



# Corporate Responsibility Report for 2009



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

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

The Corporate Responsibility Report for 2009 has been prepared in accordance with the Global Reporting Initiative sustainable development reporting standards.

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# President's Foreword



Taking a responsible approach to business is a fundamental and constant principle for our company as a whole, including our subsidiaries. Our corporate responsibility reports have become a regular means of informing others about this aspect of our activities. Despite the worldwide economic downturn, we want to emphasize that we continue to behave as a responsible company whose key values – safety, focus on employees and customers, on quality of products and services, environmental compliance, raising productivity and lowering costs – have not changed and remain in force regardless of the current conditions for our business. We are trying to maintain the values of our predecessors, as well as creating new ones for the benefit of our employees, customers, shareholders, and the community in which we work and live.

The end of 2008 saw a marked slowing down of growth in the global economy as a result of the worldwide financial and economic crisis. The steelmaking sector was among the first to be affected. In 2009 there was a marked drop in demand for our products, but our company reacted very flexibly and applied every proposed innovation for maintaining our viability during the crisis, ensuring liquidity, reducing overall costs and keeping our good position in the long term.

We consider it as a positive result that despite the recent difficulties we have proved capable of acting flexibly, and the

great efforts we have applied in cooperation with the trade union organizations have enabled us to overcome the hard times. This crisis, such as none of us can remember, has taught us to do activities we never used to perform. We have taken over many activities from external suppliers, and we have been successful. We have not said there is anything we are not capable of doing, and dealing with the problems has brought us closer together. Thanks to all this, we will be even stronger and more successful in the future.

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

George F. Babcoke,  
President, U. S. Steel Košice

# Corporate Profile

U. S. Steel Košice, s.r.o. (hereinafter also the Company or USSK) ranks among the largest producers of flat-rolled products in Central Europe.

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

USSK was established as a private limited company on June 7th, 2000. Currently it is a modern company merging the great technical skills and experience of Slovak steelmakers with western managerial procedures and a strong market orientation. Its operations are focused mostly on value-added products for the automotive, packaging, electro-technical, appliances and construction industries.

## Statutory representatives as of 31 December 2009

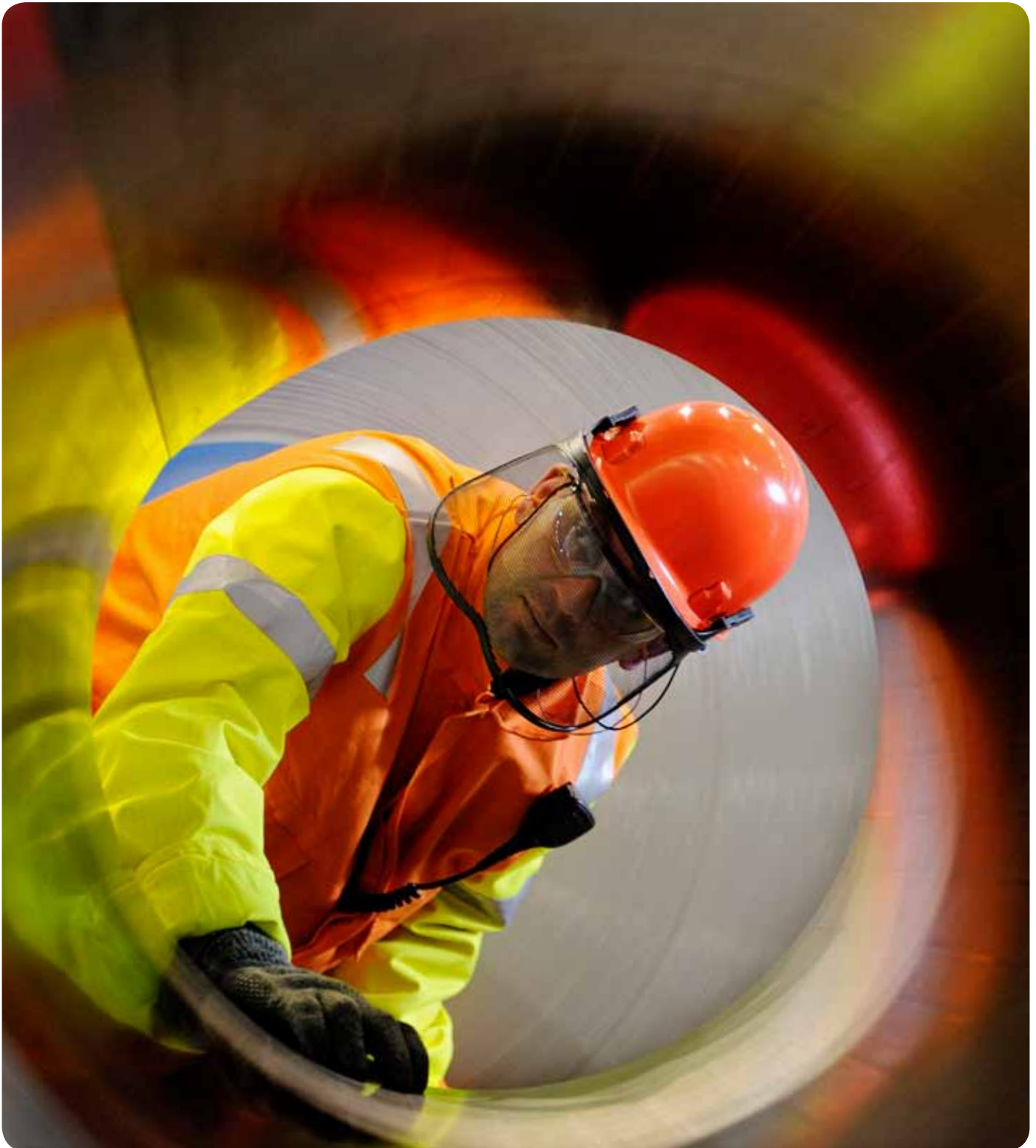
George Fredrick Babcoke	President
William Clyde King	Senior Vice President and Chief Financial Officer
Patrick James Mullarkey	Vice President Operations
Peter Joseph Alvarado	Vice President Commercial
Anton Jura	General Manager – U. S. Steel Canada Inc.
Miroslav Kiral'varga	Vice President Management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

