasti zdravotnej starostlivosti

Ako najväčšia spoločnosť na východnom Slovensku dostáva Spoločnosť množstvo žiadostí nemocníc a jednotlivcov o poskytnutie podpory v zdravotnej starostlivosti. Spoločnosť podporuje nemocnice poskytnutím nových zdravotných pomôcok, ktoré môžu pomôcť tisícom obyvateľom. Nielen Spoločnosť, ale aj samotní zamestnanci Spoločnosti sa podieľajú na tejto podpore. Sú veľmi štedrí počas vianočnej zbierky ako aj pri poskytnutí 2% zo svojich daní rôznym zdravotníckym zariadeniam, medzi inými Nemocnici Košice-Šaca a.s. 1. súkromná nemocnica, Fakultnej nemocnici L. Pasteura a Detskej fakultnej nemocnici v Košiciach. Spoločnosť je taktiež jedným z partnerov Ligy proti rakovine a podporuje verejnú zbierku „Deň narcisov" na prevenciu proti rakovine, jej výskum a liečbu.

Vplyv na komunitu a región v oblasti vzdelávania

V roku 2004 Spoločnosť zriadila štipendijný program na poskytovanie prístupu k vyššiemu vzdelaniu pre talentovaných študentov zo sociálne znevýhodneného prostredia v Košickom a Prešovskom kraji. Do konca akademického roka 2008/2009 dostalo 176 študentov príležitosť študovať na slovenských alebo zahraničných inštitúciách vyššieho vzdelávania. Ďalších 58 študentov si rozšírilo teoretické znalosti, praktické skúsenosti, komunikačné a manažérske zručnosti počas dvojmesačného programu „Summer Internship" v roku 2008. Spoločnosť aktívne podporuje aj stredné odborné technické školstvo, zapája sa do legislatívneho procesu upravujúceho stredné odborné vzdelávanie a motivuje študentov vybraných študijných odborov k lepším študijným výsledkom poskytovaním štipendií a zabezpečením praxe vo výrobných prevádzkach.

Impact on Community and Region in Health Care

The Company, as the biggest company in Eastern Slovakia, receives many requests from both hospitals and individuals for support in medical care. The Company has been supporting hospitals with new medical equipment which can bring benefits to thousands of inhabitants. Not only the Company itself but its employees participate in this support. They are very generous during Christmas cash collections as well as when donating their 2% tax contribution to various health-care institutions, inter alia the Hospital Košice-Šaca a.s. 1st private hospital, L. Pasteur University Hospital and Children's University Hospital in Košice. The Company is also one of the Anti-Cancer League partners in public fundraising the "Daffodil Day" for cancer prevention, its research and treatment.

Impact on Community and Region in Education

In 2004 the Company established a Scholarship Program to provide access to higher education for talented students with socially disadvantaged backgrounds in the Košice and Prešov regions. By the end of the academic year 2008/2009, 176 students have been given the chance to study at Slovak or foreign institutions of higher education. In addition, another 58 students extended their theoretical knowledge, practical experience, communication and managerial skills by participating in the Company's two-month "Summer Internship" program in 2008. The Company actively supports secondary technical or specialist schools and is involved in the legislative process concerning the modification of secondary specialist education and motivates students in selected study disciplines to achieve better results by providing them with scholarships and arranging work experience for them in our production plants.

Podpora komunity v oblasti sociálnej starostlivosti

U. S. Steel Košice, s.r.o. upriamuje svoju pomoc v sociálnej oblasti najmä na podporu detských domovov, domovov sociálnych služieb a domovov dôchodcov. Spoločnosť dlhodobo spolupracuje s Arcidiecéznou charitou Košice a zmierňuje osudy ľudí v ťažkých životných situáciách. Spoločnosť pripravila a podporuje projekty ako Stromček prianí alebo Vianočný charitatívny stánok.

Podpora rómskej komunity

U. S. Steel Košice, s.r.o. od roku 2002 v spolupráci s obcou Veľká Ida, mestskou časťou Košice–Šaca a občianskym združením Romintegra 7777, pôsobiacim na košickom sídlisku Luník IX, realizuje špeciálny projekt zamestnávania Rómov s názvom „*Rovnosť príležitostí – Práca pre Rómov*". Prostredníctvom tohto projektu sa zabezpečila práca približne 150 Rómom. V ôsmom ročníku súťaže Zamestnávateľ ústretový k rodine, rodovej rovnosti a rovnosti príležitostí získala spoločnosť U. S. Steel Košice, s.r.o. špeciálne ocenenie Ministerstva práce, sociálnych vecí a rodiny Slovenskej republiky za vytvorenie a dlhodobú udržateľnosť tohto projektu. Spoločnosť okrem toho podporila zriadenie novej multimediálnej učebne s cieľom motivovať rómskych žiakov k ďalšiemu vzdelávaniu.

Community Support in Social Care

U. S. Steel Košice, s.r.o. directs its assistance into the social sphere, especially supporting children's foster homes, social service centers and retirement homes. For many years the Company has been in cooperation with the Archdiocesan Charity in Košice, making life easier for people in difficult situations. The Company prepared and supports projects such as the Tree of Wishes and the Christmas Charity Hut.

Supporting Roma Community

Since 2002, U. S. Steel Košice, s.r.o. has been working with the village council of Veľká Ida, the city ward of Šaca, and the Romintegra 7777 Civil Association active within the Lunik IX residential area in Košice, running a special project for employing Romas with the name "Equal Opportunities – Work for Romas". Through this project, jobs have been provided for about 150 Romas. In the 8th year of the "Employer who Supports Family, Gender Equality and Equality of Opportunities" competition, U. S. Steel Košice, s.r.o. was given a special award by the Ministry of Labor, Social Affairs and Family of Slovak Republic for creation and long-term sustainability of this project. The Company also established a new multimedia schoolroom with the aim to motivate Roma students for further education.

VYBRANÉ FINANČNÉ INFORMÁCIE

Súvaha

Vybrané položky súvahy (v mil. EUR) za posledné tri roky sú:

	31.12.2008	31.12.2007	31.12.2006
Dlhodobý hmotný majetok	962	919	895
Nehmotný majetok	190	22	77
Ostatný neobežný majetok	49	74	120
Zásoby	418	315	291
Pohľadávky	393	470	512
Ostatný obežný majetok	122	98	100
Aktíva celkom	**2 134**	**1 898**	**1 995**

	31.12.2008	31.12.2007	31.12.2006
Vlastné imanie	1 171	1 398	1 520
Krátkodobé záväzky	567	397	328
Bankové úvery	202	-	-
Ostatné pasíva	194	103	147
Pasíva celkom	**2 134**	**1 898**	**1 995**

Výkaz ziskov a strát

Vybrané položky výkazu ziskov a strát (v mil. EUR) za posledné tri roky sú:

	2008	2007	2006
Tržby a ostatné výnosy	3 094	2 881	2 675
Zisk z prevádzkovej činnosti	383	479	566
Čistý zisk za rok	341	403	479

SELECTED FINANCIAL INFORMATION

Balance Sheet

Selected balance sheet items (in EUR million) for the last three years are:

	31 Dec 08	*31 Dec 07*	*31 Dec 06*
Property, Plant and Equipment	*962*	*919*	*895*
Intangible Assets	*190*	*22*	*77*
Other Non-Current Assets	*49*	*74*	*120*
Inventories	*418*	*470*	*291*
Accounts Receivable	*393*	*98*	*512*
Other Current Assets	*122*	*1,898*	*100*
Total Assets	***2,134***	***919***	***1,995***

	31 Dec 08	*31 Dec 07*	*31 Dec 06*
Equity	*1,171*	*1,398*	*1,520*
Accounts Payable	*567*	*397*	*328*
Bank Loans	*202*	*-*	*-*
Other Liabilities	*194*	*103*	*147*
Total Liabilities	***2,134***	***1,898***	***1,995***

Income Statement

Selected income statement items (in EUR million) for the last three years are:

	2008	*2007*	*2006*
Revenues and Other Income	*3,094*	*2,881*	*2,675*
Operating Profit	*383*	*479*	*566*
Profit for the year	*341*	*403*	*479*

NÁVRH NA ROZDELENIE HOSPODÁRSKEHO VÝSLEDKU ZA ROK 2008

	v tis. EUR
Zisk za rok 2008	**340 658**
Nerozdelený zisk minulých rokov	174 058
Nerozdelený zisk spolu pred výplatou podielu na zisku	**514 716**
Zvýšenie základného imania po konverzii na euro	- 251 515
Návrh na podiel na zisku pre U. S. Steel Global Holdings I B.V.	- 240 000
Nerozdelený zisk spolu po výplate podielu na zisku a zvýšení základného imania	**23 201**

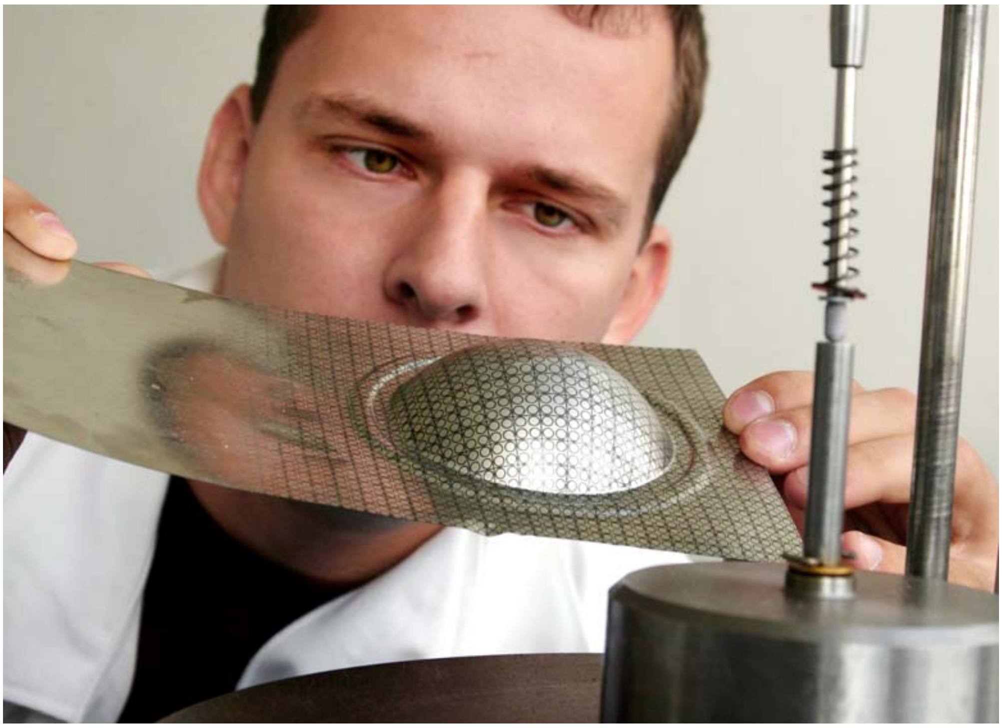
PROPOSAL OF 2008 PROFIT DISTRIBUTION

	in EUR thousand
Profit for 2008	***340,658***
Undistributed profit from previous years	*174,058*
Total undistributed profit before dividends	***514,716***
Increase in base capital as a result of conversion to euro	*(251,515)*
Proposed Dividends for U. S. Steel Global Holdings I B.V.	*(240,000)*
Total undistributed profit after dividends and increase of base capital	***23,201***

VYBRANÉ EKONOMICKÉ INFORMÁCIE A VÝZNAMNÉ UDALOSTI V ROKU 2008

Kvalita

Uplatňovanie programov zameraných na kvalitu produkcie vytvára predpoklady pre zlepšovanie ekonomickej výkonnosti a zvyšovanie schopnosti konkurovať na domácom a medzinárodných trhoch. Medzinárodnú certifikáciu systému manažérstva kvality (QMS) podľa EN ISO 9001 získal v roku 1992 Divízny závod Teplá valcovňa spoločnosti U. S. Steel Košice, s.r.o. ako prvý závod v strednej a východnej Európe. Spoločnosť je certifikovaná podľa medzinárodných štandardov EN ISO 9001, podľa ISO/TS 16949 pre automobilový priemysel a podľa American Petroleum Institute (API) Spec. Q1 pre rúry. V Spoločnosti je tiež v procese implementácie systému manažérstva bezpečnosti a ochrany zdravia pri práci. V súvislosti s orientáciou na výrobky s vysokou pridanou hodnotou Spoločnosť v roku 2008 vyvinula a úspešne homologizovala nové akosti pozinkovaných plechov, pripravených na mieru pre významných svetových výrobcov automobilov.



