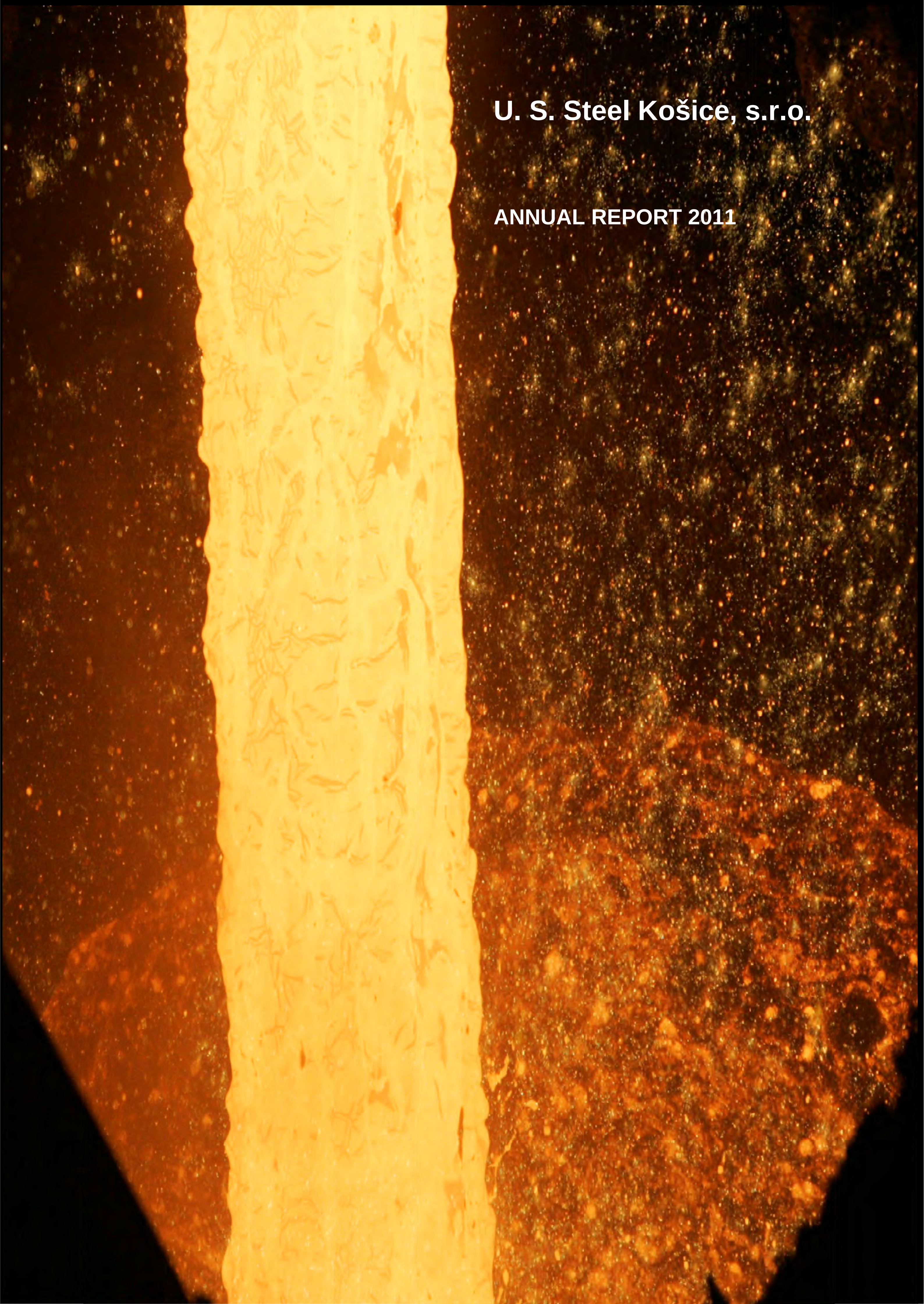
U. S. Steel Košice, s.r.o.

ANNUAL REPORT 2011



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PRESIDENT'S FOREWORD

At the beginning of my foreword to the U. S. Steel Košice Annual Report for 2011, I would like to thank our customers, for they are indeed the reason that USSK is in business. Our dedication to providing world class products and excellent service remains a corner stone from which we will proceed into the future with our customers. I would also like to express my thanks to our suppliers and all partners, whose efforts greatly affect our business. My appreciation goes to our employees, since their loyalty and dedication enable us to achieve progress in many areas.

While 2011 was a difficult year due to the uncertain economic conditions, our core values remained unchanged. Our commitment to working safely, producing cost-efficient and high-quality products to satisfy our customers while being environmentally responsible, and being a good corporate citizen was implemented in all our activities. We stayed focused on things which were within our control.

Safety remains our number one priority and I can proudly state that last year was the safest in our history. Working jointly with the trade unions, our USSK team continues its journey toward achieving our ultimate goal of ZERO injuries. In 2011 there was a 27% improvement in our all-injury value, which equates to a 92% improvement since U. S. Steel came to Kosice in 2000. We will remain focused on this important area as there is nothing more important than the safety of our employees, either at work or at home with their families.

Significant improvement was achieved in environmental protection in 2011 as well. Last year was the fourth in a row during which U. S. Steel Kosice achieved its goal of zero environmental incidents. This means that not a single permitted emissions limit was exceeded with regard to atmospheric environmental sources or indicators for waste water, and in addition all conditions set by the state authorities for specific activities were attained. Internal environmental benchmarks within the plant were improved by 67 % in comparison to 2010. These excellent results in environmental protection were due not only to capital investment projects, but also to employees' everyday activities connected with their increasingly demanding internal metrics, which are set above the requirements of the legislative framework with the aim of permanently reducing the environmental impact of the steelworks.

From the financial point of view, the year 2011 was impacted by the continued difficult economic situation across Europe. The economic uncertainty caused by the euro-based debt crisis in 2011 negatively impacted the steel market and resulted in reduced demand, particularly in the second half of the year. This resulted in lower production and shipping volumes compared with 2010 and utilization of our steelmaking capability decreased to 84 percent. We reported a net loss in 2011 as higher costs for raw materials and energy and impairment charges on CO_2 emissions allowances due to their declining market prices had a negative influence upon results and more than offset the favorable impacts of higher average realized selling prices as compared with 2010. USSK maintains an active continuous improvement process which focuses efforts to impact business outcomes in a positive manner and helping us to remain a healthy competitor in the steel market.

U. S. Steel Kosice remains committed to delivering high quality products to our customers and being a good corporate neighbor in the community, as our reputation and actions demonstrate.

David J. Rintoul

President, U. S. Steel Košice

CORPORATE PROFILE

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

USSK has annual raw steel production capability of 4.5 million metric tons. USSK has two coke batteries, three blast furnaces, four steelmaking vessels, a vacuum degassing unit, two dual strand continuous casters, a hot strip mill, two pickling lines, cold rolling mill with 4-stand and 5-stand reduction, four batch-annealing facilities, a temper mill, a double cold reduction mill, three hot dip galvanizing lines, two tin coating lines, three dynamo lines, a color coating line, two spiral welded pipe lines and facilities for manufacturing panel steel heating radiators. In addition, USSK has a research laboratory which, in conjunction with U. S. Steel’s Research and Technology Center, supports efforts in cokemaking, electrical steels, design and instrumentation, and ecology.

Statutory representatives as of December 31, 2011 were as follows:

David John Rintoul	President
Matthew Todd Lewis	Senior Vice President and Chief Financial Officer
Mark Granville Tabler	Vice President Operations
Robert James Beltz	Vice President Commercial
Mgr. Elena Petrášková, LL.M	Vice President Management Services and Administration
Joseph Anthony Napoli	General Counsel
John Patrick Coyne	Vice President BSC for USSE and Director Business Processes and ERP Integration
Ing. Vladimír Jacko PhD., MBA	Vice President Technology
Ing. Martin Pitorák	Vice President Human Resources

IMPACT OF THE COMPANY IN THE SOCIAL AREA

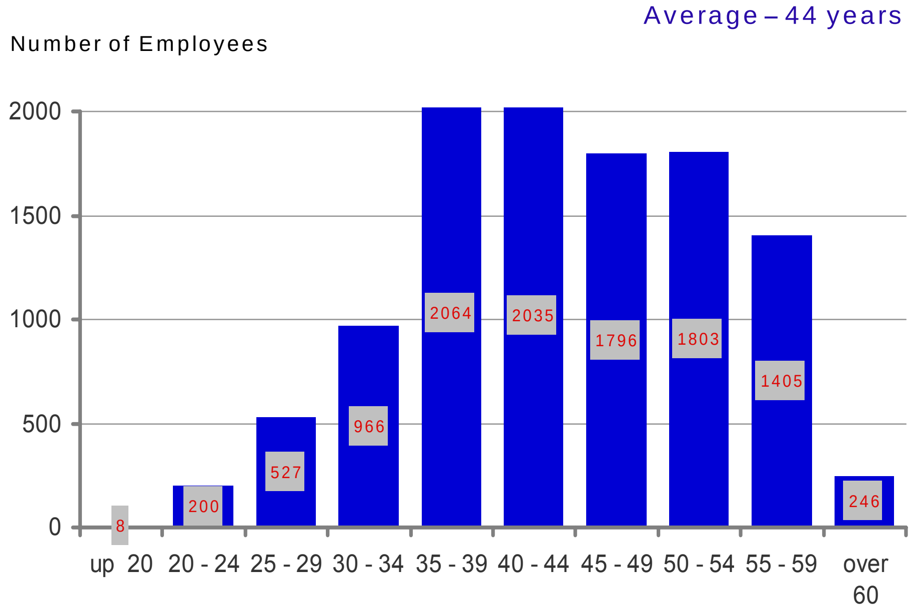
USSK is the largest private employer in Slovakia and the largest employer in the East Slovakian region with a workforce of more than 11,000 people.

Key training activities in 2011 were designed to ensure improving the knowledge and skills of employees in USSK. Training activities were carried out to meet the legal requirements for professional training and safety, as well as the demands arising from the strategic objectives and individual needs of employees.