SELECTED ECONOMIC INFORMATION AND SIGNIFICANT EVENTS IN 2008

Quality

Implementation of the programs focused on production quality creates conditions to increase economical efficiency and the ability to compete in domestic and foreign markets. In 1992, U. S. Steel Košice, s.r.o. was the first facility in Central and Eastern Europe that received international Quality Management System (QMS) certification in accordance with EN ISO 9001 for the Hot Rolling Mill Division Plant. The Company is certified in compliance with the international EN ISO 9001, ISO/TS 16949 standards for the automotive industry and American Petroleum Institute (API) Spec. Q1 for pipes. An occupational health and safety management system is also being implemented in the Company. In connection with the focus on products with higher added value, in 2008 the Company developed and successfully tested and qualified some new grades of galvanized sheets cut to size for some of the world's most important automobile manufactures.

Výskum a vývoj

Orientácia na potreby a spokojnosť zákazníkov je ďalším zo základných princípov podnikania Spoločnosti Výrobcovia automobilov, elektrických motorov, domácich spotrebičov, obalových a konštrukčných produktov majú náročné požiadavky, preto obchodníci pri skvalitňovaní poskytovaných služieb pravidelne spolupracujú s ostatnými organizačnými zložkami. Dôležité miesto medzi nimi má aj Centrum výskumu a vývoja Spoločnosti, ktorý je zodpovedný za zdokonaľovanie výrobných technológií a vlastností produktov, čo zákazníci oceňujú. V máji 2008 získali výskumníci Cenu primátora mesta Košice za vývoj protikoróznych pasivačných roztokov bez šesťmocného chrómu, ktoré sú prínosom pre životné prostredie. O výsledky ich práce prejavili záujem aj iné firmy. Metalurgické laboratórium získalo v auguste 2007 od Slovenskej národnej akreditačnej služby (SNAS) osvedčenie o spôsobilosti vykonávať vybrané skúšky a mikroštrukturálne analýzy uznávané na Slovensku i v zahraničí. V roku 2008 SNAS akreditovala Chemické laboratórium útvaru Riaditeľa pre pracovnú zdravotnú službu Spoločnosti a udelila osvedčenie o akreditácii útvaru Generálneho manažéra pre environment Spoločnosti, ktoré potvrdzuje spôsobilosť vykonávať chemické a fyzikálnochemické skúšky ako aj odbery vzoriek odpadových, povrchových a podzemných vôd.

Research and Development

Focusing on customer needs and satisfaction is another of the Company's strategic business drivers. Manufacturers of automobiles, electric motors, household appliances, packaging and construction materials have very demanding requirements, so the sales staff regularly work together with other organizational units in the Company to improve the quality of the services they provide. One of the most important roles is played by the Research and Development Center of the Company, responsible for perfecting production technology and product characteristics, which is well appreciated by our customers. In May 2008, the research staff was awarded the Košice City Mayor's Prize for developing anti-corrosion passivation solutions without hexavalent chrome, which is a benefit to the environment. Other firms have also expressed interest in their work. In August 2007, the Metallurgy Laboratory received a certificate of capability from the Slovakian National Accreditation Service (SNAS) for carrying out selected tests and microstructure analyses, which are recognized in Slovakia and abroad. In 2008, the Chemical Laboratory part of the Director of Occupational Health Service Unit of the Company received a certificate of capability from SNAS and also the General Manager Environment Unit of the Company received a certificate of capability from SNAS for carrying out chemicals and physical-chemical tests as well as taking of samples from sewerage waters, surface and underground waters.

Výrobná kapacita

Ročná kapacita produkcie surového železa predstavuje 4,5 mil. ton. V roku 2008 Spoločnosť vyrobila 4,1 mil. ton ocele v brámach (v rokoch 2007 a 2006: 4,7 mil. ton). Produkcia v roku 2008 bola ovplyvnená plánovanou generálnou opravou Vysokej pece č. 1 a dôsledkami celosvetovej finančnej a ekonomickej krízy.

Trhové podmienky a obchodná stratégia

Spoločnosť pôsobí primárne na trhoch strednej a západnej Európy a podlieha trhovým podmienkam v týchto oblastiach. Niektoré faktory ako globálny dopyt po produktoch, trhové ceny výrobkov, ceny a dostupnosť vstupných surovín a energií, zmeny v legislatíve, fluktuácia kurzov mien a rôzne opatrenia medzinárodného obchodu ovplyvňujú trhové podmienky, náklady, dodávky a ceny produktov Spoločnosti.

Obchodnou stratégiou je:
- maximalizácia predaja výrobkov s pridanou hodnotou
Zvýšenie predaja výrobkov s pridanou hodnotou pre sofistikovaný sektor: obalový, elektrotechnický, spotrebný, stavebný a automobilový priemysel.
- udržanie a rozšírenie našej pozície na našom domácom trhu
Maximalizovať náš predaj na trhoch strednej Európy a Balkánu – na teritóriách so silným ekonomickým rastom a potenciálom.

Production Capacity

Annual pig iron production capability is currently 4.5 million tons. In 2008, the Company produced 4.1 million tons of steel slabs (in 2007 and 2006: 4.7 million tons). Production in 2008 was influenced by the planned rebuilding of Blast Furnace No.1 and the impacts of the global finance and economic crisis.

Market Conditions and Commercial Strategy

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

Commercial strategy is to:
- Maximize sales of value added products
Increase the sales of value added products to the sophisticated sectors: packaging, electro-technical, appliance, construction and automotive industries.
- Defend and expand our position in our domestic markets
Maximize our sales to Central Europe and the Balkan – territories with strong economic growth and potential.

Investície

Zvýšiť produktivitu prevádzok Spoločnosti bolo hlavným cieľom od momentu akvizície. V roku 2000 sa Spoločnosť zaviazala investovať počas nasledujúcich desiatich rokov približne 700 mil. USD do zlepšenia výrobnej výkonnosti a schopnosti vyrábať produkty s vyššou pridanou hodnotou, do ekologických projektov a do skvalitnenia infraštruktúry. Tento záväzok bol splnený v roku 2006 a všetky ďalšie investície idú nad rámec pôvodných dohôd. Najväčšou investíciou bola výstavba tretej pozinkovacej linky, ktorá bola slávnostne spustená do prevádzky v septembri 2007 za účasti dodávateľov i potenciálnych odberateľov. Zariadenie s ročnou kapacitou 350 000 ton zvyšuje konkurencieschopnosť Spoločnosti na trhu s vysokokvalitnými plechmi pre automobilový, spotrebný a stavebný priemysel.

Capital Expenditures

Increased efficiency in the Company's operations has been a principal goal since the moment of acquisition. In 2000, the Company committed to invest approximately USD 700 million over the next ten years into increasing production performance and the capability to produce higher added value products, into ecological projects and into improving the quality of the infrastructure. This commitment was fulfilled in 2006, and all further capital expenditures are made above and beyond the originally-agreed commitment. The biggest capital expenditure project was the building of the third galvanizing line, which started operation in September 2007 with a ceremony attended by the contractors and potential customers. This facility, with an annual capacity of 350,000 tons, makes the Company more competitive in the market for high-quality sheets for the automobile, appliances and construction industries.

VÝZNAMNÉ UDALOSTI PO SKONČENÍ ÚČTOVNÉHO OBDOBIA 2008

Významné udalosti, ktoré nastali po súvahovom dni sú uvedené v poznámke 31 priloženej individuálnej účtovnej závierky.

SIGNIFICANT EVENTS AFTER 2008 BALANCE SHEET DATE

Other significant events occurred after the balance sheet date are disclosed in Note 31 of the accompanying separate financial statements.

PREDPOKLADANÝ VÝVOJ V ROKU 2009

Súčasné nestále globálne ekonomické prostredie a znížený dopyt vo všetkých segmentoch na európskych trhoch významne zvýšilo celkové riziko a negatívne ovplyvnilo podnikanie Spoločnosti. Predpokladať, resp. úplne čeliť celkovému rozsahu dopadu pretrvávajúcej finančnej krízy je zložité. V súčasnosti nie je možné spoľahlivo predpovedať vplyv zmien na trhoch na finančnú situáciu Spoločnosti v budúcnosti, avšak vedenie Spoločnosti verí, že za súčasných okolností prijíma všetky potrebné opatrenia na podporu udržateľnosti a rastu podnikania Spoločnosti. Priority sú sústredené v oblastiach maximalizácie likvidity, redukcie nákladov a efektívneho využívania zdrojov tak, aby Spoločnosť bola úspešná v dlhodobom horizonte.

EXPECTED DEVELOPMENT IN 2009

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

U. S. Steel Košice, s.r.o.

Separate financial statements
for the year ended 31 December 2008

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

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

PRICEWATERHOUSECOOPERS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of U. S. Steel Košice, s.r.o. ("the Company"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as of 31 December 2008, 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 aud...
SKAU
Č.licencie 161
PricewaterhouseCoopers Slov...

Ing. Peter Mrnka
SKAU licence No.: 975

Bratislava, 29 May 2009

Translation note:

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

U. S. Steel Košice, s.r.o.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

U. S. Steel Košice, s.r.o.

Separate financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards as adopted by the European Union have been approved and authorized for issue by the statutory representatives of the Company on 29 May 2009. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, 29 May 2009

RNDr. Miroslav Kiraľvarga, MBA	William C. King	Ing. Silvia Gaálová, FCCA	Ing. Adam Dudič, ACCA
Vice President Management Services and Administration (statutory representative)	Senior Vice President and Chief Financial Officer (statutory representative)	General Manager Accounting (responsible for accounting)	Director Accounting Compliance and External Reporting (responsible for financial statements preparation)

Table of Contents

(All amounts are in thousands of EUR)

BALANCE SHEET

	Note	31 December 2008	31 December 2007
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**962,176**	919,013
Intangible assets	6	**189,962**	21,614
Investments	7	**14,628**	15,359
Long-term receivables	11	**-**	521
Financial assets available-for-sale		**259**	259
Deferred income tax asset	8	**23,177**	49,834
Other non-current assets	9	**11,123**	8,120
Total non-current assets		**1,201,325**	**1,014,720**
Current Assets			
Inventories	10	**418,013**	315,039
Short-term receivables	11	**392,873**	469,685
Derivative financial instruments	12	**14,415**	63
Current income tax receivable	25	**6,421**	-
Cash and cash equivalents	13	**98,782**	96,049
Other current assets	14	**2,283**	2,526
Total current assets		**932,787**	883,362
Total Assets		**2,134,112**	**1,898,082**
EQUITY AND LIABILITIES			
Equity			
Base capital	15	**587,842**	587,842
Other reserves	15	**68,388**	61,485
Retained earnings		**514,716**	749,058
Total Equity		**1,170,946**	**1,398,385**
Liabilities			
Non-Current Liabilities			
Long-term loans and borrowings	16	**202,425**	-
Long-term provisions for liabilities and charges	17	**17,338**	18,794
Long-term employee benefits payable	18	**16,153**	14,740
Total non-current liabilities		**235,916**	**33,534**
Current Liabilities			
Trade and other payables	19	**567,141**	396,688
Current income tax liability	25	**-**	26,555
Derivative financial instruments	12	**4,879**	539
Deferred income		**8**	9
Short-term provisions for liabilities and charges	17	**151,181**	6,954
Short-term employee benefits payable	18	**4,041**	35,418
Total current liabilities		**727,250**	**466,163**
Total Liabilities and Equity		**2,134,112**	**1,898,082**

The accompanying notes on pages 8 to 54 are an integral part of these financial statements.

(All amounts are in thousands of EUR)

INCOME STATEMENT

	Note	2008	2007
Revenue	20	**2,823,330**	2,871,718
Other income	20	**270,548**	9,247
Materials and energy consumed	21	**(1,780,653)**	(1,687,359)
Salaries and other employees benefits	22	**(264,614)**	(297,378)
Depreciation and amortization	5, 6	**(79,239)**	(80,944)
Repairs and maintenance		**(89,954)**	(67,354)
Transportation services		**(121,562)**	(129,723)
Advisory services		**(18,506)**	(17,072)
Foreign exchange gains		**22,899**	15,548
Impairment loss – CO_2 emissions allowances	6	**(99,196)**	(6,723)
Other operating expenses	23	**(279,849)**	(130,847)
Profit from Operations		**383,204**	**479,113**
Finance income	24	**7,508**	13,397
Finance cost	24	**(7,985)**	(2,323)
Profit Before Tax		**382,727**	**490,187**
Income tax expense	25	**(42,069)**	(87,268)
Profit After Tax		**340,658**	**402,919**

(All amounts are in thousands of EUR)

STATEMENT OF CHANGES IN EQUITY

	Base capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2008	**587,842**	**61,485**	**749,058**	**1,398,385**
Hedging reserve including deferred tax	-	6,899	-	**6,899**
Other	-	4	-	**4**
Net income recognized directly in equity	-	6,903	-	**6,903**
Profit for 2008	-	-	340,658	**340,658**
Total recognized income	**-**	**6,903**	**340,658**	**347,561**
Contribution to legal reserve fund	-	**-**	**-**	**-**
Dividends	-	-	(575,000)	**(575,000)**
	-	**-**	**(575,000)**	**(575,000)**
Balance as of 31 December 2008	**587,842**	**68,388**	**514,716**	**1,170,946**

	Base capital	Other reserves	Retained earnings	Total
Balance as of 1 January 2007	**587,842**	**60,796**	**871,682**	**1,520,320**
Other	-	146	-	**146**
Net income recognized directly in equity	-	146	-	**146**
Profit for 2007	-	-	402,919	**402,919**
Total recognized income	**-**	**146**	**402,919**	**403,065**
Contribution to legal reserve fund	-	543	(543)	**-**
Dividends	-	-	(525,000)	**(525,000)**
	-	**543**	**(525,543)**	**(525,000)**
Balance as of 31 December 2007	**587,842**	**61,485**	**749,058**	**1,398,385**

(All amounts are in thousands of EUR)

CASH FLOW STATEMENT

	Note	Total	
		2008	**2007**
Profit before tax		**382,727**	490,187
Adjustments for			
Depreciation	5	**77,392**	78,801
Amortization	6	**1,847**	2,143
Amortization of deferred income from CO_2 emission allowances	20	**(264,990)**	(4,877)
Charge for provision for CO_2 emissions emitted	17	**137,633**	291
Impairment loss – CO_2 emission allowances	6	**99,196**	6,723
Investment impairment reversals		**565**	-
Losses / (gains) on disposal of property, plant and equipment		**4,339**	(512)
Gains on disposal of investments and financial assets available-for-sale		**-**	(3)
Gains from liquidation of subsidiary		**(819)**	(238)
Gains from fair value changes of derivative financial instruments		**(1,681)**	-
Losses from fair value changes of other financial instruments		**-**	3,569
Dividend income	24	**(5,664)**	(3,188)
Interest income	24	**(1,793)**	(10,138)
Interest expense	24	**7,985**	2,323
Foreign exchange losses on operating activities		**(201)**	2,022
Changes in working capital			
Increase in inventories	10	**(102,974)**	(23,682)
Decrease in trade and other receivables and other current assets		**74,074**	40,836
(Decrease) / increase in trade and other payables and other current liabilities		**(57,821)**	49,408
Cash generated from operations		**349,815**	633,665
Interest paid		**(3,391)**	(176)
Income taxes paid		**(49,584)**	(49,144)
Net cash generated from operating activities		**296,840**	**584,345**
Cash flows from investing activities			
Acquisition of subsidiary		**-**	(104)
Purchases of property, plant and equipment	5	**(129,779)**	(105,859)
Proceeds from sale of property, plant and equipment		**6,130**	974
Purchases of intangible assets	6	**(6,044)**	(14,662)
Proceeds from sale of financial assets available-for-sale		**-**	151
Proceeds from sale or liquidation of subsidiary		**1,105**	248
Interest received		**1,934**	9,966
Dividends received		**6,069**	2,667
Net cash (used in) / provided by investing activities		**(120,585)**	**(106,619)**
Cash flows from financing activities			
Proceeds from borrowings		**230,000**	-
Repayment of borrowings		**(30,000)**	-
Dividends paid to the Company's shareholder		**(373,522)**	(475,112)
Net cash used in financing activities		**(173,522)**	**(475,112)**
Net increase in cash and cash equivalents		**2,733**	**2,614**
Cash and cash equivalents at beginning of year	13	**96,049**	93,435
Cash and cash equivalents at end of year	13	**98,782**	**96,049**

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

Note 1 General Information

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

The Company's registered address is:

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

Business activities of the Company

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

Liability in other business entities

The Company as a shareholder has no unlimited liability in other business entities.

Average number of staff

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

The Company's management

Statutory representatives as of 31 December 2008 were as follows:

George F. Babcoke (eff. 18 March 2008)	President
William Clyde King	Senior Vice President and Chief Financial Officer
Matthew Burnis Perkins	Vice President Operations
Peter Joseph Alvarado (eff. 1 May 2008)	Vice President Commercial
Ing. Anton Jura	General Manager – U. S. Steel Canada Inc.
RNDr. Miroslav Kiraľvarga	Vice President Management Services and Administration
John Frederick Wilson	General Counsel
Andrew Stewart Armstrong	Vice President BSC - Europe
Patrick James Mullarkey	Vice President Technology
Ing. Martin Pitorák	Vice President Human Resources

Emoluments of statutory representatives are disclosed in Note 30.

Shareholder of the Company

As of 31 December 2008, the only shareholder of the Company was U. S. Steel Global Holdings I B.V., Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands. The shareholder owns a 100% share of the base capital, representing 100% of voting rights.

The General Meeting approved the Company's separate financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period on 11 June 2008.

Consolidated Group

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

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

Note 2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements (hereinafter "the financial statements") are set out below. These policies have been consistently applied to all the periods presented.

2.1 Statement of Compliance

These financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of 31 December 2008 and effective for annual periods then ended.

2.2 Basis of Preparation

The Act on Accounting effective in the Slovak Republic requires the Company to prepare financial statements for the year ended 31 December 2008 in compliance with IFRS as adopted by the EU.

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

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

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

2.3 Foreign Currency Translations

Functional and presentation currency

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

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

Transactions and balances

Until 31 December 2008, the Company kept its books and records in the Slovak koruna, which was different from its functional currency. Transactions in currencies other than the Slovak koruna were translated into the Slovak koruna using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the Slovak koruna, and from the translation of monetary assets and liabilities denominated in currencies other than the Slovak koruna at year-end exchange rates are recognized in the income statement. At the time the Company prepared these financial statements all amounts were translated into the functional currency in accordance with *IAS 21 The Effects of Changes in Foreign Exchange Rates.* This translation produced materially the same amounts in the functional currency as would have occurred had the items been recorded initially in the functional currency. On 19 June 2008, the European Council approved the Slovak Republic's entry into the Eurozone as of 1 January 2009. Effective 1 January 2009, the accounting books and records are kept in functional currency euro.

2.4 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.

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

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

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

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

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

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

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

The residual values and useful lives for assets are reviewed and adjusted, if appropriate, at each balance sheet date.

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

2.5 *Intangible Assets*

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

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

Research and development costs

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

Software

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

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

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

Emissions allowances

Purchased emission allowances are recognized as intangible assets and measured at acquisition costs.

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

As no amount has been paid to acquire this intangible asset, it was recognized in compliance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* as deferred income on the acquisition date and subsequently recognized as income on a straight-line basis over the compliance period for which the emissions allowances have been allocated, regardless of whether the emissions allowances are held or sold. Effective 1 January 2008, the Company has changed the method of amortization from "Volume of Emission Produced", which was based on the actual number of emissions emitted for the year, to "Straight-Line" method as it believes that this change better reflects the substance and nature of the transaction. The adjustment to the comparative information is not material and therefore was not made.

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

The intangible asset representing the emissions allowances is carried at market value with revaluation surplus recorded in equity. Revaluation decreases are recorded as an impairment loss in the income statement to the extent that they exceed the revaluation surplus previously recorded in equity. Emissions allowances that are not used by the end of the National Allocation Plan period are written off.

2.6 Impairment of Property, Plant and Equipment and Intangible Assets

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

2.7 Borrowing Costs

Borrowing costs are expensed as incurred. Interest expense is recognized in the income statement on a time proportion basis using the effective interest method.

2.8 Accounting for Leases

Leases of assets are classified as

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

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

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

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

2.9 Investments

Subsidiaries

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

Associates

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

2.10 Financial Assets

The Company classifies its financial assets in the following categories: loans, receivables, financial assets at fair value through profit or loss 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.

Loans and receivables

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

Financial assets at fair value through profit and loss

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

Derivatives are categorized as held for trading unless they qualify for hedge accounting (see 2.23). 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 of the balance sheet date.

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 of the balance sheet date.

Recognition and measurement of financial assets

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

Loans and receivables are measured at amortized cost using the effective interest method, net of provision made for impairment, if any. Financial assets at fair value through profit and loss are measured at fair value. Financial assets available-for-sale are measured at cost because their fair value can not be reliably determined.

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

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.

2.11 Inventories

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

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

2.12 Cash and Cash Equivalents

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

2.13 Equity and Reserves

Equity and liabilities

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

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

Reserves

(a) Legal reserve fund

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

(b) Other reserve funds

Other reserve funds include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting (Note 2.23) and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the corresponding assets, the cumulative revaluation reserves are transferred to retained earnings. The transfer is not made through the income statement.