Active Employees – by Age

As of December 31, 2011

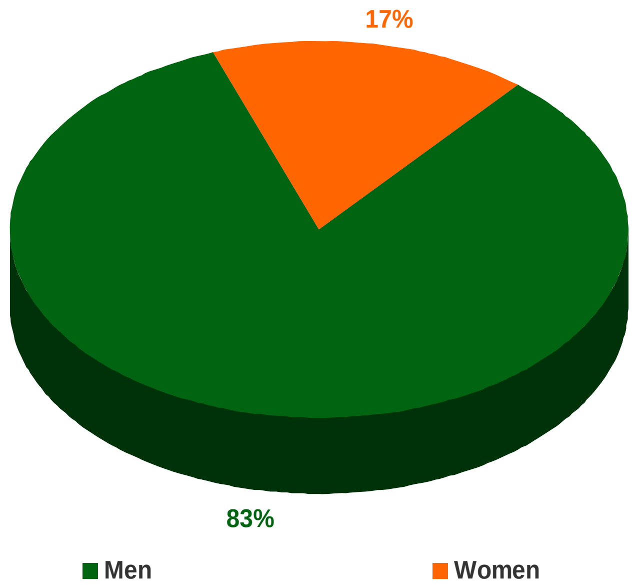
11,050 Employees Total



Active Employees – by Gender

As of December 31, 2011

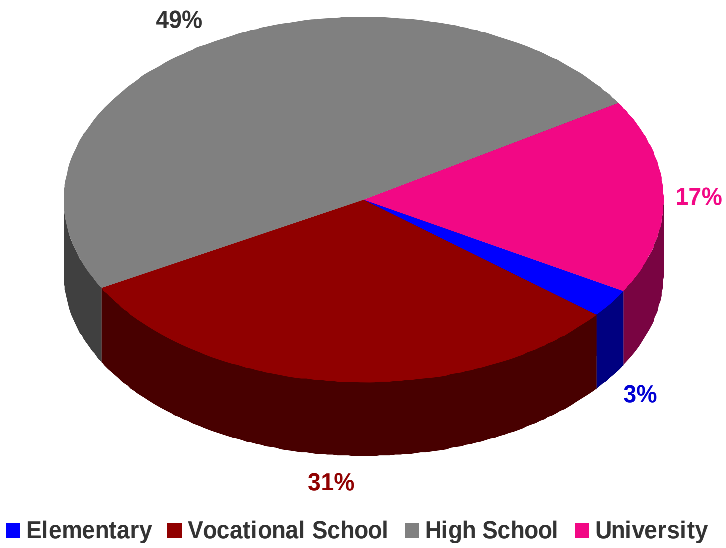
11,050 Employees Total



Active Employees – by Educational background

As of December 31, 2011

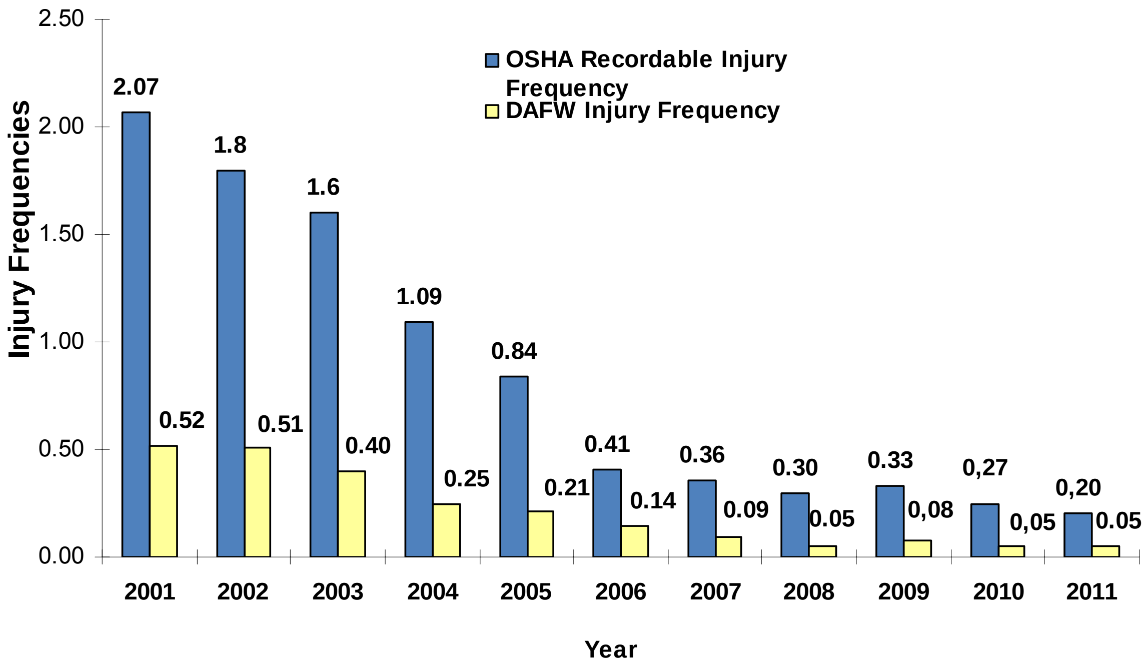
11,050 Employees Total



Occupational Safety and Health Protection

The occupational safety and health of our employees, contractors and partners working within the Company premises is the No. 1 priority at USSK. January and July 2011 were the first months in the history of the Company when there were no occupational injuries recorded at work, and there was not a single Days Away From Work injury recorded from May 21 through the end of December 2011. There were many Divisional Plants that achieved more than one million worked hours with zero injuries, such as the Steelshops, Mechanics, Hot Rolling Mill, Coated Products and Tin Mill, and the Shipping Plant. Power Engineering achieved more than 3 million employee-hours without injury, and the Cokery went the entire year without an occupational injury for the first time ever.

Utilization of existing Safety programs and procedures to maintain required Safety levels with an additional focus being placed on hazard recognition and risk elimination resulted in 2011 having the best Safety performance results in the ten years of USSK history. As shown in the chart, **comparing years 2001 through 2011, U. S. Steel Košice, s.r.o. achieved a 92% drop in the total number of injuries, with a 90% drop in both total OSHA (Occupational Safety and Health Administration) recordable injury frequency and Days Away From Work injury frequency as of December 31, 2011** (injury frequency is calculated based on the actual worked employee-hours).



Risk Assessment Process

The commitment to working safely goes hand in hand with the idea to create a safe working environment for the employees. Focus on hazard recognition resulted in the development of a formal Risk Assessment Process. Approximately 380 employees were trained in the Risk Assessment Process and were active in the hazard recognition and risk elimination process. Specific risk assessment results were presented in Weekly Safety Packets so that the divisions could share ideas. The Risk Assessment Process assessed over 30,000 individual risks and addressed the hazards to which more than 1,000 occupations were exposed. Approximately 3,500 types of actions were implemented, and approximately 3,400 tasks were assessed.

Business Ethics

The principles of the **Code of Ethical Business Conduct** that all employees receive when signing their employment contract, are considered to be the foundation of the trust necessary for long-term success of the Company. The Code of Ethical Business Conduct defines acceptable standards of employee conduct in areas such as prevention of discrimination and sexual harassment, unauthorized and unethical practices, protection of economic competition, or avoidance of conflict of interests and political involvement. USSK is one of the leading companies enforcing business ethics and anti-corruption practices in Slovakia. Through USSK's intranet pages, information campaigns in the corporate newspaper "Oceľ Východu", as well as information leaflets available around the Company premises, USSK employees are regularly informed about the procedure for reporting any form of prohibited or unethical behavior. These kinds of behavior can be reported to a supervisor or by using the **U. S. Steel Ethics Line**, either by telephone, mail or internet. In addition to USSK employees, external persons may also use the U. S. Steel Ethics Line to report unethical or unauthorized practices in relation to USSK.

IMPACT OF THE COMPANY IN THE ECONOMIC SPHERE

USSK conducts its business primarily in Central and Western Europe. The Company engages in the production and sale of steel products (slabs, hot rolled, cold rolled and coated sheets, tin mill products, spiral welded pipes and heating radiators). USSK serves several steel-consuming sectors including the construction, automotive, packaging, transportation, appliance, electrical, oil and gas and petrochemical industries.

In 2011, USSK produced 3.3 million metric tons of pig iron and 3.8 million metric tons of steel slabs.

After a difficult second half of 2010, demand in the European market began to rebound in the first half of 2011. Economic growth, driven by strong exports and improving domestic demand, exceeded expectations in the first quarter. This dynamic changed significantly midway through 2011. Business and consumer confidence deteriorated as tensions over the sovereign debt crisis in Europe tightened financing or access to capital in the Eurozone. In addition, imports into the EU increased in the second quarter of 2011 due to the strong euro and high prices across Europe. Increased imports combined with greater European capacity utilization during the second quarter and increasing customer inventories triggered a destocking cycle that lasted through the second half of 2011. Industrial production gradually fell during the second half of the year. This drop in demand forced USSK as well as most of the steel producers across Europe to reduce production volumes in response to the weaker demand levels in the market.

Close to EUR 32 million was invested in property, plant and equipment at USSK in 2011. In order to improve occupational safety, projects such as eyewash stations, forced ventilation in guide car cabins or in lunch rooms were implemented at the Coke Plant. Several projects focused on elimination of manual handling of steel sheets. As for environmental projects, a centrifuge was installed at the Sokoľany waste water treatment plant in 2011. Our infrastructure was improved with throughwall repairs to some of our coke ovens, installation of side guides at the Hot Rolling Mill, and installation of an inspection stand at the 5ST Rolling Mill. A slag splashing project at our steel shops has increased the life of the refractory lining in our basic oxygen furnaces and installation of a pulverized coal injection system for Blast Furnace No. 1 have brought significant cost savings. U. S. Steel Košice is dedicated to continuing to utilize capital effectively to provide benefit to our employees, the environment, our customers and other stakeholders.

In 2011, total research costs amounted to EUR 3.2 million.

IMPACT OF THE COMPANY IN THE ENVIRONMENTAL AREA

Environmental protection is one of the Company's principal strategic business drivers, and its main commitments are stated in the Company's Environmental Policy. USSK is a holder of the EMS international certification ISO 14001 covering five finalizing divisional plants. This system is regularly verified in other plants.

Since 2000, the Company has invested more than USD 465 million into dozens of ecological projects. The construction of a coke gas desulfurizing plant totaling approx. USD 100 million was one of the largest ecological projects in the past period. By burning desulfurized coke gas, which is used in many of the Company's operations, much less sulfur oxide will be emitted into the atmosphere, leading to improvement in air quality and the working environment at the Cokery Division Plant, in the steelworks area and the vicinity in general.

IMPACT OF THE COMPANY ON THE COMMUNITY AND THE REGION

U. S. Steel Košice contributes significantly through its economic, social and environmental activities to the development of the East Slovakian region as a whole. The Company behaves as a responsible partner towards its employees, customers and suppliers, as well as the local community.

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

U. S. Steel Košice is a long-term partner of **the City of Košice**. The Company traditionally supports the Košice City Day celebrations in May, and co-organizes the Mikuláš and Christmas events with City Hall. In 2011, Košice hosted the World Ice-Hockey Championships, and the Company supported the city financially in the organizing of this significant sporting event.

Every year in cooperation with the Carpathian Foundation, the Company runs the "**Together for the Region**" grant program, which focuses on supporting leisure-time activities for children and teenagers, environmental education, safety, sports activities and the preservation of cultural heritage. For implementing local community projects in the Košice and Prešov regions, in which USSK employees are also actively involved, EUR 27,000 was distributed in 2011.

The Company works actively with selected technical secondary schools and colleges in Košice. Long-term systematic cooperation has been developed with the **Secondary Vocational School for Metallurgy in Košice-Šaca**, in the area of preparing pupils for employment in the steel-making industry. Based on an agreement concerning the education and upbringing of pupils in line with the needs of the steelworks, we are cooperating on modifying the curriculum and providing professional experience for students.

In 2004, the USSK Foundation started its own **Scholarship Program** to provide access to higher education for talented students from socially disadvantaged families in the Košice and Prešov regions, and in 2007 this was extended to the children of USSK employees. By the end of the academic year 2010/2011, 239 students had been given the chance to study at Slovak or foreign institutions of higher education, and 29 more students were added in 2011/2012. Every year, dozens more students increase their theoretical knowledge, practical experience, communication and managerial skills during a summer stay called the **Summer Internship Program**. In 2011, 41 students participated in this program, gaining the opportunity to participate in operational and managerial activities in the Company, as well as obtaining fundamental leadership skills and knowledge which are not part of the educational program at university. Since its commencement in 2002, a total of 430 university and college students have participated in this program.