2.14 *Financial Liabilities*

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

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 balance sheet date.

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

2.15 *Dividends*

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

2.16 *Government Grants*

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

2.17 *Provisions*

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

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

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

2.18 *Current and Deferred Income Tax*

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

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

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

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

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

2.19 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 the income statement 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. Employees of the Company are entitled to benefits at retirement, upon acquiring the entitlement to an old age pension, an invalidity (disability) pension or a pension for years of service as follows:

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

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

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

Work and life jubilees

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

The liability in respect of the work and life jubilee benefits plan represents the present value of the defined benefit obligation as of the balance sheet date 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 or credited to income when incurred. Amendments to the work and life jubilees benefit plan are charged or credited to income immediately.

Termination benefits

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

Profit sharing and bonus plans

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

2.20 Revenue Recognition

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

Sale of own production and goods

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

Rendering of services

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

Interest income

Interest income is recognized using the effective interest method.

Dividend income

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

2.21 Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

As the Company's operations do not have significantly different risks and returns, and the regulatory environment, the nature of its services, business processes and types of customers for its products and services are homogenous for all its activities, the Company operates as a single business and geographical segment unit.

In addition, in accordance with *IAS 14 Segment reporting*, no segment reporting is presented in these financial statements because the Company has not issued any debt or equity securities that are publicly traded.

2.22 Contingent Liabilities and Contingent Assets

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

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

2.23 Accounting for Derivative Financial Instruments

Derivative financial instruments, mainly short-term currency contracts, are initially recognized in the balance sheet 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 income statement.

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 reported in profit or loss.

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

Hedge Accounting

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

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 balance sheet date 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 income statement

2.24 Fair Value Estimation

The fair value of publicly traded derivatives is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. Where quoted market prices are not available the fair value is determined using estimation techniques if appropriate.

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

2.25 Events After the Balance Sheet Date

Events after the balance sheet date that provide additional information about the Company's financial position as of the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

2.26 Reclassifications

Certain reclassifications of prior year's data have been made to conform to the current year presentation.

Note 3 Significant Accounting Estimates and Judgments

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

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

Functional currency of the Company

The Company's functional currency has been determined to be the euro based on the underlying economic conditions and operations. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Company evaluates among other factors, the sources of revenue, risks associated with activities and denomination of currencies of its operations. The Company based its judgment on the fact that it operates internationally on markets mainly influenced by the euro and its major activity is the sale of steel in Western and Central Europe. Also, a majority of capital expenditures and a significant portion of costs are denominated in the euro. Moreover, on 19 June 2008, the European Council approved the Slovak Republic's entry into the Eurozone as of 1 January 2009. Effective 1 January 2009, the Slovak Republic introduced the euro as its national currency at a conversion rate of 30.1260 Slovak koruna per one euro.

Impact of economic crisis

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

Estimated useful life of property, plant and equipment

The average useful life of depreciable property, plant and equipment represents approximately 16 years (2007: 17 years). A revision of the average useful life by 1 year would change the annual depreciation charge by EUR 5 million (2007: EUR 3 million).

Impairment of property, plant and equipment

U. S. Steel Košice, s.r.o. evaluates impairment of its property, plant and equipment whenever circumstances indicate that the carrying value exceeds its recoverable amount. The change in business conditions in the fourth quarter of 2008 was considered to be an indicator as defined by *IAS 36 Impairment of Assets* and subsequently the Company's assets were tested for impairment. The tested assets include property, plant and equipment (Note 2.4) and intangible assets excluding emission allowances, which are measured at fair value (Note 2.5). The Company is considered to be a cash generating unit as whole. Asset impairments are recognized when the carrying value of the assets exceeds their value in use. Discounted cash flows for the assets were calculated using conservative estimates of future market conditions over the average estimated useful life of the assets and discount rate of 10%. The testing did not indicate that the assets were impaired as of 31 December 2008. However, if future cash flow projections are not realized, either because of an extended recessionary period or other unforeseen events, impairment charges may be required in future periods. A 10 % change in the discount rate would not result in recognition of an impairment. The sensitivity of other variables can not be reliably quantified because the change in any input would, at the same time, result in a change of other variables, however, management of the Company believes that such change would not result in an impairment.

Spare parts

As stated in Note 2.4 major spare parts and stand-by equipment are capitalized to property, plant and equipment. The capitalization threshold to qualify as major spare parts was determined by management to be EUR 10 thousand (2007: EUR 10 thousand). Their useful life was derived from average useful life of related property, plant and equipment and estimated to be 7 years. If the threshold increased to EUR 30 thousand, the net income would decrease by EUR 11 million (2007: EUR 7 million). Change in the estimated useful life by 1 year would change the net income by EUR 4 million (2007: EUR 2 million).

Net realizable value of inventories

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

Taxation

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

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

Employee benefits

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

The appropriate assumptions are determined by U. S. Steel actuaries at the end of each year. Additional information is disclosed in Note 2.19 and Note 18.

Note 4 New Accounting Pronouncements

Standards, amendments and interpretations effective in 2008

The following standards, amendments and interpretations to published standards are effective in 2008 but they are not relevant or do not have any material implications to the financial statements of the Company:

IAS 39 (Amendment) Reclassification of Financial Assets: Effective Date and Transition (effective for periods on or after 1 July 2008). The amendment clarifies effective date and transition requirements of IAS 39 and IFRS 7. It permits entities in certain circumstances to reclassify non-derivative financial assets out of the held-for-trading category and the available-for-sale category at fair value on the date of reclassification. The amendment has not yet been endorsed by the EU. The Company has not early adopted the amended standard and does not expect any material financial statements implications relating to the adoption of this amended standard in the future.

IFRIC 11, IFRS 2 – Group and treasury share transactions (effective for periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation does not have any material implications on these separate financial statements.

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because it does not provide for public sector services.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (effective for periods beginning on or after 1 January 2008). IFRIC 14 provides guidance on assessing the limit on the amount of the surplus of pension plan that can be recognized as an asset in accordance with IAS 19. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The interpretation does not have any material implications on these separate financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on 1 January 2009:

IAS 1 (Amendments) Presentation of Financial Statements: a Revised Presentation (effective for periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income, which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Company has not early adopted the standard and it will apply amended IAS 1 from 1 January 2009.

IAS 23 (Amendment) Borrowing Costs (effective for periods beginning on or after 1 January 2009). IAS 23 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The Company has not early adopted the amended standard and is currently assessing financial statements implications relating to the adoption of the amended standard in the future.

IFRS 8 Operating Segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard *SFAS 131 Disclosures about Segments of an Enterprise and Related Information*. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Company has not early adopted the standard and does not expect any financial statements implications relating to the adoption of this standard in the future.

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

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

IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009). The amended standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognized in income statement. The amended standard has not yet been endorsed by the EU. The Company has not early adopted the amended standard and does not expect any material financial statements implications relating to the adoption of this amended standard in the future.

IAS 32 and IAS 1 (Amendments) Puttable Financial Instruments and Obligations Arising on Liquidation (effective for periods beginning on or after 1 January 2009). The amendments require classification as equity of some financial instruments that meet the definition of a financial liability. The Company has not early adopted the amended standards and does not expect any material financial statements implications relating to the adoption of these amended standards in the future.

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

The management of the Company has assessed effects of the annual projects *Improvements to IFRSs* as published by IASB in May 2008 and *Improvements to IFRSs* as published by IASB in April 2009. *Improvements to IFRSs* issued in April 2009 have not yet been endorsed by the EU. The Company has not early adopted the amendments and does not expect any material financial statements implications relating to the adoption of these improvements in the future.

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

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

IFRS 7 (Amendment) Improving Disclosures about Financial Instruments (effective for periods beginning on or after 1 January 2009). The amendment amends and adds disclosures about fair value measurement and liquidity risk. It requires entities to classify fair value measures they use into three categories similar to US GAAP requirements: quoted prices, other observable market data and unobservable inputs. Other disclosures to be provided include analysis of fair value amounts by these categories, transfers between the categories, movements between opening and closing balances and sensitivity analysis. Changes in disclosures relating to liquidity risk include different approach for maturity analysis of derivative financial liabilities. The amendment has not yet been endorsed by the EU. The Company has not early adopted the amendment and does not expect any material financial statements implications relating to the adoption of this amendment in the future.

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

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

IFRIC 15 – Agreements for the Construction of Real Estate (effective for periods beginning on or after 1 January 2009). IFRIC 15 provides guidance whether revenue from construction of real estate is recognized in compliance with IAS 11

Construction Contracts of IAS 18 Revenue. It specifies that IAS 11 applies if the buyer is able to specify major structural elements of the design of the real estate before construction begins or when construction is in progress. If the buyer has only limited ability to influence the design then the revenue is recognized in accordance with IAS 18. Percentage of completion method also applies even if the agreement is within the scope of IAS 18 but the control and significant risks and rewards of the ownership of the real estate is being transferred as work progresses. This interpretation has not yet been endorsed by the EU. The interpretation is not relevant to the Company.

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

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

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

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

Note 5 Property, Plant and Equipment

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

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

The movement in property, plant and equipment during 2007 is as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
1 January 2007	**339,338**	**807,767**	**20,162**	**14,751**	**1,182,018**
Additions	-	-	-	105,859	**105,859**
Disposals	(862)	(2,542)	(1,216)	(277)	**(4,897)**
Transfers to base	10,852	86,339	2,289	(99,480)	**-**
31 December 2007	**349,328**	**891,564**	**21,235**	**20,853**	**1,282,980**
Accumulated Depreciation and Impairment Losses					
1 January 2007	**(43,579)**	**(228,832)**	**(14,872)**	**-**	**(287,283)**
Depreciation for the year	(8,669)	(66,966)	(3,166)	-	**(78,801)**
Other additions	(747)	(1,517)	(56)	-	**(2,320)**
Disposals	679	2,542	1,216	-	**4,437**
31 December 2007	**(52,316)**	**(294,773)**	**(16,878)**	**-**	**(363,967)**
Net book value	**297,012**	**596,791**	**4,357**	**20,853**	**919,013**

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of 31 December 2008 and 31 December 2007.

<u>Insurance</u>

Property, plant and equipment are insured by Generali Slovensko poisťovňa, a. s. The insurance covers damage caused by theft, disaster and other causes of machinery failure while maximum insurance compensation for one insurance claim is USD 750 million (i.e. EUR 532 million using the exchange rate as of balance sheet date) (2007: USD 600 million (i.e. EUR 408 million using the exchange rate as of 31 December 2007)). Compensation sublimits for individual risks are specified in the insurance contract. Own participation is USD 25 million per claim.