The Company has also been developing long-term cooperation with **the Technical University of Košice**. It has become the general partner of a special event focusing on promotion of university technical education: the Technical University Open Day, during which the technical classrooms and laboratories with high-tech equipment are presented to potential students and the general public as well.

Mutually beneficial cooperation has also been developed between the Company´s Research and Development unit and both the Technical University of Košice and Pavol Jozef Šafárik University in Košice. The main areas of cooperation are primary operations and ecology, power engineering, mathematical modeling, optimization; metallurgy processes control, material properties control, as well as education of new specialists. The R&D unit supports the universities in practical education by organizing practicals in their laboratories or providing consultancy during the preparation of bachelor, masters or PhD theses. R&D employees are members of final exam boards and other special committees, as well as co-organizers of science conferences.

As the biggest company in Eastern Slovakia, U. S. Steel Košice receives many requests from both hospitals and individuals for support in medical care. USSK supports hospitals by providing new medical equipment which can bring benefits to large numbers of inhabitants. Not only the Company but also its employees themselves participate in this support, especially during the traditional pre-Christmas fund-raising. Whereas in 2010 the employees contributed voluntarily to the collection for the Ophthalmology Department on Rastislavova Street and the Eye Clinic at the Louis Pasteur University Hospital on SNP Drive in Košice**, in 2011 they collected EUR 32,044 for the University Children's Hospital.** The fund-raising proceeds were subsequently tripled, when the sum which was put together by more than seven thousand steelmakers was additionally matched by the Company itself and by the U. S. Steel Foundation. **The combined donation of EUR 96,132 was used to buy a mobile resuscitation bed and increase the capacity of the anesthesiology-resuscitation unit**.

USSK also directs its assistance into the social sphere, especially supporting children's foster homes, social services centers and retirement homes. It provides long-term support to the **Autumn of Life** civic association, whose members are former USSK employees. For many years, the Company has cooperated with the **Archdiocesan Charity** in Košice, making life easier for people in difficult situations. The Company is a long-term partner of the charity event called **"Opatovská Rallye – Living at Max Revs"**, which brings unforgettable experiences to physically-disabled children at the combined school on Opatovská Street in Košice. USSK managers regularly make up two thirds of the drivers in the cars doing the competition course with the children as passengers.

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

Support for sports has been focused on traditional sports in the Košice region: ice-hockey, handball, soccer, basketball and figure-skating. For many years, the Company has been a sponsor for local professional sports clubs, traditional sports and community events, especially **the Košice Peace Marathon**, which is the oldest marathon in Europe. **The Minimarathon - U. S. Steel Family Run** is becoming more and more popular and about 2,200 runners took part in it in 2011. The Company is also a long-term partner of the **HC Košice** hockey club, which won the Slovakian Extra League for the third year in a row in 2011.

Not only the Company but also its employees themselves have assisted voluntarily for many years as teachers in educational programs, active collectors and contributors in public fund-raising and clothing and toy donations, as well as organizers of community life in this region. Our largest corporate volunteer event is the **USSK Volunteer Days**, which were part of the nationwide volunteer event Our City – Our Košice in 2011. During two days, on June 17-18, 2011, employees of the Company and its subsidiaries helped nine organizations in Košice with public-benefit activities, giving blood in the "Steelmakers' Drop of Blood" drive, collecting used clothing and other requirements for the crisis center and charity house, tidying up the premises of schools for disabled children, the educational ecological center, the botanical gardens, the zoo and the animal sanctuary. The whole event was supported by about 500 volunteers from U. S. Steel Košice, its subsidiaries and partner institutions.

SELECTED FINANCIAL INFORMATION

Statement of Financial Position

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

in million Eur	**31 Dec 2011**	**31 Dec 2010**	**31 Dec 2009**
Property, Plant and Equipment	890	945	952
Intangible Assets	131	214	151
Other Non-Current Assets	20	17	46
Inventories	442	392	281
Short-term Receivables	417	530	319
Other Current Assets	81	14	113
Total Assets	**1,981**	**2,112**	**1,862**
Equity	907	1,006	942
Trade and Other Payables	619	613	584
Long – term Loans and Borrowings	346	309	200
Other Liabilities	109	184	136
Total Equity and Liabilities	**1,981**	**2,112**	**1,862**

Property, Plant and Equipment decreased in the year 2011 compared to the year 2010 due to annual assets depreciation that was partially offset by capital expenditures. Decrease in Intangible Assets was mainly caused by the lower market price of Emission Allowances. Change in inventories was mainly represented by higher volume of raw materials, especially coke. Decrease in short-term receivables was primarily due to reduced receivables from U. S. Steel Serbia d.o.o., the company that was still under common control of U. S. Steel at the end of the year. Change in other current assets includes an increase in cash and cash equivalents and unrealized gains on open forward currency contracts.

Change in equity reflects the 2010 profit distribution and the loss for the current year that was partially offset by an increase in the revaluation reserves. Partial repayment of an intercompany loan from the parent company was compensated by drawing on a long term revolving facility. Change in Other Liabilities primarily reflects a decrease in the provision for 2011 CO_2 emissions resulting from decreased market prices for emission allowances.

Statement of Comprehensive Income

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

in million Eur	**2011**	**2010**	**2009**
Revenues and Other Income	2,605	2,621	1,883
Operating (Loss) / Profit	(18)	133	21
(Loss) / Profit for the year	**(25)**	**96**	**14**

The financial results for 2011 reflect the continued difficult economic environment in Europe and the effects of higher raw material and energy costs in 2011, partially offset by favorable commercial effects as compared with 2010. Operating results were also negatively impacted by Impairment charges for Emission Allowances due to the decline in market prices for these assets and the impairment of Receivables primarily due to the sale of U. S. Steel Serbia, d.o.o. and the settlement of outstanding intercompany balances as negotiated in the sales agreement.

Proposal of 2011 Loss Settlement

in thousands Eur	**2011**
Loss for the year 2011	(24,765)
Loss settlement from Retained Earnings	9,482
Loss settlement from Legal Reserve Fund	15,283

Significant Events after 2011 Reporting Period and Expected Development in 2012

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

USSK expects the European steel market to remain volatile in 2012 as the ongoing sovereign debt and financial institution problems in several European nations continues to inject uncertainty into the market. USSK will focus on reducing costs through our continuous improvement process and strive to provide our customers with high quality products and service.

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

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

We have audited the financial statements of U. S. Steel Košice, s.r.o. ("the Company") as of 31 December 2011, on which we issued Auditor's Report on 11 June 2012 and on which we expressed an unqualified audit opinion as follows:

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 2011 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's annual report as of 31 December 2011 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

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

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

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

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

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

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

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.

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2011 is consistent, in all material respects, with the audited financial statements referred to above.

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

Ing. Peter Mrnka
SKAU licence No. 975

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

Bratislava, Slovak Republic
11 June 2012

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

U. S. Steel Košice, s.r.o.

Financial statements
for the year ended December 31, 2011

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of U. S. Steel Košice, s.r.o., which comprise the statement of financial position as of 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko

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

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

Ing. Peter Mrnka
SKAU licence No.: 975

Bratislava, Slovak Republic
11 June 2012

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

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Financial statements for the year ended December 31, 2011, 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 June 11, 2012. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, June 11, 2012

David J. Rintoul	M. J. Lewis Matthew T. Lewis
President (statutory representative)	Senior Vice President and Chief Financial Officer (statutory representative)
Ing. Silvia Gaálová, FCCA	Lucia Franeková Ing. Lucia Franeková
General Manager General Accounting and Consolidation (responsible for accounting)	Director Accounting Compliance and External Reporting (responsible for financial statements preparation)

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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(All amounts are in thousands of EUR)

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2011	December 31, 2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	**889,944**	945,006
Intangible assets	6	**130,651**	213,525
Investments	7	**13,573**	13,772
Financial assets available-for-sale		**259**	259
Restricted cash	9	**6,106**	3,003
Total non-current assets		**1,040,533**	**1,175,565**
Current assets			
Inventories	10	**441,669**	392,055
Short-term receivables	11	**417,385**	529,658
Derivative financial instruments	12	**24,210**	1,825
Short-term borrowings	30	**1,600**	1,801
Current income tax receivable	25	**-**	23
Restricted cash	9	**6,002**	4,217
Other current assets	14	**1,583**	2,454
Cash and cash equivalents	13	**47,677**	4,596
Total current assets		**940,126**	**936,629**
TOTAL ASSETS		**1,980,659**	**2,112,194**
EQUITY AND LIABILITIES			
Equity			
Base capital	15	**839,357**	839,357
Other reserves	15	**82,752**	64,544
Retained (losses) / earnings		**(15,283)**	102,422
Total equity		**906,826**	**1,006,323**
Liabilities			
Non-current liabilities			
Long-term loans and borrowings	16	**346,372**	308,962
Long-term provisions for liabilities and charges	17	**7,856**	12,957
Post-employments and other long-term employee benefits payable	18	**19,145**	17,456
Deferred income tax liability	8	**5,432**	3,893
Total non-current liabilities		**378,805**	**343,268**
Current liabilities			
Trade and other payables	19	**619,009**	612,522
Derivative financial instruments	12	**25**	10,225
Deferred income		**102**	7
Short-term borrowings	30	**7,980**	15,499
Short-term provisions for liabilities and charges	17	**66,957**	123,519
Short-term employee benefits payable	18	**955**	831
Total current liabilities		**695,028**	**762,603**
TOTAL EQUITY AND LIABILITIES		**1,980,659**	**2,112,194**

The accompanying notes on pages F-9 to F-46 are an integral part of these financial statements.

(All amounts are in thousands of EUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2011	2010
Revenue	20	**2,436,273**	2,467,811
Other income	20	**168,901**	153,454
Materials and energy consumed	21	**(1,753,029)**	(1,717,186)
Salaries and other employees benefits	22	**(253,205)**	(246,304)
Depreciation and amortization	5, 6	**(88,245)**	(85,873)
Repairs and maintenance		**(55,137)**	(50,988)
Transportation services		**(113,023)**	(122,928)
Advisory services		**(14,346)**	(12,161)
Foreign exchange losses		**(3,244)**	(1,805)
Impairment loss – CO_2 emissions allowances	6	**(108,211)**	(434)
Other operating expenses	23	**(234,442)**	(250,382)
(Loss) / Profit from operations		**(17,708)**	**133,204**
Dividend income		**12,977**	481
Finance income	24	**248**	194
Finance cost	24	**(22,277)**	(14,738)
(Loss) / Profit before tax		**(26,760)**	**119,141**
Income tax benefit / (expense)	25	**1,995**	(23,162)
(Loss) / Profit after tax		**(24,765)**	**95,979**
Changes in fair value of derivative financial instruments	25	**24,553**	(5,851)
Changes in revaluation reserve	25	**(1,846)**	11,072
Other comprehensive income, net of tax		**22,707**	**5,221**
Total comprehensive (loss) / income for the year		**(2,058)**	**101,200**

(All amounts are in thousands of EUR)

STATEMENT OF CHANGES IN EQUITY

	Base capital	Other reserves	Retained earnings / (losses)	Total
Balance as of January 1, 2011	**839,357**	**64,544**	**102,422**	**1,006,323**
Loss for 2011	-	-	(24,765)	**(24,765)**
Other comprehensive income	-	22,707	-	**22,707**
Total comprehensive loss for the year	**-**	**22,707**	**(24,765)**	**(2,058)**
Release of reserves:				
Release of revaluation reserve – CO_2 emission allowances	-	(9,298)	9,298	**-**
Total adjustments	-	**(9,298)**	**9,298**	**-**
Transactions with owners:				
Dividends	-	-	(97,439)	**(97,439)**
Contribution to legal reserve fund	-	4,799	(4,799)	**-**
Total transactions with owners	**-**	**4,799**	**(102,238)**	**(97,439)**
Balance as of December 31, 2011	**839,357**	**82,752**	**(15,283)**	**906,826**

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

(All amounts are in thousands of EUR)

STATEMENT OF CASH FLOWS

	Note	Total 2011	Total 2010
Profit / (Loss) before tax		**(26,760)**	**119,141**
Non-cash Adjustments for			
Depreciation of property, plant and equipment	5	**86,166**	83,943
Amortization of intangible assets	6	**2,079**	1,930
Amortization of deferred income from CO_2 emission allowances	20	**(160,505)**	(139,457)
Charge for provision for CO_2 emissions emitted	17, 23	**58,603**	115,453
Reversal of unused provision for CO_2 emissions emitted	23	**(3,165)**	(211)
Impairment loss – CO_2 emission allowances	6	**108,211**	434
Impairment of investments	7	**199**	3,750
Loss / (gain) on disposal of property, plant and equipment and intangible assets	20, 23	**3,942**	(956)
Loss / (gain) from fair value changes of derivative financial instruments	20, 23	**20,286**	(8,673)
Dividend income	24	**(12,977)**	(481)
Interest income	24	**(248)**	(194)
Interest expense	24	**22,277**	14,738
Foreign exchange loss / (gain) on operating activities		**(3)**	25
Changes in working capital			
(Increase) / decrease in inventories	10	**(49,614)**	(110,644)
Decrease/ (increase) in trade and other receivables and other current assets		**113,139**	(208,812)
(Decrease) / Increase in trade and other payables and other current liabilities		**(48,942)**	90,095
Cash generated from / (used in) operations		**112,688**	**(39,919)**
Interest paid		**(21,189)**	(13,436)
Income taxes (paid) / received		**(20)**	19
Net (payments) / receipts from derivative financial instruments		**(22,126)**	8,781
Net cash generated from / (used in) operating activities		**69,353**	**(44,555)**
Cash flows from / (used in) investing activities			
Acquisition of a subsidiary	7	**-**	(2,646)
Purchases of property, plant and equipment	5	**(32,070)**	(84,771)
Proceeds from sale of property, plant and equipment		**728**	7,265
Purchases of intangible assets	6	**(31,791)**	(19,849)
Proceeds from sale of intangible assets (excluding CO_2 emission allowances)		**7,146**	362
Proceeds from sale of CO_2 emission allowances		**37,283**	16,463
Change in restricted cash, net	9	**(4,888)**	2,660
Interest received		**250**	195
Dividends received		**12,977**	481
Net cash used in investing activities		**(10,365)**	**(79,840)**
Cash flows from / (used in) financing activities			
Intercompany borrowings granted	30	**(31,964)**	(19,768)
Intercompany borrowings repaid	30	**32,168**	17,971
Proceeds from borrowings	27	**3,455,063**	426,227
Repayment of borrowings	27	**(3,425,174)**	(301,800)
Dividends paid to the Company's shareholder		**(46,000)**	(102,021)
Net cash generated from / (used in) financing activities		**(15,907)**	**20,609**
Net increase in cash and cash equivalents		**43,081**	**(103,786)**
Cash and cash equivalents at beginning of year	13	**4,596**	108,382
Cash and cash equivalents at end of year	13	**47,677**	**4,596**

The accompanying notes on pages F-9 to F-46 are an integral part of these financial statements.

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

Note 1 General Information

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

The Company's registered office is:

Vstupný areál U. S. Steel
Košice
044 54
Identification No.: 36 199 222

Business activities of the Company

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

Liability in other business entities

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

Average number of staff

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

The Company's management

Statutory representatives as of December 31, 2011 were as follows:

David John Rintoul	President
Matthew Todd Lewis	Senior Vice President and Chief Financial Officer
Robert James Beltz	Vice President Commercial
Ing. Vladimír Jacko, PhD., MBA	Vice President Technology
Mgr. Elena Petrášková, LL.M	Vice President Management Services and Administration
Joseph Anthony Napoli	General Counsel
Ing. Martin Pitorák	Vice President Human Resources
Mark Granville Tabler	Vice President Operations
John Patrick Coyne	Vice President BSC Administration for USSE and Director - Business Processes and ERP

Emoluments of statutory representatives are disclosed in Note 30.

Shareholder of the Company

As of December 31, 2011, the only shareholder of the Company was U. S. Steel Global Holdings I B.V., Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands. The shareholder owns a 100% share of the base capital, representing 100% of the voting rights.

On May 30, 2011, General Meeting approved the Company's financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period.

Consolidated Group

According to the Slovak Accounting Law, the Company is not required to prepare consolidated financial statements in case that the impact of subsidiaries to be consolidated is immaterial. Management considers that the conditions of the exemption are met and therefore the subsidiaries have not been consolidated, but are carried at cost less impairment in these financial statements for U. S. Steel Košice, s.r.o. for the year ended December 31, 2011.

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

Note 2 Significant Accounting Policies

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

2.1 Statement of Compliance

These financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of December 31, 2011 and effective for annual periods then ended.

2.2 Basis of Preparation

The Slovak Accounting Law requires the Company to prepare financial statements for the year ended December 31, 2011 in compliance with IFRS as adopted by the EU.

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

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

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

2.3 Changes in Accounting Policies

The accounting policies have been consistently applied to all periods presented.

2.4 Foreign Currency Translations

Functional and presentation currency

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

Transactions and balances

The accounting books and records are kept in functional currency euro. Transactions in currencies other than the euro are translated into the euro using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the euro, and from the translation of monetary assets and liabilities denominated in currencies other than the euro at year-end exchange rates are recognized in profit or loss.

2.5 Property, Plant and Equipment

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

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

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

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

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

Useful lives of landfills are determined based on their capacity.

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

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

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

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

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

2.6 Intangible Assets

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

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

Research and development costs

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

Software

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

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

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (2 – 5 years).

The average useful life of the Company's software is 5 years.

Emissions allowances

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

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

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

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

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

2.7 Impairment of Property, Plant and Equipment and Intangible Assets

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

2.8 Borrowing Costs

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

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

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

2.9 Accounting for Leases

Leases of assets are classified as

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

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

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

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

2.10 Investments

Subsidiaries

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

2.11 Financial Assets

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

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

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

Loans and receivables

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

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

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

Financial assets at fair value through profit and loss

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

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

Hedging derivatives

Derivatives are categorized as held for trading unless they qualify for hedge accounting (Note 2.23). 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 after the end of reporting period.

Financial assets available-for-sale

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

Derecognition of financial assets

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

2.12 Inventories

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

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

2.13 Cash and Cash Equivalents

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

2.14 Equity and Reserves

Equity and liabilities

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

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

Reserves

a) Legal reserve fund

The legal reserve fund is set up in compliance with the Commercial Code. Contributions to the legal reserve fund of the Company are made in minimum of 5% from profit after tax up to 10% of the base capital. A legal reserve fund is not distributable and may be used only to cover losses of the Company.

b) Revaluation Reserves

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

2.15 Financial Liabilities

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

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

<u>Loans and borrowings</u>

Loans and borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost; any difference between the amount at initial recognition and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method, except for a portion that is capitalized as borrowing costs.

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

<u>Trade and other payables</u>

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

<u>Derecognition of financial liabilities</u>

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

2.16 Dividends

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

2.17 Government Grants

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

2.18 Provisions

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

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

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

2.19 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax expense. Current and deferred tax expenses are recognized in profit or loss, except when related to items recognized in other comprehensive income, in which case the tax is also recognized in other comprehensive income.

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

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

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

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

2.20 Employee Benefits

Defined contribution pension plan

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

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

Employee retirement obligation

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

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

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

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

Work and life jubilee benefits

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to profit or loss when incurred. Amendments to the work and life jubilees benefit plan are charged to profit or loss immediately.

Profit sharing and bonus plans

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

2.21 Revenue Recognition

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

Sale of own production and goods

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

Rendering of services

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

Interest income

Interest income is recognized using the effective interest method. Interest income is included in finance income in profit or loss.

Dividend income

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

2.22 Contingent Liabilities and Contingent Assets

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

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

2.23 Accounting for Derivative Financial Instruments

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

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

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

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Forward foreign exchange contracts embedded in the host raw material purchase contracts denominated in U.S. dollars are considered to be closely related to the host contracts because raw material prices are routinely denominated in U.S. dollars in commercial transactions in the economic environment in which the Company operates, and therefore are not separately accounted for.

Hedge Accounting

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

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

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

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

2.24 Fair Value Estimation

The fair value of emission allowances represents their fair value as of the measurement date.

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

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

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

2.25 Events After the Reporting Period

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

Note 3 Significant Accounting Estimates and Judgments

Estimates and judgments made by the Company are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as certain significant judgments made by the Company in applying its accounting policies are outlined below.

Estimated useful life of property, plant and equipment

The average useful life of depreciable property, plant and equipment represents approximately 16 years (2010: 17 years). An increase of the average useful life by 1 year would change the annual depreciation charge by EUR 4 million (2010: EUR 6 million). A decrease of the average useful life by 1 year would change the annual depreciation charge by EUR 8 million (2010: EUR 4 million).

Impairment of property, plant and equipment

The Company evaluates impairment of its property, plant and equipment whenever circumstances indicate that the carrying amount exceeds its recoverable amount. Adverse development on EU markets caused by the ongoing EU sovereign debt and the resulting economic uncertainties was considered to be an indicator as defined by *IAS 36 Impairment of Assets*. The Company's assets were tested for impairment at the end of the year 2011. The testing did not indicate that the assets were impaired. As of December 31, 2010, no impairment indicators were identified.

Impairment of intangible assets

The intangible assets not yet available for use, representing the allocated part of corporate software, were included in testing for impairment. The testing did not indicate that the assets were impaired as of December 31, 2011 and 2010.

Income taxes

Certain areas of Slovak tax law have not been sufficiently tested in practice. As a result, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. The uncertainty will be reduced only if legal precedents or official interpretations become available. The Company's management is not aware of any circumstances that may give rise to a future material expense in this respect.

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

Litigation

The Company is party to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses its own judgment to assess the most likely outcome of these and a provision is recognized when necessary (Note 17).

Employee benefits

The present value of employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. The appropriate assumptions are determined by U. S. Steel actuaries at the end of each year. Any changes in these assumptions will impact the carrying amount of employee benefits obligations (Note 2.20 and Note 18).

Landfill provision

A provision for landfill restoration is measured at the net present value of the estimated future expenditure required to settle the Company's restoration and aftercare obligations. Restoration and aftercare expenditures are determined by an external professional company (Note 17).