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

Note 6 Intangible Assets

The movement in intangible assets during 2008 is as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
1 January 2008	**15,253**	**7,390**	**828**	**17,409**	**40,880**
Additions	-	264,990	-	6,044	**271,034**
Disposals	(42)	(7,390)	(684)	(1,173)	**(9,289)**
Transfers to base	1,696	-	29	(1,725)	**-**
31 December 2008	**16,908**	**264,990**	**173**	**20,555**	**302,625**
Accumulated Amortization and Impairment Losses					
1 January 2008	**(11,604)**	**(7,099)**	**(563)**	**-**	**(19,266)**
Amortization for the year	(1,825)	-	(22)	-	**(1,847)**
Disposals	40	7,099	507	-	**7,646**
Impairment losses	-	(99,196)	-	-	**(99,196)**
31 December 2008	**(13,389)**	**(99,196)**	**(78)**	**-**	**(112,663)**
Net book value	**3,518**	**165,794**	**95**	**20,555**	**189,962**

The movement in intangible assets during 2007 is as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
1 January 2007	**13,785**	**260,872**	**579**	**4,577**	**279,813**
Additions	-	4,870	-	14,662	**19,532**
Disposals	(4)	(258,459)	(2)	-	**(258,465)**
Transfers to base	1,472	107	251	(1,830)	**-**
31 December 2007	**15,253**	**7,390**	**828**	**17,409**	**40,880**
Accumulated Amortization and Impairment Losses					
1 January 2007	**(9,545)**	**(192,489)**	**(485)**	**-**	**(202,519)**
Amortization for the year	(2,063)	-	(80)	-	**(2,143)**
Disposals	4	192,113	2	-	**192,119**
Impairment losses	-	(6,723)	-	-	**(6,723)**
31 December 2007	**(11,604)**	**(7,099)**	**(563)**	**-**	**(19,266)**
Net book value	**3,649**	**291**	**265**	**17,409**	**21,614**

No intangible assets were pledged in favor of a creditor or restricted in its use as of 31 December 2008 and 31 December 2007.

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

Insurance

Intangible assets are not insured.

Emissions allowances

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

The balances included in the balance sheet in respect of the emissions allowances are as follows:

	31 December 2008	31 December 2007
Emissions allowances (intangible asset)	**165,794**	291
Liability for the obligation to deliver allowances (provision) (Note 17)	**137,633**	291

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 165,794 thousand as of 31 December 2008 (31 December 2007: EUR 291 thousand). Events after the balance sheet date are disclosed in Note 31.

Note 7 Investments

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

The Company had following investments in subsidiaries and associates:

Entity	Place of incorporation	Principal activities	Ownership interest as of		Carrying value as of	
			31 December 2008	31 December 2007	31 December 2008	31 December 2007
Subsidiaries						
ELEKTROSERVIS VN a VVN, a.s. (1)	Slovakia	Maintenance	**- %**	100.00 %	**-**	54
U. S. Steel Košice – Labortest, s.r.o.	Slovakia	Testing laboratory	**99.97 %**	99.97 %	**2,250**	2,130
U.S. Steel Košice – SBS, s.r.o.	Slovakia	Security services	**98.00 %**	98.00 %	**34**	34
VULKMONT, a.s. Košice	Slovakia	Maintenance and vulcanization services	**100.00 %**	100.00 %	**604**	550
Refrako s.r.o.	Slovakia	Refractory production	**99.98 %**	99.98 %	**4,565**	4,565
Reliningserv s.r.o.	Slovakia	Refractory services	**99.95 %**	99.95 %	**1,390**	1,390
U. S. Steel Services s.r.o.	Slovakia	Various services	**99.96 %**	99.96 %	**1,804**	1,804
OBAL-SERVIS, a.s. Košice	Slovakia	Packaging	**100.00 %**	100.00 %	**1,304**	1,304
U. S. Steel Kosice – Belgium S.A.	Belgium	Steel trading	**100.00 %**	100.00 %	**-**	-
U.S. Steel Košice–Bohemia a.s.	Czech Republic	Steel trading	**100.00 %**	100.00 %	**536**	536
U.S. Steel Kosice – France S.A.	France	Steel trading	**99.94 %**	99.94 %	**212**	212
U.S. Steel Kosice–Germany GmbH	Germany	Steel trading	**100.00 %**	100.00 %	**1,463**	2,393
U.S. Steel Kosice – Austria GmbH	Austria	Steel trading	**100.00 %**	100.00 %	**365**	-
U. S. Steel Kosice Switzerland AG in liquidation (2)	Switzerland	Steel trading	**- %**	100.00 %	**-**	286
Associate						
U.S. STEEL KOSICE (UK) LIMITED	Great Britain	Steel trading	**50.00 %**	50.00 %	**101**	101
Total					**14,628**	**15,359**

(1) ELEKTROSERVIS VN a VVN, a.s. merged with VULKMONT, a.s. Košice on 1 January 2008.
(2) U. S. Steel Kosice Switzerland AG in liquidation dissolved on 28 February 2008.

In 2008, the Company increased carrying value of the investment in:

- U. S. Steel Košice – Labortest, s.r.o. by contribution of property, plant and equipment totaling EUR 120 thousand effectively 1 March 2008,

- VULKMONT, a.s. Košice by merger with ELEKTROSERVIS VN a VVN, a.s. totaling EUR 54 thousand effectively 1 January 2008.

Change in carrying value as of 31 December 2008 of U.S. Steel Kosice–Germany GmbH and U.S. Steel Kosice – Austria GmbH relates to adjustments made in provision for impairment to the investments.

U. S. Steel Kosice Switzerland AG in liquidation dissolved effective 28 February 2008.

Equity as of 31 December 2008 and the 2008 profit / (loss) of the subsidiaries, together with comparative figures for the previous accounting period, are shown in the following table (in thousands of currency):

Entity	Currency	Profit / (loss) for		Equity as of	
		2008	**2007**	**31 December 2008**	**31 December 2007**
ELEKTROSERVIS VN a VVN, a.s. [(1)]	SKK	**-**	6,723	**-**	22,974
U. S. Steel Košice – Labortest, s.r.o.	SKK	**(2,944)**	6,370	**121,918**	126,984
U.S. Steel Košice – SBS, s.r.o.	SKK	**5,694**	5,565	**18,754**	23,105
VULKMONT, a.s. Košice [(2)]	SKK	**28,889**	24,464	**161,395**	120,527
Refrako s.r.o.	SKK	**(7,598)**	20,123	**325,975**	339,173
Reliningserv s.r.o.	SKK	**8,129**	15,487	**113,921**	107,889
U. S. Steel Services s.r.o.	SKK	**8,203**	(20,689)	**61,652**	53,449
OBAL-SERVIS, a.s. Košice	SKK	**46,730**	61,586	**226,024**	211,394
U. S. Steel Kosice – Belgium S.A.	EUR	**(32)**	(32)	**(1,629)**	(1,596)
U.S. Steel Košice–Bohemia a.s.	CZK	**487**	18,872	**52,233**	70,586
U.S. Steel Kosice – France S.A. [(4)]	EUR	**170**	51	**418**	299
U.S. Steel Kosice–Germany GmbH	EUR	**238**	395	**1,463**	3,689
U.S. Steel Kosice – Austria GmbH	EUR	**61**	179	**365**	288
U. S. Steel Kosice Switzerland AG in liquidation [(3)]	CHF	**-**	454	**-**	1,714

[(1)] ELEKTROSERVIS VN a VVN, a.s. merged with VULKMONT, a.s. Košice on 1 January 2008.
[(2)] 2007 profit of VULKMONT, a.s. Košice includes also pre-merger profit of ENERGOSERVIS a.s. Košice for 10 months period.
[(3)] U. S. Steel Kosice Switzerland AG in liquidation dissolved on 28 February 2008.
[(4)] Financial information for 2008 is unaudited.

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

	2008[(1)]	**2007**
Total assets	**20,664**	28,187
Equity	**1,394**	1,497
Total revenues	**64,640**	66,072
Profit for the period	**1,461**	1,316

[(1)] Financial information for 2008 is unaudited.

Company's ownership interests in subsidiaries and the associate were not pledged as of 31 December 2008 and 31 December 2007.

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

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

Note 8 Deferred Income Taxes

Differences between IFRS as adopted by the EU and Slovak taxation regulations give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed in the following table and is recorded at the rate of 19% (2007: 19%):

	1 January 2008	Recognized in income	Recognized in equity	31 December 2008
Property, plant and equipment	19,385	(1,415)	-	**17,970**
Inventories	4,851	878	-	**5,729**
Employee benefits	7,534	(4,536)	-	**2,998**
Deferred charges	2,090	(1,370)	-	**720**
Bad debt provisions	454	1,109	-	**1,563**
Tax credit	16,806	(16,806)	-	**-**
Emission allowances transactions	-	(5,351)	-	**(5,351)**
Other items	(1,286)	2,267	(1,433)	**(452)**
Total	**49,834**	**(25,224)**	**(1,433)**	**23,177**
Deferred tax asset	49,834			**23,177**
Deferred tax liability	-			**-**

	1 January 2007	Recognized in income	Recognized in equity	31 December 2007
Property, plant and equipment	31,590	(12,205)	-	**19,385**
Inventories	3,791	1,060	-	**4,851**
Employee benefits	3,084	4,450	-	**7,534**
Deferred charges	2,164	(74)	-	**2,090**
Bad debt provisions	718	(264)	-	**454**
Tax credit	58,311	(41,505)	-	**16,806**
Emission allowances transactions	83	(83)	-	**-**
Other items	(885)	(401)	-	**(1,286)**
Total	**98,856**	**(49,022)**	**-**	**49,834**
Deferred tax asset	98,856			**49,834**
Deferred tax liability	-			**-**

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

	31 December 2008	31 December 2007
Deferred tax to be realized within 12 months	**18 269**	38,619
Deferred tax to be realized after 12 months	**4 908**	11,215

The Company had no unrecognized potential deferred tax assets as of 31 December 2008 and 31 December 2007.

<u>Tax credit</u>

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

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

The provisions of the Slovak Income Tax Act permit the Company to claim a tax credit of 100% of its income tax liability for the years 2000 through 2004 and 50% for the years 2005 through 2009. As a result of conditions imposed when the Slovak Republic joined the European Union (EU) and which were amended by a September 2004 settlement agreement with the EU, the total tax credit granted to the Company for the period 2000 through 2009 was limited to USD 430 million, substantially all of which has been used as of 31 December 2008 (the unused balance as of 31 December 2007: USD 25 million (i.e. EUR 17 million using the exchange rate as of 31 December 2007)). The terms of Slovak Republic's accession to the EU September 2004 settlement also limited the Company's annual production of flat-rolled products and its sale of these products into the EU and the September 2004 settlement additionally required the Company to make two income tax prepayments of USD 16 million each to the Slovak Government in 2004 and 2005, respectively.

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

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

Note 9 Other Non-Current Assets

	31 December 2008	31 December 2007
Cash restricted in its use (Note 27)	**11,121**	8,117
Loans to employees	**2**	3
Total	**11,123**	**8,120**

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

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

Note 10 Inventories

	31 December 2008	31 December 2007
Raw materials	**212,655**	168,851
Work-in-progress	**48,066**	37,249
Semi-finished production	**63,884**	28,360
Finished products	**88,165**	77,718
Merchandise	**5,243**	2,861
Total	**418,013**	**315,039**

The inventory items are shown net of write-down allowance resulting from lower net realizable value or slow-moving inventory totaling EUR 8,350 thousand (31 December 2007: EUR 3,351 thousand). No inventories were pledged or restricted in use as of 31 December 2008 and 31 December 2007.

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

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

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
1 January 2008	**531**	**1,767**	**891**	**162**	**-**	**3,351**
Allowance made	597	6,824	6,533	3,003	-	**16,957**
Allowance used	(645)	(4,751)	(4,668)	(290)	-	**(10,354)**
Allowance reversed	-	(1,255)	(237)	(112)	-	**(1,604)**
31 December 2008	**483**	**2,585**	**2,519**	**2,763**	**-**	**8,350**

	Raw materials	Work in progress	Semi-finished production	Finished products	Merchandise	Total
1 January 2007	**808**	**1,021**	**1,214**	**80**	**-**	**3,123**
Allowance made	524	3,391	1,194	290	-	**5,399**
Allowance used / reversed	(801)	(2,645)	(1,517)	(208)	-	**(5,171)**
31 December 2007	**531**	**1,767**	**891**	**162**	**-**	**3,351**

Note 11 Trade and Other Receivables

	31 December 2008	31 December 2007
Trade receivables	**295,559**	333,483
Related party accounts receivable (Note 30)	**65,218**	106,080
Total trade receivables (Note 28)	**360,777**	**439,563**
Advance payments made	**2,222**	8,990
VAT receivable	**50,837**	34,904
Other receivables	**1,154**	2,256
Trade and other receivables (gross)	**414,990**	**485,713**
Less provision for impairment	**(22,117)**	(15,507)
Trade and other receivables (net)	**392,873**	**470,206**
Long-term receivables	**-**	521
Short-term receivables	**392,873**	469,685

No receivables of the Company were pledged in favor of a bank or other entities as of 31 December 2008 and 31 December 2007. The maximum credit risk exposure at the balance sheet date is the carrying value of each class of receivable mentioned above. Information about collateral or other credit enhancements and overall credit risk of the Company is disclosed in Note 27.

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

	31 December 2008	31 December 2007
SKK	**9,951**	21,665
EUR	**315,584**	348,431
USD	**24,537**	37,715
other	**10,705**	31,752
Total	**360,777**	**439,563**

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

The structure of trade receivables is as follows:

	31 December 2008	31 December 2007
Receivables not yet due and not impaired	**235,533**	296,731
Receivables past due but not impaired	**41,149**	25,266
Receivables individually impaired	**18,877**	11,486
Trade receivables	**295,559**	**333,483**
Receivables not yet due and not impaired	**21,249**	67,176
Receivables past due but not impaired	**40,920**	35,679
Receivables individually impaired	**3,049**	3,225
Related party accounts receivable	**65,218**	**106,080**
Total	**360,777**	**439,563**

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

	31 December 2008	31 December 2007
No or low-risk counterparties	**167,469**	196,134
Marginal or high-risk counterparties	**68,064**	100,597
Trade receivables	**235,533**	**296,731**
No or low-risk counterparties	**3,038**	7,771
Marginal or high-risk counterparties	**18,211**	59,405
Related party accounts receivable	**21,249**	**67,176**
Total	**256,782**	**363,907**

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

	31 December 2008	31 December 2007
Past due 0 – 30 days	**30,155**	23,820
Past due 30 – 90 days	**9,775**	1,357
Past due 90 – 180 days	**1,219**	89
Trade receivables	**41,149**	**25,266**
Past due 0 – 30 days	**7,360**	19,986
Past due 30 – 90 days	**11,773**	15,057
Past due 90 – 180 days	**21,787**	636
Related party accounts receivable	**40,920**	**35,679**
Total	**82,069**	**60,945**

Ageing structure of trade receivables individually impaired is as follows:

	31 December 2008	31 December 2007
Past due 0 – 30 days	**5,860**	-
Past due 30 – 90 days	**6,259**	-
Past due 90 – 180 days	**383**	-
Past due 180 – 365 days	**21**	89
Past due over 365 days	**6,354**	11,397
Trade receivables	**18,877**	**11,486**
Past due 180 – 365 days	**1,124**	109
Past due over 365 days	**1,925**	3,116
Related party accounts receivable	**3,049**	**3,225**
Total	**21,926**	**14,711**

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

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

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
1 January 2008	**11,486**	**3,225**	**784**	**12**	**15,507**
Provision made	14,506	1,515	83	6	**16,110**
Receivables written-off	(6,032)	(750)	(680)	-	**(7,462)**
Provision reversed	(1,083)	(941)	(4)	(10)	**(2,038)**
31 December 2008	**18,877**	**3,049**	**183**	**8**	**22,117**

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
1 January 2007	**14,320**	**5,100**	**1,408**	**391**	**21,219**
Provision made	970	1,094	86	21	**2,171**
Receivables written-off	(2,861)	-	(490)	-	**(3,351)**
Provision reversed	(943)	(2,969)	(220)	(400)	**(4,532)**
31 December 2007	**11,486**	**3,225**	**784**	**12**	**15,507**

Accounts receivable totaling EUR 7,481 thousand were written off in 2008 (2007: EUR 3,363 thousand).

Note 12 Derivative Financial Instruments

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

The Company applied hedge accounting effective 1 January 2008. The ineffective portion recognized in the 2008 profit or loss arising from cash flow hedges as of 31 December 2008 amounted to a gain of EUR 1,994 thousand.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the Other reserve funds in equity (Note 15) on forward foreign exchange contracts as of 31 December 2008 will be recognized in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the balance sheet date.

The aggregate fair values of derivative financial assets can fluctuate significantly from time to time. The table below sets out fair values, as of balance sheet date, of the Company's forward foreign exchange contracts:

	31 December 2008		31 December 2007	
	Assets	Liabilities	Assets	Liabilities
foreign exchange forwards – cash flow hedges	**11,845**	**4,303**	-	-
foreign exchange forwards – non-effective hedges	**2,570**	**576**	-	-
foreign exchange forwards held for trading	**-**	**-**	63	539
Total	**14,415**	**4,879**	**63**	**539**

Balances as of 31 December 2008 and 31 December 2007 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Company has entered into forward foreign exchange contracts with ING Bank N.V., Citibank (Slovakia) a.s., The Bank of Nova Scotia, PNC Bank, RBS/Citizens Bank and Fifth Third Bank as of 31 December 2008 and ING Bank N.V., Citibank (Slovakia) a.s. and Slovenská sporiteľňa, a.s. as of 31 December 2007. The rating of the banks is available on their internet websites.

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

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

	31 December 2008	31 December 2007
payable on settlement in EUR thousand	**(257,840)**	(71,500)
receivable on settlement in SKK thousand	**-**	1,734,914
receivable on settlement in USD thousand	**375,600**	28,444

Note 13 Cash and Cash Equivalents

	31 December 2008	31 December 2007
Cash on hand	**2**	33
Cash at bank	**98,780**	96,016
Total (Note 28)	**98,782**	**96,049**

Cash at bank earned approx. 1.2% p.a. for EUR deposits, 2.7% p.a. for SKK deposits and 0.0% p.a. for USD deposits as of 31 December 2008 (31 December 2007: 3.4% p.a. for EUR deposits, 2.0% p.a. for SKK deposits and 4.6% p.a. for USD deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances at the bank accounts are not material.

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

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

Note 14 Other Current Assets

The balance of other current assets represents prepaid expenses totaling EUR 2,283 thousand as of 31 December 2008 (31 December 2007: EUR 2,526 thousand).

Note 15 Equity

Base capital

The Company's registered and fully paid in capital is EUR 587,842 thousand (SKK 25,286 million). The Company does not have unregistered increased base capital as of 31 December 2008. There were no changes in base capital during 2008 and 2007. Events after the balance sheet date are disclosed in Note 31.

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

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve fund	Other reserve funds	Total
1 January 2008	**44**	**58,784**	**2,657**	**61,485**
Changes in fair value of hedging derivatives	-	-	6,903	**6,903**
31 December 2008	**44**	**58,784**	**9,560**	**68,388**

	Other capital funds	Legal reserve fund	Other reserve funds	Total
1 January 2007	**44**	**58,241**	**2,511**	**60,796**
Contribution to legal reserve fund	-	543	-	**543**
other	-	-	146	**146**
31 December 2007	**44**	**58,784**	**2,657**	**61,485**

The total distributable earnings of the Company represent EUR 514,716 thousand as of 31 December 2008 (31 December 2007: EUR 749,058 thousand). As a result of the conversion to euro (see Note 31 Events After the Balance Sheet Date), total retained earnings of the Company available for distribution as of 31 December 2008 decreased by EUR 251,515 thousand on 1 January 2009, which consists of the difference between historical amount and converted amount of base capital.

The profit for 2007 totaling EUR 402,919 thousand was fully transferred to retained earnings.

Dividends

Dividends from 2007 IFRS net income totaling EUR 575 million were approved for distribution in June 2008. Dividends from 2006 IFRS net income totaling EUR 525 million were approved for distribution in June 2007. Declared but unpaid dividends totaled EUR 275,372 thousand as of 31 December 2008 (31 December 2007: EUR 73,894 thousand) (Notes 19 and 30). Dividends are payable in any currency requested by the shareholder. No dividends from 2008 net income were approved by the date when these financial statements were authorized for issue.

Note 16 Loans and Borrowings

	31 December 2008	31 December 2007
3 months borrowing	**50,602**	-
6 months borrowing	**151,823**	-
	202,425	**-**
Current portion of the borrowings	**-**	-
Non-current portion of the borrowings	**202,425**	-

As of 2 July 2008, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank, N.V. London Branch. Interest on borrowings under the facility is based on spread over EURIBOR, and the agreement contains customary terms and conditions. As of 31 December 2008, two borrowings, which were denominated in EUR, were drawn against this facility. Carrying amounts of the borrowings as of 31 December 2008 is measured at amortized costs. Fair value of the borrowings as of 31 December 2008 approximates their carrying amounts.

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

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

Note 17 Provisions for Liabilities and Charges

Movement in provisions for liabilities and charges was as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
1 January 2008	**20,969**	**4,125**	**291**	**363**	**25,748**
Provision made	4,129	1,324	137,633	3,415	**146,501**
Provision used / reversed	(2,117)	(993)	(291)	(329)	**(3,730)**
31 December 2008	**22,981**	**4,456**	**137,633**	**3,449**	**168,519**
Long-term provisions	17,338	-	-	-	**17,338**
Short-term provisions	5,643	4,456	137,633	3,449	**151,181**

	Landfill	Litigation	CO_2 emissions	Other	Total
1 January 2007	**19,280**	**7,899**	**66,352**	**166**	**93,697**
Provision made	1,689	-	291	413	**2,393**
Provision used / reversed	-	(3,774)	(66,352)	(216)	**(70,342)**
31 December 2007	**20,969**	**4,125**	**291**	**363**	**25,748**
Long-term provisions	18,794	-	-	-	**18,794**
Short-term provisions	2,175	4,125	291	363	**6,954**

Movement of provisions caused by passage of time (i.e. accretion expense) in 2008 and 2007 was considered to be immaterial.

Landfill

Provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Act on Waste. In 2008, the Company has been operating three landfills; two for non-hazardous waste and one for hazardous waste. For two landfills, which were operated since 2002 with expected closure by 31 December 2008, the provision was updated as a result of change in estimate of closure costs and extension of the operating period for hazardous waste landfill until 31 December 2010. The change in future cash flows resulted in a decrease of the provision. In addition, a new landfill for non-hazardous waste, the closure of which is expected by 31 December 2023, was transferred to base in 2008. The provision totaling EUR 2.8 million was recognized for the new landfill. The short-term portion relates to cash outflows that are expected to be settled within 12 months. Events after the balance sheet date are disclosed in Note 31.