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective for the first time for periods on or after January 1, 2011

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company. The following new standards and interpretations became effective for the Company from 1 January 2011:

Amendments to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. These amendments to the standard have been endorsed by the EU on 19 July 2010.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period. The improvements have been endorsed by EU on 18 February 2011.

Other revised standards and interpretations effective for the current period did not have any impact on these financial statements.

4.2 Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later, and which the Company has not early adopted.

IFRS 9, Financial Instruments, Part 1: Classification and Measurement. IFRS 9 (effective for annual periods beginning on or after 1 January 2013). IFRS 9 was issued in November 2009, relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

The Company is currently assessing the impact of the standard on its financial statements. This standard has not been endorsed yet by the EU.

IFRS 12, Disclosure of Interests in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company is currently assessing the impact of the new standard on its financial statements. This standard has not been endorsed yet by the EU.

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is currently assessing the impact of the new standard on its financial statements. This standard has not been endorsed yet by the EU.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Company is currently assessing the impact of the amended standard on its financial statements. This amendment has not been endorsed yet by the EU.

Amendments to IAS 1, Presentation of Financial Statements, (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'Statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances. This amendment has not been endorsed yet by the EU.

Amendments to IAS 19, Employee Benefits, (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) re-measurements in other comprehensive income. The Company is currently assessing the impact of the amended standard on disclosures in its financial statements. This amendment has not been endorsed yet by the EU.

Unless otherwise stated above, the new standards and interpretations are not expected to have a material effect on the financial statements of the Company.

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

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2011 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2011	**404,018**	**1,065,356**	**12,670**	**10,191**	**1,492,235**
Additions	-	-	-	32,070	**32,070**
Disposals	(195)	(19,481)	(184)	(87)	**(19,947)**
Transfers to base	22,962	3,491	9	(26,462)	**-**
December 31, 2011	**426,785**	**1,049,366**	**12,495**	**15,712**	**1,504,358**
Accumulated Depreciation and Impairment Losses					
January 1, 2011	**(80,804)**	**(456,215)**	**(10,210)**	**-**	**(547,229)**
Depreciation for the year	(10,940)	(75,074)	(152)	-	**(86,166)**
Disposals	(85)	19,066	-	-	**18,981**
December 31, 2011	**(91,829)**	**(512,223)**	**(10,362)**	**-**	**(614,414)**
Carrying amount	**334,956**	**537,143**	**2,133**	**15,712**	**889,944**

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

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

Additions to property, plant and equipment include EUR 272 thousand (2010: EUR 1,795 thousand) of interest capitalized at an average borrowing rate of 6.29% (2010: 5.51%).

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of December 31, 2011 or December 31, 2010.

<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 580 million using the exchange rate at the end of reporting period) (2010: USD 750 million (i.e. EUR 561 million using the exchange rate as of December 31, 2010)). Compensation sublimits for individual risks are specified in the insurance contract. Own participation is USD 25 million (i.e. EUR 19 million using the exchange rate at the end of reporting period) per claim.

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

Note 6 Intangible Assets

Movements in intangible assets during 2011 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2011	**21,894**	**187,354**	**215**	**21,283**	**230,746**
Additions – purchased	-	21,334	-	10,457	**31,791**
Additions – granted	-	160,505	-	-	**160,505**
Disposals	(309)	(154,083)	-	(6,712)	**(161,104)**
Reversal of revaluation surplus	-	(4,460)	-	-	**(4,460)**
Transfers to base	2,235	-	57	(2,292)	**-**
December 31, 2011	**23,820**	**210,650**	**272**	**22,736**	**257,478**
Accumulated Amortization and Impairment Losses					
January 1, 2011	**(16,655)**	**(434)**	**(132)**	**-**	**(17,221)**
Amortization for the year	(2,040)	-	(39)	-	**(2,079)**
Disposals	250	434	-	-	**684**
Impairment losses	-	(108,211)	-	-	**(108,211)**
December 31, 2011	**(18,445)**	**(108,211)**	**(171)**	**-**	**(126,827)**
Carrying amount	**5,375**	**102,439**	**101**	**22,736**	**130,651**

Movements in intangible assets during 2010 are as follows:

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

Additions to intangible assets include EUR 409 thousand (2010: EUR 529 thousand) of interest capitalized at an average borrowing rate of 6.29% (2010: 5.51%).

No intangible assets were pledged in favor of a creditor or restricted in its use as of December 31, 2011 or December 31, 2010.

<u>Insurance</u>

Intangible assets are not insured.

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

Emissions allowances

The Company was allocated free of charge CO_2 emissions allowances by the Slovak Government. The allowances were initially measured at fair value as of the allocation date at EUR 14.87 per allowance (2010: EUR 12.92 per allowance). The allowances are revalued at the end of reporting period. The European Energy Stock Exchange is used to obtain the fair value of the emissions allowances. The liability for the obligation to deliver the emissions allowances is settled within a few months after the end of reporting period in accordance with applicable legislation.

In December 2010, Slovakia enacted an 80 percent tax on excess emission allowances registered in 2011 and 2012. For more information see Note 23 Other Operating Expenses.

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

	December 31, 2011	December 31, 2010
Emissions allowances (intangible asset)	**102,439**	186,920
Liability for the obligation to deliver allowances (provision) (Note 17)	**58,603**	115,453

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 102,439 thousand as of December 31, 2011 (December 31, 2010: EUR 174,239 thousand).

Note 7 Investments

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

Entity, Place of incorporation, Principal activities		2011	2010
U. S. Steel Košice – Labortest, s.r.o., Slovakia, Testing laboratory			
	Ownership interest (%)	**99.97**	99.97
	Carrying amount	**2,250**	2,250
	Profit / (loss)	**410**	544
	Equity	**4,171**	4,778
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit / (loss)	**98**	98
	Equity	**380**	612
VULKMONT, a.s. Košice, Slovakia, Maintenance and vulcanization services			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**1,995**	1,995
	Profit / (loss)	**1,488**	1,971
	Equity	**7,314**	10,826
Refrako s.r.o., Slovakia, Refractory production			
	Ownership interest (%)	**99.98**	99.98
	Carrying amount	**4,565**	4,565
	Profit / (loss)	**(474)**	76
	Equity	**8,220**	8,702
U. S. Steel Services s.r.o., Slovakia, Various services			
	Ownership interest (%)	**99.96**	99.96
	Carrying amount	**1,804**	1,804
	Profit / (loss)	**435**	400
	Equity	**2,913**	2,653
OBAL-SERVIS, a.s. Košice, Slovakia, Packaging			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**1,304**	1,304
	Profit / (loss)	**1,076**	1,720
	Equity	**4,013**	8,763

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

Entity, Place of incorporation, Principal activities		2011	2010
U. S. Steel Europe – Bohemia a.s., Czech Republic, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**466**	536
	Profit / (loss)	**73**	53
	Equity	**2,073**	2,119
U. S. Steel Europe – France S.A. France, Steel trading			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit / (loss)	**16**	19
	Equity	**184**	187
U. S. Steel Europe – Germany GmbH, Germany, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**421**	338
	Profit / (loss)	**65**	61
	Equity	**1,290**	1,286
U. S. Steel Europe – Austria GmbH in Liqu., Austria, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**188**	261
	Profit / (loss)	**94**	14
	Equity	**208**	128
U. S. Steel Europe (UK) Limited (1), Great Britain, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**334**	473
	Profit / (loss)	**274**	397
	Equity	**526**	397
Total currying amount		**13,573**	**13,772**

Profit / (loss) and equity of subsidiaries are presented under local accounting standards.

(1) Financial information for the year 2011 is unaudited.

The change in carrying amounts as of December 31, 2011 of U. S. Steel Europe – Germany GmbH, U. S. Steel Europe – Austria GmbH in Liqu., U. S. Steel Europe (UK) Limited and U. S. Steel Europe – Bohemia a.s. relates to adjustments made in the provisions for impairment to the investments.

U. S. Steel Europe – Austria GmbH has entered into liquidation effective July 1, 2011 and changed its name to U. S. Steel Europe – Austria GmbH in Liqu.

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

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

None of the Company's ownership interests in subsidiaries were pledged as of December 31, 2011 and December 31, 2010.

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

Note 8 Deferred Income Taxes

Differences between IFRS as adopted by the EU and Slovak taxation regulations give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is recorded at the rate of 19% (2010: 19%).

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

The tax effect of the movements in the temporary differences during year 2011 is as follows:

	January 1, 2011	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2011
Property, plant and equipment	(14,336)	9,674	-	**(4,662)**
Inventories	3,023	921	-	**3,944**
Employee benefits	3,463	342	-	**3,805**
Deferred charges	230	42	-	**272**
Provision for impairment to receivables	131	2,202	-	**2,333**
Unused tax loss 2009	12,672	(10,087)	-	**2,585**
Emission allowances transactions	(10,708)	(250)	2,614	**(8,344)**
Derivative financial instruments	1,596	-	(6,191)	**(4,595)**
Other items	36	(806)	-	**(770)**
Total	**(3,893)**	**2,038**	**(3,577)**	**(5,432)**
Deferred tax asset	-			**-**
Deferred tax liability	(3,893)			**(5,432)**

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

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

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

	December 31, 2011	December 31, 2010
Deferred tax to be realized within 12 months	**(3,628)**	(2,459)
Deferred tax to be realized after 12 months	**(1,804)**	(1,434)

The Company has unrecognized potential deferred tax assets of EUR 2,043 thousand related to subsidiaries as of December 31, 2011 (December 31, 2010: EUR 2,005 thousand).

Tax loss Carryforward

In 2009, the Company recognized a deferred tax asset for the full loss in accordance with IAS 12 Income Taxes. The 2009 tax loss amounted to EUR 84,623 thousand and can be carried forward over a period of five years. In 2011, the Company utilized EUR 45,809 thousand of the 2009 tax loss (2010: EUR 25,207 thousand).

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

Note 9 Restricted cash

	December 31, 2011	December 31, 2010
Cash restricted in its use - Long-term portion	**6,106**	3,003
Cash restricted in its use - Short-term portion	**6,002**	4,217
Total (Notes 27 and 28)	**12,108**	**7,220**

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

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

Note 10 Inventories

	December 31, 2011	December 31, 2010
Raw materials	**253,083**	198,763
Work-in-progress	**40,098**	63,936
Semi-finished production	**54,474**	39,658
Finished products	**94,014**	89,698
Total	**441,669**	**392,055**

The inventory items as at December 31, 2011 are shown net of write-down allowances resulting from lower net realizable values totaling EUR 7,106 thousand (December 31, 2010: EUR 1,740 thousand). No inventories were pledged or restricted in use as of December 31, 2011 or December 31, 2010.

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

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2011	**254**	**1,011**	**149**	**326**	**1,740**
Allowance made	2,322	1,723	1,043	2,150	**7,238**
Allowance used	(55)	(1,132)	(206)	(479)	**(1,872)**
Allowance reversed	-	-	-	-	**-**
December 31, 2011	**2,521**	**1,602**	**986**	**1,997**	**7,106**

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

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

Note 11 Short-term Receivables

	December 31, 2011	December 31, 2010
Trade receivables	**342,562**	335,894
Related party accounts receivable (Note 30)	**47,168**	157,700
Total trade receivables (Note 28)	**389,730**	**493,594**
Advance payments made	**3,315**	6,123
VAT receivable	**49,908**	46,492
Other receivables	**432**	1,407
Trade and other receivables (gross)	**443,385**	**547,616**
Less provision for impairment to trade receivables	**(25,838)**	(17,804)
Less provision for impairment to other receivables	**(162)**	(154)
Trade and other receivables (net)	**417,385**	**529,658**
Long-term receivables	**-**	-
Short-term receivables	**417,385**	529,658

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2011 and December 31, 2010. The maximum credit risk exposure at the end of reporting period is the carrying amount of each class of receivable mentioned above. Information about collateral or other credit enhancements and the overall credit risk of the Company is disclosed in Note 27.