Litigation

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

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

CO_2 emissions

A provision was recognized for CO_2 emissions emitted in 2008. It is calculated as a multiple of estimated volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Energy Stock Exchange. The provision was charged to Other operating expenses (Note 23). Amortization of related deferred income is recognized in Other income (Note 20).

Other

Other provisions include provisions for warranty and other business risks.

Note 18 Employee Benefits Obligations

Employee retirement obligation

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

Work and life jubilees

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

Termination benefit

For 1,458 employees of the Company who accepted a voluntary early retirement program during the fourth quarter of 2007, the termination benefit expense totaling EUR 38,288 thousand was recorded in 2007 income statement, of which EUR 38,109 thousand was recorded under Salaries and other employee benefits (Note 22). The 2007 expense amount was reversed in 2008 by EUR 1,820 thousand. 644 employees left the Company prior to 31 December 2007; the remaining employees left the Company during 2008. The liability totaled EUR 4,133 thousand as of 31 December 2008 (31 December 2007: EUR 35,418 thousand).

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

	2008	2007
1 January	**50,158**	**16,193**
Total expense charged in the income statement – pension	**2,901**	(250)
Total expense charged in the income statement – jubilee	**932**	380
Total expense charged in the income statement – termination	**955**	38,288
Benefits paid	**(34,752)**	(4,453)
31 December	**20,194**	**50,158**
Long-term employee benefits payable	**16,153**	14,740
Short-term employee benefits payable	**4,041**	35,418

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

The amounts recognized in the balance sheet are determined as follows:

	31 December 2008	31 December 2007
Present value of the obligation – pension	**8,104**	5,809
Present value of the obligation – jubilee	**5,774**	5,452
Present value of the obligation – termination	**4,041**	35,418
Unrecognized actuarial gains	**2,352**	3,655
Unrecognized past service costs	**(77)**	(176)
Total liability in the balance sheet	**20,194**	**50,158**

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

	2008	2007
Current service costs – pension	**1,253**	(1,687)
Current service costs – jubilee	**291**	(213)
Current service costs – termination	**(1,820)**	38,109
Interest costs	**979**	1,020
Net actuarial losses / (gains) recognized	**(380)**	593
Foreign exchange losses	**4,465**	596
Total	**4,788**	**38,418**

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

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

	2008	2007
Discount rate	**6.00%**	5.75%
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover [1]	**max 5.00%**	max 5.00%

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

Profit sharing and bonus plans

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

Defined contribution pension plan

Throughout the year, the Company made contributions to the mandatory government and private defined contribution plans amounting to 24.8% (2007: 21.4%) of gross salaries up to a monthly salary ceiling between SKK 28 thousand to SKK 75 thousand until 30 June 2008, respectively SKK 30 thousand to SKK 81 thousand after this date (until 30 June 2007: SKK 26 thousand to SKK 52 thousand, after this date SKK 28 thousand to SKK 56 thousand). The amount of contributions made is presented in Note 22.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company made contributions to the supplementary scheme amounting up to 2.0% from the monthly accounted wage in 2008 (2007: 2.0%).

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

Note 19 Trade and Other Payables

	31 December 2008	31 December 2007
Trade payables	**102,722**	134,654
Related party accounts payable (Note 30)	**88,961**	34,208
Assigned trade payables	**3,831**	8,525
Uninvoiced deliveries and other accrued expenses	**60,959**	108,043
Trade payables and accruals (Note 28)	**256,473**	**285,430**
Advance payments received	**891**	2,310
Liability to employees and social security institutions	**23,661**	20,587
Dividends payable (Notes 15 and 30)	**275,372**	73,894
VAT and other taxes and fees	**8,006**	10,267
Other payables	**2,738**	4,200
Total	**567,141**	**396,688**

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

	31 December 2008	31 December 2007
Trade and other payables not yet due	**556,160**	391,447
Trade and other payables past due	**10,981**	5,241
Total	**567,141**	**396,688**

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

	31 December 2008	31 December 2007
EUR	**68,876**	63,301
SKK	**64,389**	102,714
USD	**109,898**	99,335
other	**13,310**	20,080
Total	**256,473**	**285,430**

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

	2008	2007
1 January	**1,234**	**1,325**
Company contribution (company costs)	**1,127**	1,605
Employees contribution (repayments)	**657**	543
Withdrawals	**(1,842)**	(2,239)
31 December	**1,176**	**1,234**

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.

Note 20 Revenue and Other Income

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

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

Revenue consists of the following:

	2008	2007
Sales of own production	**2,653,162**	2,532,609
Sales of merchandise [1]	**155,871**	327,330
Rendering of services	**14,297**	11,779
Total	**2,823,330**	**2,871,718**

[1] Sales of merchandise represent primarily sales of raw materials to U. S. Steel Serbia d.o.o., a related party under common control of U. S. Steel (Note 30).

Other income

Other income consists of the following:

	2008	2007
Amortization of deferred income - CO_2 emission allowances	**264,990**	4,877
Rental income	**1,990**	1,847
Income from contractual penalties	**605**	212
Other income	**2,963**	2,311
Total	**270,548**	**9,247**

Note 21 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2008	2007
Materials consumed	**(1,560,955)**	(1,272,456)
Energy consumed	**(103,125)**	(97,523)
Costs of merchandise sold (Note 20)	**(153,928)**	(318,095)
Changes in inventory	**52,708**	850
Inventory write-down allowance (Note 10)	**(15,353)**	(135)
Total	**(1,780,653)**	**(1,687,359)**

Note 22 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2008	2007
Wages and salaries	**(167,344)**	(160,999)
Profit sharing expense	**(20,712)**	(26,442)
Termination benefits (Note 18)	**1,820**	(38,109)
Social insurance – defined contribution plan (Note 18)	**(65,555)**	(63,668)
Other social expenses	**(11,658)**	(11,049)
Pension expenses – retirement and work and life jubilees (Note 18)	**(1,165)**	2,889
Total	**(264,614)**	**(297,378)**

The average number of the Company's employees for the 2008 was 12,227 (2007: 13,342), from which 238 were key management employees (2007: 220).

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

Note 23 Other Operating Expenses

	2008	2007
Packaging	**(19,376)**	(18,933)
Cleaning and waste	**(9,467)**	(9,585)
Rent	**(3,308)**	(2,577)
Advertising and promotion	**(2,966)**	(2,664)
Intermediary fees	**(5,632)**	(7,073)
Training	**(3,429)**	(3,057)
Charge for provision for CO_2 emissions emitted (Note 17)	**(137,633)**	(291)
Impairment of receivables – (loss) / reversal and receivables written-off (Note 11)	**(14,093)**	2,349
Gain / (loss) on disposal of material	**599**	(654)
Gain / (loss) on derivative instruments transactions	**19,410**	(269)
Real estate tax and other taxes	**(4,798)**	(4,335)
Other operating expenses [1]	**(99,156)**	(83,758)
Total	**(279,849)**	**(130,847)**

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

Note 24 Finance Income and Finance Cost

	2008	2007
Interest income	**1,793**	10,138
Dividend income	**5,664**	3,188
Interest expense	**(7,985)**	(2,323)
Foreign exchange differences on borrowings	**51**	71
Total	**(477)**	**11,074**

Note 25 Income Taxes

As of 31 December 2008, the Company had an income tax receivable totaling EUR 6,421 thousand arising from income tax prepayments which exceeded income tax liability for 2008 (31 December 2007: income tax payable totaling EUR 26,555 thousand).

The income tax expense consists of following:

	2008	2007
Current tax	**(16,845)**	(38,246)
Deferred tax (Note 8)	**(25,224)**	(49,022)
Total	**(42,069)**	**(87,268)**

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:

	2008	2007
Profit before tax	**382,727**	490,187
Tax calculated at 19% tax rate	**72,718**	93,136
Non-deductible expenses	**2,128**	1,902
Effect of functional currency on temporary differences [1]	**(32,777)**	(7,770)
Tax charge	**42,069**	**87,268**

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

The effective tax rate was 11% (2007: 18%). Information about tax credit is disclosed in Note 8.

Note 26 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and to pay obligations as they come due. The Company's overall strategy did not change from 2007.

The capital structure of the Company consists of debt (Note 16) totaling EUR 202,425 thousand as of 31 December 2008 (31 December 2007: EUR 0 thousand) and equity (Note 15) totaling EUR 1,170,946 thousand as of 31 December 2008 (31 December 2007: EUR 1,398,385 thousand) that includes base capital, other reserves and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak republic include minimum level of base capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of 31 December 2008 and 31 December 2007.

Note 27 Financial Risk Management

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

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

Credit risk

The Company is exposed to credit risk in the event of non-payment by customers principally within the automotive, steel, container and construction industries. Changes in these industries may significantly affect management's estimates and the Company's financial performance. Recently, all industries have reported substantially lower customer demand due to the ongoing global recession. As a result of low end customer demand, the customers of the Company may experience difficulties in obtaining credit or maintaining their ability to qualify for trade credit insurance, which may result in further reduction in purchases and an increase in the Company's credit risk exposure. The duration of the recession and recovery time of these industries may have a significant impact on the Company.

All customers of the Company are assigned an internal risk rating in accordance with approved internal policies and procedures. A customer's credit rating is determined by considering its financial situation, payment behavior, past experience and other factors. Individual credit limits are established based on internal ratings and the amounts and utilization of the limits are periodically re-evaluated and monitored. The management of the Company carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and relating credit limits accordingly.

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

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

31 December 2008

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables	-	360,777
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	14,415	-
Cash and cash equivalents (Note 13)		
ING Bank N.V. [1]	-	53,675
Citibank (Slovakia) a.s. [1]	-	41,946
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky [1]	-	3,010
Slovenská sporiteľňa, a.s. [1]	-	139
Other banks	-	10
Cash on hand	-	2
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. [1]	-	11,121
Total	**14,415**	**470,680**

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

31 December 2007

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables	-	439,563
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	63	-
Cash and cash equivalents (Note 13)		
ING Bank N.V. [1]	-	28,994
Citibank (Slovakia) a.s. [1]	-	66,520
Slovenská sporiteľňa, a.s. [1]	-	492
Other banks	-	10
Cash on hand	-	33
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s. [1]	-	8,117
Total	**63**	**543,729**

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

The Company mitigates credit risk for approx. 75% (2007: 75%) of its revenues by requiring bank guarantees, letters of credit, credit insurance, prepayments or other collateral. Information about collateral or other credit enhancements is as follows:

	2008	2007
Credit insurance	**53 %**	56 %
Letters of credit and documentary collection	**7 %**	6 %
Bank guarantees	**2 %**	3 %
Other credit enhancements	**13 %**	10 %
Secured receivables	**75 %**	75 %
Unsecured receivables	**25 %**	25 %
Total	**100 %**	**100 %**

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

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

Liquidity risk

The Company policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to cover the liquidity risk in accordance with its financing strategy. Management of the Company is monitoring expected and actual cash flows and cash position of the Company on a daily basis in accordance with approved internal policies and procedures. Excess funds are invested to liquid financial assets and time deposits not to exceed USD 150 million or equivalent in other currency for sole obligor. The investment exposure by country is also monitored separately.

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

The Company has a EUR 40 million credit facility that expires on 13 December 2009. This credit facility may be used for drawing short-term loans, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Company is obligated to pay a commitment fee on undrawn amounts. There were no borrowings against this facility as of 31 December 2008 and 31 December 2007.

In addition, a multi-use credit facility of EUR 20 million is available to the Company. This credit facility may be used until 31 December 2009 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. The facility bears interest at the applicable inter-bank offer rate plus a margin. The Company is obligated to pay a commitment fee on the undrawn portion of the facility. As of 31 December 2008 the credit facility has been used in the amount of EUR 5,504 thousand for bank guarantees and letters of credit (2007: EUR 4,093 thousand).

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

31 December 2008

	0 – 1 year	1 – 5 years	over 5 years	Total
Liabilities				
Trade payables and accruals	256,473	-	-	**256,473**
Derivative financial instruments	257,840	-	-	**257,840**
Loans and borrowings	12,433	218,667	-	**231,100**
Total	**526,746**	**218,667**	**-**	**745,413**

31 December 2007

	0 – 1 year	1 – 5 years	over 5 years	Total
Liabilities				
Trade payables and accruals	285,430	-	-	**285,430**
Derivative financial instruments	71,500	-	-	**71,500**
Total	**356,930**	**-**	**-**	**356,930**

Market risk

(a) Interest rate risk

The Company is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facility (Note 16). If the interest rate had been 1% higher/lower as of 31 December 2008, it would have resulted to EUR 0.9 million higher/lower interest expense charged to income statement.

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

The Company's income is substantially independent of changes in market interest rates. The Company had no significant interest income other than short term bank deposits and cash at bank accounts as of 31 December 2008 and 31 December 2007.

(b) Currency risk

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

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

31 December 2008

	Cash and cash equivalents	Restricted cash
EUR	**79,108**	-
SKK	**4,441**	11,121
USD	**12,835**	-
other	**2,398**	-
Total	**98,782**	**11,121**

31 December 2007

	Cash and cash equivalents	Restricted cash
EUR	**41,393**	-
SKK	**16,078**	8,116
USD	**22,127**	-
other	**8,336**	-
Total	**87,933**	**8,116**

The Company manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance Group, using a limited number of forward foreign exchange contracts. As of 31 December 2008, the Company had open EUR forward sales contracts for U.S. dollars (total notional value of approximately EUR 257.8 million; 31 December 2007: EUR 19.5 million). Forward sales contracts for Slovak koruna were discontinued in 2008 due to Slovak Republic's entry into the Eurozone (total notional value as of 31 December 2007 approximated EUR 52.0 million).

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

As of 31 December 2007, if the EUR had weakened/strengthened by 20% against the U.S. dollar with all other variables held constant, it would have resulted in a EUR 3.9 million charge/credit to the income statement. As of 31 December 2007, if the EUR had weakened/strengthened by 20% against the Slovak koruna with all other variables held constant, it would have resulted in a EUR 4.4 million credit/ charge to the income statement.

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

(c) Other price risk

In the normal course of its business, the Company is exposed to price fluctuations related to the production and sale of steel products. The Company is also exposed to price risk related to the purchase, production and 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 the resulting natural hedge. The Company's market risk strategy is in compliance with U. S. Steel's strategy that has generally been to obtain competitive prices for our products and services and allow operating results to reflect the market price movements dictated by supply and demand. The Company did not carry out any material derivative transaction mitigating commodity price risk and had no outstanding commodity derivatives as of 31 December 2008 and 31 December 2007.

Note 28 Financial Instruments by Category

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

31 December 2008

	Loans and receivables	Assets at fair value through profit and loss	Hedging derivatives	Financial assets available-for-sale	Total
Assets					
Shares at acquisition cost	-	-	-	259	**259**
Receivables	360,777	-	-	-	**360,777**
Derivative financial instruments	-	-	14,415	-	**14,415**
Cash and cash equivalents	98,782	-	-	-	**98,782**
Restricted cash	11,121	-	-	-	**11,121**
Total	**470,680**	**-**	**14,415**	**259**	**485,354**

	Liabilities at fair value through profit and loss	Hedging derivatives	Other financial liabilities	Total
Liabilities				
Bank loans	-	-	202,425	**202,425**
Trade payables and accruals	-	-	256,473	**256,473**
Derivative financial instruments	-	4,879	-	**4,879**
Total	**-**	**4,879**	**458 898**	**463,777**

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

31 December 2007

	Loans and receivables	Assets at fair value through profit and loss	Hedging derivatives	Financial assets available-for-sale	Total
Assets					
Shares at acquisition cost	-	-	-	259	**259**
Receivables	439,563	-	-	-	**439,563**
Derivative financial instruments	-	63	-	-	**63**
Cash and cash equivalents	96,049	-	-	-	**96,049**
Restricted cash	8,117	-	-	-	**8,117**
Total	**543,729**	**63**	**-**	**259**	**544,051**

	Liabilities at fair value through profit and loss	Hedging derivatives	Other financial liabilities	Total
Liabilities				
Bank loans	-	-	-	**-**
Trade payables and accruals	-	-	285,430	**285,430**
Derivative financial instruments	539	-	-	**539**
Total	**539**	**-**	**285,430**	**285,969**

Note 29 Contingent Liabilities and Contingent Assets

Operating leases

The future aggregated minimum lease payments under non-cancellable operating leases (payments in foreign currency are stated using the exchange rate as of the balance sheet date) are as follows:

	2008	2007
Not later than 1 year	**1,201**	1,720
Later than 1 year and not later than 5 years	**4,950**	2,825
Later than 5 years	**-**	30
Total	**6,151**	**4,575**

Capital commitments and commitments to the Slovak Republic

Capital expenditures of EUR 21 million had been committed under contractual arrangements as of 31 December 2008 (31 December 2007: EUR 31 million).

The Company has the following commitments to the Slovak Government:

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

Environmental commitments

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

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

Air, water and solid waste – The Company's obligations with regard to air, water and solid waste pollution are set by Slovak legislation. In 2008, the environmental expenses totaled approximately EUR 12 million (2007: EUR 10 million).

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

In 2004, the EC approved a national allocation plan for the period 2005 through 2007 ("NAP I"), which allocated to the Company fewer emissions allowances than were ultimately required. The Company purchased CO_2 emission allowances needed to cover its shortfall for the NAP I allocation period.

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

Contingent assets

Pursuant to an agreement that was signed in relation to the sale of interests in FINOW Verwaltungs- und Service GmbH to a third party, the Company is entitled to certain contingent payments. The third party also has the option to pay the compensation as a lump-sum amount of EUR 2.25 million by 1 November 2009 or EUR 5 million by 1 November 2011.

The Company has no other significant contingent assets as of 31 December 2008 and 31 December 2007.

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

Note 30 Related Party Transactions

The balance sheet includes the following amounts resulting from transactions with related parties:

	Receivables		Payables	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
U.S. STEEL KOSICE (UK) LIMITED (1)	**1,308**	8,937	**1**	-
U. S. Steel Global Holdings I B.V. (2)	**-**	-	**275,372**	73,894
United States Steel Corporation (3)	**260**	188	**77,643**	21,777
U. S. Steel Serbia d.o.o. (4)	**60,293**	93,320	**1,902**	447
USS International Services, LLC (5)	**311**	250	**1,169**	-
Subsidiaries (6)	**3,046**	3,385	**8,246**	11,984
Total	**65,218**	**106,080**	**364,333**	**108,102**

(1) Associate
(2) Parent company
(3) Ultimate parent company
(4, 5,) Companies under common control of U. S. Steel
(6) All subsidiaries under control of the Company (Note 7)

As of 31 December 2008, provision for impairment to receivables due from subsidiaries and U. S. Steel Serbia d.o.o. was recognized totaling EUR 1,717 thousand and EUR 1,490 thousand, respectively (31 December 2007: EUR 1,957 thousand and EUR 1,268 thousand).

The following amounts of revenues and expenses resulting from transactions with related parties were recorded in the Company's income statements:

	Revenues		Expenses	
	2008	2007	2008	2007
U.S. STEEL KOSICE (UK) LIMITED (1)	**19,143**	34,833	**-**	-
United States Steel Corporation (3)	**13,172**	1,195	**65,360**	41,568
U. S. Steel Serbia d.o.o. (4)	**171,932**	394,000	**11,919**	5,659
USS International Services, LLC (5)	**23**	46	**12,602**	11,773
Subsidiaries (6)	**6,092**	7,130	**73,799**	77,689
Total	**210,362**	**437,204**	**163,680**	**136,689**

(1) Associate
(3) Ultimate parent company
(4, 5) Companies under common control of U. S. Steel
(6) All subsidiaries under control of the Company (Note 7)

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

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

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

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

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

(6) Transactions with subsidiaries of U. S. Steel Košice, s.r.o. include mainly 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)

Emoluments of the statutory representatives

(a) Slovak and foreign statutory representatives did not receive any cash or non-cash benefits in 2008 and 2007 that arise from their positions of statutory representatives. They are employed and paid only based on their employment contracts with the Company and USS International Services, LLC, respectively. Compensation of foreign statutory representatives of the Company is included in the charges paid to USS International Services, LLC shown above. Compensation of Slovak statutory representatives is included in the salaries and other employee benefits of Company's key management employees (Note 22) at amounts shown in the following table:

	2008	2007
Wages and salaries	**9,237**	7,535
Profit sharing expense	**273**	379
Social security – Defined contribution plan	**2,052**	1,436
Total	**11,562**	**9,350**

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

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

Note 31 Events After the Balance Sheet Date

Statutory representatives

Patrick James Mullarkey was appointed as Vice-president Operations effective from 1 March 2009, Ing. Vladimír Jacko PhD., MBA was appointed as a statutory representative and Vice-president Technology effective from 1 March 2009 and Traci Lynn Vaughan was appointed as a statutory representative and Vice-president BSC – Europe effective from 1 April 2009.

Other

Following the European Council approval on 19 June 2008, the Slovak Republic has adopted the euro as its national currency, replacing the Slovak koruna, effective 1 January 2009. The conversion foreign exchange rate was determined at 30.1260 Slovak koruna per one euro, which resulted in an increase of base capital up to the amount of EUR 839,357 thousand from retained earnings (Note 15). Effective 1 January 2009, the accounting books and records are kept in euros.

As a result of the current ongoing global recession, the Company had implemented several actions to preserve its liquidity, maintain a solid financial position and generate the Company's position for growth over the longer term. Among others, the Company has reduced working time for many of its employees by one day a week for the period from 1 February through 30 June 2009. The employees were compensated at 60 % of their salary for the days out of work.

In January 2009, the government authority extended the operating period for our non hazardous waste landfill, which had been operating since 2002, until 15 July 2009.

In March through May 2009, the Company entered into transactions to sell a portion of the excess emissions allowances and to swap a portion of the excess EUA emission allowances to CER emission allowances. The related gain from the transactions was recorded in the second quarter of 2009. In addition, on 30 April 2009 the Company delivered CO_2 emission allowances for 2008 fulfilling its obligation for the first year of the NAP II period.

After the balance sheet date, the Company has continued to draw revolving borrowings against the EUR 200 million credit facility in full amount for 1 month period.

After the balance sheet date, the Company and the third party, to whom interest in FINOW Verwaltungs- und Service GmbH was sold, began negotiations to restructure the agreement that governs certain contingent payments (Note 29).

As of 29 May 2009, it was proposed that dividends totaling EUR 240 million would be declared in June 2009, however, it is expected that they would not be paid in near future .

After 31 December 2008, no other significant events have occurred that would require recognition or disclosure in the 2008 financial statements.