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

	December 31, 2011	December 31, 2010
EUR	**331,900**	443,171
USD	**40,832**	22,929
Other	**16,998**	27,494
Total	**389,730**	**493,594**

The structure of trade receivables is as follows:

	December 31, 2011	December 31, 2010
Receivables not yet due and not impaired	**310,194**	304,015
Receivables past due but not impaired	**16,741**	14,433
Receivables individually impaired	**15,627**	17,446
Trade receivables	**342,562**	**335,894**
Receivables not yet due and not impaired	**18,184**	55,842
Receivables past due but not impaired	**18,773**	101,499
Receivables individually impaired	**10,211**	359
Related party accounts receivable	**47,168**	**157,700**
Total	**389,730**	**493,594**

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

	December 31, 2011	December 31, 2010
No or low-risk counterparties	**172,974**	143,852
Marginal or high-risk counterparties	**137,220**	160,163
Trade receivables	**310,194**	**304,015**
No or low-risk counterparties	**782**	1,162
Marginal or high-risk counterparties	**17,402**	54,680
Related party accounts receivable	**18,184**	**55,842**
Total	**328,378**	**359,857**

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

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

Marginal or high-risk counterparties – Customers in high risk locations with inconsistent payment discipline and limited credit enhancement endorsement.

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

	December 31, 2011	December 31, 2010
Past due 0 – 30 days	**15,974**	13,731
Past due 30 – 90 days	**627**	696
Past due 90 – 180 days	**140**	6
Past due more than 180 days	**-**	-
Trade receivables	**16,741**	**14,433**
Past due 0 – 30 days	**3,781**	4,324
Past due 30 – 90 days	**6,334**	8,458
Past due 90 – 180 days	**3,529**	84,835
Past due more then 180 days	**5,129**	3,882
Related party accounts receivable	**18,773**	**101,499**
Total	**35,514**	**115,932**

Discounted present value of receivables past due is not materially different from their book values as of December 31, 2011 and 2010.

Ageing structure of trade receivables individually impaired is as follows:

	December 31, 2011	December 31, 2010
Not yet due	**-**	12,015
Past due 0 – 30 days	**-**	104
Past due 30 – 90 days	**39**	41
Past due 90 – 180 days	**56**	299
Past due 180 – 365 days	**110**	5
Past due over 365 days	**15,422**	4,982
Trade receivables	**15,627**	**17,446**
Not yet due	**4,999**	-
Past due 0 – 30 days	**1,209**	-
Past due 30 – 90 days	**2,041**	-
Past due 90 – 180 days	**1,081**	-
Past due 180 – 365 days	**834**	18
Past due over 365 days	**47**	341
Related party accounts receivable	**10,211**	**359**
Total	**25,838**	**17,805**

Receivables of EUR 12,015 thousand were restructured at the end of year 2009 based on the customer's insolvency plan approved by the court. Classification of the receivables was adjusted according to their new due dates. During 2011, the customer did not follow the insolvency plan and filed for its second insolvency. USSK's application of its receivables within the bankruptcy procedure was fully accepted. The receivables were reclassified back according to their original due dates.

U. S. Steel sold its interest in U. S. Steel Serbia d.o.o. ("U. S. Steel Serbia") on January 31, 2012 (Note 31). U. S. Steel Košice, s.r.o. was a party in the Master share purchase agreement and agreed to reduced payments of its outstanding receivables as of December 31, 2011. The Company recognized an impairment of EUR 10,211 thousand for the difference between the receivables balance at the end of the year and payments agreed in the sales contract.

(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
January 1, 2011	**17,445**	**359**	**154**	**-**	**17,958**
Provision made	244	10,163	15	-	**10,422**
Receivables written-off	(1,550)	(27)	-	-	**(1,577)**
Provision reversed	(512)	(284)	(7)	-	**(803)**
December 31, 2011	**15,627**	**10,211**	**162**	**-**	**26,000**

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

Accounts receivable totaling EUR 1,594 thousand were written off in 2011 (2010: EUR 3,145 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 hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses on forward foreign exchange contracts recognized in other comprehensive income and accumulated in revaluation reserves in equity (Note 15) as of December 31, 2011 will be recognized in the profit or loss in the period(s) during which the hedged forecast transaction affects the profit or loss. This is generally within 12 months after the end of reporting period.

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

	December 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards – cash flow hedges	**24,210**	**25**	1,825	10,225
Total	**24,210**	**25**	**1,825**	**10,225**

Balances as of December 31, 2011 and December 31, 2010 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Company has entered into forward foreign exchange contracts with ING Bank N.V., Citibank Europe plc, PNC Bank, Fifth Third Bank and The Bank of Nova Scotia as of December 31, 2011 and with ING Bank N.V., Citibank Europe plc, PNC Bank and The Bank of Nova Scotia as of December 31, 2010. Financial asset per each counterparty represents less than 30% of total financial assets. The ratings of the banks are BBB and higher (according to Standard & Poor's).

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

	December 31, 2011	December 31, 2010
Payable on settlement in EUR thousand	**(336,863)**	(306,412)
Receivable on settlement in USD thousand	**468,000**	398,000

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

Note 13 Cash and Cash Equivalents

	December 31, 2011	December 31, 2010
Cash on hand	**38**	43
Cash at bank	**47,639**	4,553
Total (Note 28)	**47,677**	**4,596**

Cash at bank earned approximately 0.8% p.a. for EUR deposits, 0.1% p.a. for USD deposits and 0.31% p.a. for CZK deposits as of December 31, 2011 (December 31, 2010: 0.3% p.a. for EUR deposits and 0.1% p.a. for USD deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances in these accounts are not material.

Cash restricted in its use is presented in Note 9.

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

Note 14 Other Current Assets

The balance of other current assets represents prepaid expenses totaling EUR 1,583 thousand as of December 31, 2011 (December 31, 2010: EUR 2,454 thousand).

Note 15 Equity

Base capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased base capital as of December 31, 2011.

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve fund	Revaluation reserves	Total
January 1, 2011	**44**	**59,504**	**4,996**	**64,544**
Changes in fair value of derivative financial instruments	-	-	24,553	**24,553**
Release of revaluation reserve - CO_2 emission allowances	-	-	(11,144)	**(11,144)**
Contribution to legal reserve fund	-	4,799	-	**4,799**
December 31, 2011	**44**	**64,303**	**18,405**	**82,752**

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

As of December 31, 2011, the closing balance of revaluation reserves consisted of revaluation reserve for derivative financial instruments (December 31, 2010: revaluation reserve for CO_2 emission allowances of EUR 11,144 thousand off set by revaluation reserve for derivative financial instruments of EUR 6,148 thousand).

Dividends

In May 2011, dividends totaling EUR 97,439 thousand were approved for distribution. Declared but unpaid dividends totaled EUR 316,301 thousand as of December 31, 2011 (December 31, 2010: EUR 264,862 thousand) (Notes 19 and 30).

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

Note 16 Long-term Loans and Borrowings

	December 31, 2011	December 31, 2010
EUR 400 million credit facility	**246,353**	308,962
EUR 200 million credit facility	**100,019**	-
	346,372	**308,962**
Current portion of the borrowings	**-**	-
Non-current portion of the borrowings	**346,372**	308,962

As of March 23, 2010, the Company entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V, the Company's parent entity. Interest on borrowings under the facility is based on a fixed rate of 6.80% p.a., and the agreement contains customary terms and conditions. As of June 16, 2010, the amount of this credit facility was increased by EUR 100 million. As of December 31, 2011, borrowings totaling EUR 246 million were drawn against this facility (December 31, 2010: EUR 309 million).

On August 6, 2010, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank N.V. pobočka zahraničnej banky. The facility bears interest at the applicable inter-bank offer rate plus a margin and the agreement contains customary terms and conditions. As of December 31, 2011, borrowings totaling EUR 100 million were drawn against this facility (December 31, 2010: no borrowings were drawn against this facility).

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

Carrying amounts of the borrowings as of December 31, 2011 and December 31, 2010 are measured at amortized costs. Fair values of the borrowings as of December 31, 2011 and December 31, 2010 approximate their carrying amounts.

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

Note 17 Provisions for Liabilities and Charges

Movements in provisions for liabilities and charges were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2011	**16,958**	**2,679**	**115,453**	**1,386**	**136,476**
Provision made	78	361	58,603	413	**59,455**
Provision used / reversed	(4,123)	-	(115,453)	(1,542)	**(121,118)**
December 31, 2011	**12,913**	**3,040**	**58,603**	**257**	**74,813**
Long-term provisions	7,856	-	-	-	**7,856**
Short-term provisions	5,057	3,040	58,603	257	**66,957**

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

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2011 and 2010 was considered to be immaterial.

Provision reversals for the year 2011 and 2010, except for reversal of unused provision for CO_2 emission of EUR 3,165 thousand (Note 23), were considered to be immaterial.

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

Landfill

Provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Act on Waste. In 2011, the Company has four operating landfills; two for non-hazardous waste and two for hazardous waste. One non-hazardous waste landfill was closed in July 2009 and one hazardous waste landfill was closed in November 2010. Reclamation cost was charged against the provision. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

Litigation

The Company uses external legal counsel to act in some legal proceedings and internal legal counsel in other proceedings. These proceedings are at different stages and some may proceed for undeterminable periods of time. The Company's management has made its best estimate of the probabilities and the contingent loss amounts associated with all legal proceedings in both Slovak and foreign jurisdictions and has recorded provisions accordingly. The provisions are considered immaterial to the Company's financial statements. Based on facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position of the Company.

CO_2 emissions

A provision was recognized for CO_2 emissions emitted in 2011. The provision is calculated as a multiple of the estimated volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Energy Stock Exchange. The provision was charged to Other operating expenses (Note 23). Amortization of related deferred income is recognized in Other income (Note 20).

Other

Other provisions include provisions for warranty and other business risks.

Note 18 Employee Benefits Obligations

Employee retirement obligation

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

Work and life jubilee benefits

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

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

	2011	2010
January 1,	**18,287**	**16,691**
Total expense charged in profit or loss – pension	**1,764**	1,357
Total expense charged in profit or loss – jubilee	**934**	1,027
Benefits paid	**(885)**	(788)
December 31,	**20,100**	**18,287**
Long-term employee benefits payable	**19,145**	17,456
Short-term employee benefits payable	**955**	831

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

	December 31, 2011	December 31, 2010
Present value of the obligation – pension	**15,333**	13,989
Present value of the obligation – jubilee	**6,868**	6,331
Unrecognized actuarial gains	**(2,101)**	(2,011)
Unrecognized past service costs	**-**	(22)
Total liability in the statement of financial position	**20,100**	**18,287**

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

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

	2011	2010
Current service costs – pension	**711**	(368)
Current service costs – jubilee	**315**	297
Interest costs	**1,008**	967
Net actuarial losses recognized	**664**	1,488
Total	**2,698**	**2,384**

Service cost and net actuarial losses are presented in Salaries and other employee benefits (Note 22) and interest costs are reflected in Finance costs.

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

	2011	2010
Discount rate	**4.50%**	5.50%
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover (1)	**max 5.00%**	max 5.00%

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

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 24.5% (2010: 24.3%) of gross salaries up to a monthly salary ceiling between EUR 1,116.75 to EUR 2,978.00 (EUR 1,084.55 to EUR 2,892.12 until June 30, 2010, and EUR 1,116.75 to EUR 2,978.00 after this date). The amount of contributions made is presented in Note 22.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company made contributions to the supplementary scheme amounting up to 1.7% from the monthly accounted wage in 2011 (2010: 1.7%).

Note 19 Trade and Other Payables

	December 31, 2011	December 31, 2010
Trade payables	**119,961**	153,583
Related party accounts payable (Note 30)	**44,101**	63,990
Assigned trade payables	**32,093**	14,333
Uninvoiced deliveries and other accrued expenses	**62,188**	79,215
Trade payables and accruals (Note 28)	**258,343**	**311,121**
Advance payments received	**3,138**	4,026
Liability to employees and social security institutions	**21,749**	19,121
Dividends payable (Notes 15 and 30)	**316,301**	264,862
VAT and other taxes and fees	**15,513**	8,734
Other payables	**3,965**	4,658
Total	**619,009**	**612,522**

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

	December 31, 2011	December 31, 2010
Trade and other payables not yet due	**612,396**	603,095
Trade and other payables past due	**6,613**	9,427
Total	**619,009**	**612,522**

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

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

	December 31, 2011	December 31, 2010
EUR	**155,298**	210,896
USD	**87,099**	84,300
Other	**15,946**	15,925
Total	**258,343**	**311,121**

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

	2011	2010
Opening balance as of January 1	**465**	**784**
Company contribution (company costs)	**1,067**	1,067
Employees contribution (repayments)	**312**	380
Withdrawals	**(1,785)**	(1,766)
Closing balance as of December 31	**59**	**465**

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

Revenue consists of the following:

	2011	2010
Sales of own production	**2,410,022**	2,416,069
Sales of merchandise	**9,292**	42,206
Rendering of services	**16,959**	9,536
Total	**2,436,273**	**2,467,811**

In 2011, sales of merchandise represent primarily sales of electricity (in 2010: sales of raw materials to U. S. Steel, the parent company of U. S. Steel Košice, s.r.o.).

Other income

Other income consists of the following:

	2011	2010
Amortization of deferred income - CO_2 emission allowances	**160,505**	139,457
Gain on disposal of property, plant and equipment and intangible assets	**-**	956
Gain on derivative financial instruments	**-**	8,673
Rental income	**1,927**	1,930
Income from contractual penalties	**352**	647
Other income	**6,117**	1,791
Total	**168,901**	**153,454**

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

Note 21 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2011	2010
Materials consumed	**(1,642,136)**	(1,624,621)
Energy consumed	**(108,029)**	(100,060)
Costs of merchandise sold (Note 20)	**(9,225)**	(42,088)
Changes in internal inventory	**13,599**	51,585
Inventory write-down allowance (Note 10)	**(7,238)**	(2,002)
Total	**(1,753,029)**	**(1,717,186)**

Note 22 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2011	2010
Wages and salaries	**(175,689)**	(168,430)
Profit sharing expense	**(1,581)**	(4,670)
Social insurance – defined contribution plan (Note 18)	**(62,151)**	(59,813)
Other social expenses	**(12,094)**	(11,974)
Pension expenses – retirement and work and life jubilees (Note 18)	**(1,690)**	(1,417)
Total	**(253,205)**	**(246,304)**

The average number of the Company's employees for 2011 was 11,095 (2010: 11,129), from which 255 were key management employees (2010: 235).

Note 23 Other Operating Expenses

	2011	2010
Packaging	**(15,880)**	(17,070)
Cleaning and waste	**(8,359)**	(10,025)
Rent	**(3,033)**	(2,753)
Advertising and promotion	**(3,317)**	(2,876)
Intermediary fees	**(7,707)**	(6,713)
Training	**(2,216)**	(1,603)
Charge for provision for CO_2 emissions (Note 17)	**(58,603)**	(115,453)
Reversal of unused provision for CO_2 emissions	**3,165**	211
Tax on excess CO_2 emissions	**(9,891)**	-
Impairment of receivables – (loss) and receivables written-off (Note 11)	**(9,634)**	(789)
Loss on disposal of property, plant and equipment and intangible assets	**(3,942)**	-
Loss from derivative financial instruments	**(20,286)**	-
Real estate tax and other taxes	**(5,161)**	(5,229)
Laboratory and heat tests	**(5,816)**	(6,239)
Audit fee	**(661)**	(692)
Other service provided by the auditor	**(15)**	(22)
Other operating expenses (1)	**(83,086)**	(81,129)
Total	**(234,442)**	**(250,382)**

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

In December 2010, Slovakia enacted an 80 percent tax on excess emission allowances registered in 2011 and 2012. Although the Company believes this tax is unconstitutional and unlawful and may contest it, based on the current implementing regulations, expense of EUR 9,891 thousand was recorded for the year ended December 31, 2011.

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

Note 24 Finance Income and Finance Cost

	2011	2010
Interest income	248	194
Interest expense	(22,277)	(14,738)
Total	(22,029)	(14,544)

Note 25 Income Taxes

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

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

	2011	2010
Current tax	(43)	(118)
Deferred tax (Note 8)	2,038	(23,044)
Total	1,995	(23,162)

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:

	2011	2010
Profit / (loss) before tax	(26,760)	119,141
Tax calculated at 19% tax rate	5,084	(22,637)
Non-deductible expenses	(3,746)	(581)
Other	657	56
Tax credit / (charge)	1,995	(23,162)

The effective tax rate was 7% (2010: 19%).

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

	2011			2010		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative financial instruments	30,744	(6,191)	24,553	(7,249)	1,398	(5,851)
Changes in revaluation reserve	(4,460)	2,614	(1,846)	12,782	(1,710)	11,072
Other comprehensive income	26,284	(3,577)	22,707	5,533	(312)	5,221
Current tax		-			-	
Deferred tax (Note 8)		(3,577)			(312)	
		(3,577)			(312)	

Note 26 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to pay obligations as they come due. The Company's overall strategy did not change from 2010.

The capital structure of the Company consists of debt (Note 16 and Note 30) totaling EUR 354,352 thousand as of December 31, 2011 (December 31, 2010: EUR 324,461 thousand) and equity (Note 15) totaling EUR 908,757 thousand as of December 31, 2011 (December 31, 2010: EUR 1,006,323 thousand) that includes base capital, other reserves and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include a minimum level of base capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of December 31, 2011 and December 31, 2010.

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

Note 27 Financial Risk Management

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

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

Credit risk

The Company is exposed to credit risk in the event of non-payment by customers principally within the automotive, steel, container and construction industries. Changes in these industries may significantly affect management's estimates and the Company's financial performance.

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

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

December 31, 2011	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables (net)	-	326,935
Related party accounts receivables (net)	-	36,957
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	24,210	-
Short-term borrowings (Note 30)		
Short-term borrowings	-	1,600
Cash and cash equivalents (Note 13)		
ING Bank N.V.	-	26,323
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	11
HSBC Bank plc, pobočka zahraničnej banky	-	47
Citibank (Slovakia) a.s.	-	21,159
Slovenská sporiteľňa, a.s.	-	89
Other banks	-	10
Cash on hand	-	38
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s.	-	10,793
Other banks	-	1,315
Total	**24,210**	**425,277**

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

December 31, 2010	Derivative financial instruments	Loans and receivables
Trade receivables (Note 11)		
Trade receivables (net)	-	318,449
Related party accounts receivables (net)	-	157,341
Derivative financial instruments (Note 12)		
Forward foreign exchange contracts	1,825	-
Short-term borrowings (Note 30)		
Short-term borrowings	-	1,801
Cash and cash equivalents (Note 13)		
ING Bank N.V.	-	1,027
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	54
HSBC Bank plc, pobočka zahraničnej banky	-	55
Citibank (Slovakia) a.s.		3,339
Slovenská sporiteľňa, a.s.	-	68
Other banks	-	10
Cash on hand	-	43
Cash restricted in its use (Note 9)		
Citibank (Slovakia) a.s.	-	6,646
Other banks	-	574
Total	**1,825**	**489,407**

The ratings of the banks are A and higher (according to Standard & Poor's).

The Company mitigates credit risk for approximately 77% (2010: 78%) 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:

	2011	2010
Credit insurance	**58 %**	56 %
Letters of credit and documentary collection	**5 %**	2 %
Bank guarantees	**4 %**	6 %
Other credit enhancements	**10 %**	14 %
Credit enhanced sales	**77 %**	**78 %**
Unsecured sales	**23 %**	22 %
Total	**100 %**	**100 %**

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

Liquidity risk

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

The Company has a EUR 40 million credit facility. The credit facility expires on October 8, 2012. This credit facility may be used for drawing short-term loans, issuing of bank guarantees and letters of credit. There were no borrowings against this facility as of December 31, 2011 or December 31, 2010.

In addition, a multi-use credit facility of EUR 20 million is available to the Company. This credit facility may be used until December 10, 2012 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. As of December 31, 2011, the credit facility has been used in the amount of EUR 763 thousand for bank guarantees and letters of credit (December 31, 2010: EUR 5,409 thousand).

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

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

On August 6, 2010, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank N.V. pobočka zahraničnej banky. As of December 31, 2011, borrowings totaling EUR 100 million were drawn against this facility (December 31, 2010: no borrowings were drawn against this facility).

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

Within credit facilities the Company is provided loans with terms of not more than six months with interest fixed for particular loan at the applicable inter-bank offer rate plus margin. The credit facilities contain customary terms and conditions. The Company is the sole obligor on each of these credit facilities and is obliged to pay a commitment fee on the undrawn portion of the facilities.

During year 2011 the Company drew EUR 3,372 million and repaid EUR 3,272 million against these credit facilities. Individual loans were up to EUR 125 million with term up to 32 days. Average daily borrowed amount was EUR 74 million. During year 2010 the Company drew EUR 30 million and repaid EUR 230 million against these credit facilities.

As of March 23, 2010, the Company entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V, the Company's parent entity. Interest on borrowings under the facility is based on a fixed rate of 6.80% p.a., and the agreement contains customary terms and conditions. As of June 16, 2010, the amount of this credit facility was increased by EUR 100 million. As of December 31, 2011, borrowings totaling EUR 246 million were drawn against this facility (December 31, 2010: EUR 309 million). In addition, EUR 14 million was drawn and subsequently repaid during 2011.

During 2011, the Company drew short-term borrowings as a part of the Company's cash pooling strategy of EUR 69 million and repaid amount of EUR 76 million. During 2010, the Company under these borrowings drew amount of EUR 87 million from which amount of EUR 72 million was repaid. Borrowings drawn within cash pooling strategy bear interest rate spread over EUR LIBOR plus margin. Borrowing contracts contain customary terms and conditions and are valid until May 31, 2012 with the option to be prolonged.

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

December 31, 2011	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	47,677	-	-	**47,677**
Restricted cash	6,002	6,106		**12,108**
Trade receivables (net)	363,892	-	-	**363,892**
Derivative financial instruments	361,697	-	-	**361,697**
Loans and borrowings	1,600	-	-	**1,600**
Total	**780,868**	**6,106**	**-**	**786,974**
Liabilities				
Trade payables and accruals	258,343	-	-	**258,343**
Derivative financial instruments	336,863	-	-	**336,863**
Dividends payable	316,301	-	-	**316,301**
Loans and borrowings	124,806	67,008	250,541	**442,355**
Total	**1,036,313**	**67,008**	**250,541**	**1,353,862**

Cash outflow from loans and borrowings within one year relates mainly to repayment of EUR 100 million individual loan provided under the EUR 200 million credit facility. The credit facility is available to the Company until August 2013.

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

December 31, 2010

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	4,596	-	-	**4,596**
Restricted cash	4,217	3,003		**7,220**
Trade receivables (net)	475,790	-	-	**475,790**
Derivative financial instruments	297,860	-	-	**297,860**
Loans and borrowings	1,801	-	-	**1,801**
Total	**784,264**	**3.003**	**-**	**787,267**
Liabilities				
Trade payables and accruals	311,121	-	-	**311,121**
Derivative financial instruments	306,412	-	-	**306,412**
Dividends payable	264,862	-	-	**264,862**
Loans and borrowings	36,508	84,038	335,224	**455,770**
Total	**918,903**	**84,038**	**335,224**	**1,338,165**

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 during 2011, it would have resulted to EUR 0.7 million higher/lower interest expense. If the interest rate had been 1% higher/lower during 2010, it would have had insignificant impact on interest expense.

The Company's income is substantially independent of changes in market interest rates. The Company had no significant interest income other than that arising from short term bank deposits and cash at bank accounts as of 31 December 2011 and 31 December 2010.

b) Currency risk

The Company is exposed to the risk of price fluctuations due to the effects of foreign exchange rates on revenues and operating costs, capital expenditures and existing assets or liabilities denominated in currencies other than the euro, particularly the U. S. dollar.

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

December 31, 2011

	Cash and cash equivalents	Cash restricted in its use
EUR	36,872	12,108
USD	5,767	-
CZK	4,796	-
Other	242	-
Total	**47,677**	**12,108**

December 31, 2010

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

The Company manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance Group, using a limited number of forward foreign exchange contracts. As of December 31, 2011, the Company had open EUR forward sales contracts for U. S. dollars (total notional value of approximately EUR 336.8 million; December 31, 2010: EUR 306.4 million).

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

As of December 31, 2011, 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 82 million charge / EUR 52 million credit to total comprehensive income.

As of December 31, 2010, if the EUR had weakened / strengthened by 20% against the U.S. dollar with all other variables held constant, it would have resulted in a EUR 63 million charge / EUR 38 million credit to total comprehensive income.

c) Other price risk

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

The Company is exposed to commodity price risk on both the purchasing and sales sides, and manages the risk through natural hedge. The Company's market risk strategy is in compliance with U. S. Steel's strategy that has generally been to obtain competitive prices for our products and services and allow operating results to reflect the market price movements dictated by supply and demand in the profit or loss.

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

The Company did not carry out any other material derivative transaction mitigating commodity price risk and had no outstanding commodity derivatives as of December 31, 2011 and December 31, 2010.

Note 28 Financial Instruments by Category

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

December 31, 2011

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	326,935	-	-	**326,935**
Related party accounts receivables (net)	36,957	-	-	**36,957**
Derivative financial instruments	-	24,210	-	**24,210**
Short-term borrowings	1,600	-	-	**1,600**
Cash and cash equivalents	47,677	-	-	**47,677**
Restricted cash	12,108	-	-	**12,108**
Total	**425,277**	**24,210**	**259**	**449,746**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	346,372	**346,372**
Trade payables and accruals	-	258,343	**258,343**
Dividends payable	-	316,301	**316,301**
Short-term borrowings	-	7,980	**7,980**
Derivative financial instruments	25	-	**25**
Total	**25**	**928,996**	**929,021**

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

December 31, 2010

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

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

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

December 31, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	24,210	-	**24,210**
Total	**-**	**24,210**	**-**	**24,210**
Liabilities				
Hedging derivatives	-	25	-	**25**
Total	**-**	**25**	**-**	**25**

December 31, 2010

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

During the year 2011, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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

Note 29 Contingent Liabilities and Contingent Assets

Operating leases

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

	2011	2010
Not later than 1 year	**6,093**	756
Later than 1 year and not later than 5 years	**16,526**	2,475
Later than 5 years	**943**	-
Total	**23,562**	**3,231**

Capital commitments

Capital expenditures of EUR 15 million had been committed under contractual arrangements as of December 31, 2011 (December 31, 2010: EUR 8 million).

Environmental commitments

The Company is in compliance with environmental legislation. In 2011, the environmental expenses represented by air, water and solid waste pollution fees totaled approximately EUR 13 million (2010: EUR 9 million). There are no material legal proceedings pending against the Company involving environmental matters.

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

In July 2008, following approval by the EC of the Slovak Republic's national allocation plan for the second CO_2 trading period of 2008 through 2012 ("NAP II"), the Ministry of Environment of the Slovak Republic allocated to the Company more CO_2 emission allowances per year than the Company received for the 2005 to 2007 trading period. Based on actual CO_2 emissions in 2008 - 2011 and projected production in 2012, the management of the Company believes that U. S. Steel Košice, s.r.o. will have sufficient emission allowances for the NAP II period without purchasing additional allowances.

Note 30 Related Party Transactions

Transactions with related parties

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

		2011	2010
U. S. Steel Global Holdings I B.V., Parent company			
	Expenses	**18,885**	14,708
	Payables	**316,301**	264,862
	Borrowings received	**246,353**	308,962
United States Steel Corporation, Ultimate parent company			
	Revenues	**49,028**	34,822
	Expenses	**74,436**	37,355
	Receivables	**420**	630
	Payables	**23,473**	48,453
U. S. Steel Serbia d.o.o., Company under common control of U. S. Steel			
	Revenues	**51,806**	173,262
	Expenses	**18,323**	20,857
	Receivables	**41,127**	149,905
	Payables	**3,078**	4,071

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

USS International Services, LLC, Company under common control of U. S. Steel			
	Revenues	**173**	14
	Expenses	**8,965**	7,716
	Receivables	**169**	115
	Payables	**1,360**	1,289
U. S. Steel Canada Inc, Company under common control of U. S. Steel			
	Revenues	**191**	26
	Expenses	**-**	2,354
	Receivables	**22**	63
United States Steel International Inc, Company under common control of U. S. Steel			
	Revenues	**60**	-
	Expenses	**1**	-
	Receivables	**7**	-
U. S. Steel Enterprises B.V., Company under common control of U. S. Steel			
	Revenues	**5**	-
Subsidiaries under control of the Company Note 7			
	Revenues	**18,736**	10,712
	Expenses	**79,407**	78,102
	Receivables	**5,423**	6,987
	Payables	**16,190**	10,177
	Borrowings received	**7,980**	15,499
	Borrowings provided	**1,600**	1,801
Total			
	Revenues	**119,999**	218,836
	Expenses	**200,017**	161,092
	Receivables	**47,168**	157,700
	Payables	**360,402**	328,852
	Borrowings received	**254,333**	324,461
	Borrowings provided	**1,600**	1,801

The balances of payables to U. S. Steel Global Holdings I B.V. represent outstanding dividends declared by U. S. Steel Košice, s.r.o. (Notes 15 and 19). In year 2010, U. S. Steel Global Holdings I B.V. provided to the Company long-term revolving unsecured credit facility (Note 16). Expenses represent related interest costs only.

Transactions with United States Steel Corporation relate mainly to sales of raw material (2011: EUR 41,333 thousand; 2010: EUR 31,709 thousand), rendering of services (2011: EUR 7,696 thousand; 2010: EUR 3,113 thousand) and purchases of raw material.

Transactions with U. S. Steel Serbia represent mainly sales of Company's own products and purchase of raw material. In 2011, provision for impairment to receivables due from U. S. Steel Serbia was recognized totaling EUR 10,163 thousand (2010: EUR 359 thousand). For more information see Note 11 and Note 31.

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

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

Borrowings of EUR 6 million were provided to U. S. Steel Enterprises B.V. and repaid during 2011. Revenues represent related interest income only.

Transactions with subsidiaries of U. S. Steel Košice, s.r.o. include sales of steel products and purchases of various services provided to U. S. Steel Košice, s.r.o. Borrowings drawn and provided within the Company's cash pooling strategy bear interest rate spread over EUR LIBOR plus margin. Borrowing contracts contain customary terms and conditions and are valid until May 31, 2012 with the option to be prolonged. During 2011, the Company under these borrowings credited its subsidiaries with amount of EUR 25,964 thousand and subsidiaries repaid amount of EUR 26,168 thousand. The Company also drew amount of EUR 68,745 thousand and repaid amount of EUR 76,247 thousand. During 2010, the Company under these borrowings credited its subsidiaries with amount of EUR 19,768 thousand from which amount of EUR 17,971 thousand was repaid as well as drew amount of EUR 87,265 thousand from which amount of EUR 71,800 thousand was repaid.

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

Emoluments of the statutory representatives

a) Slovak and foreign statutory representatives of the Company did not receive any cash or non-cash benefits from the Company in 2011 and 2010 that arise from their positions of statutory representatives. They are employed and paid only based on their employment contracts with the Company and USS International Services, LLC, respectively. Compensation of foreign statutory representatives of the Company for the year 2011 is included in the charges of EUR 9,028 thousand (2010: EUR 7,039 thousand) paid for salaries and other benefits of all foreign key management employees to USS International Services, LLC. Compensation of Slovak statutory representatives is included in the salaries and other employee benefits (Note 22) of Company's key management employees at amounts shown in the following table:

	2011	2010
Wages and salaries	**10,070**	9,617
Profit sharing expense	**22**	58
Social security – defined contribution plan	**2,567**	2,357
Total	**12,659**	**12,032**

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

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

Note 31 Events After the Reporting Period

On January 31, 2012, U. S. Steel sold U. S. Steel Serbia to the Republic of Serbia. U. S. Steel Košice, s.r.o. was a party in the Master share purchase agreement and agreed to reduced payments of its outstanding receivables owed by U. S. Steel Serbia for raw materials and support services as of December 31, 2011. Information on impairment of receivable from U. S. Steel Serbia is provided in Note 11 and Note 30.

In February 2012, the Company's subsidiary VULKOMONT, a.s. Košice changed its name to RMS, a.s. Košice.

On April 25, 2012, the Company delivered 8,493,163 tons of CO_2 emission allowances for 2011 fulfilling its obligation for the fourth year of the NAP II period.

On May 15, 2012, a new Collective Labor Agreement was signed for the period 2012 through 2014. The Collective Labor Agreement relates to the employees of U. S. Steel Košice, s.r.o., U.S. Steel Košice – SBS, s.r.o. and U. S. Steel Košice – Labortest, s.r.o.

After December 31, 2011, no other significant events have occurred that would require recognition or disclosure in the 2011 financial statements.