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



**USSK Participation in Confederations, Associations and Commissions International**

<b>Name</b>	<b>Full Name</b>
EUROFER	<b>European Confederation of Iron and Steel Industries</b>
Worldsteel	<b>Worldsteel Association</b> (former IISI)
APEAL	<b>Association of European Producers of Steel for Packaging</b>
ESTA	<b>European Steel Tube Association</b>
ECCA	<b>European Coil Coating Association</b>
Euroslag	<b>European Association for Slag Producers</b>





## USSK Participation in Confederations, Associations and Commissions Domestic (Slovak, Czech)

Name	Full Name
ZHŤPG SR	<b>Association of Metallurgy, Mining Industry and Geology of the Slovak Republic</b> (Zväz hutníctva, ťažobného priemyslu a geológie SR)
Hutnictví železa, a.s.	<b>The Steel Federation, Inc.</b>
ZAP SR	<b>Automotive Industry Association of the SR</b> (Združenie automobilového priemyslu SR)
AVOT	<b>Czech and Slovak Steel Tube Association</b> (Asociace výrobců ocelových trubek)
Zväz priemyslu SR	<b>The Confederation of Industry Associations of the Slovak Republic</b>
SOPK	<b>Slovak Chamber of Commerce and Industry</b> (Slovenská obchodná a priemyselná komora)
RÚZ SR	<b>National Union of Employers</b> (Republiková únia zamestnávateľov SR)
AmCham	<b>American Chamber of Commerce in the SR</b>
ASPEK	<b>Association of Industrial Ecology</b> (Asociácia priemyselnej ekológie)
ZCHFP SR *	<b>Association of Chemical and Pharmaceutical Industries of the Slovak Republic *</b> (Zväz chemického a farmaceutického priemyslu SR)
ZVKV	<b>Association of Railtrack Vehicle Owners</b> (Združenie vlastníkov koľajových vozidiel)
BLF	<b>Business Leaders Forum</b>
HC Košice	<b>Košice Ice-hockey Club</b>
HUTNÍK, OZ	<b>HUTNIK Civic Association</b>
OZKA	<b>Košice Arena Civic Association</b> (Občianske združenie Košická aréna)
ZRR LZ	<b>Slovak Association for Human Resources Management and Development</b> (Združenie pre riadenie a rozvoj ľudských zdrojov)
ASVEP	<b>Association for Utilization of Coal Combustion Products</b> (Asociace pro využití energetických produktů)



\* We are not a member of this association, only of its working group

# Vision and Values

Guided by a new vision for its second century of business

## **MAKING STEEL – WORLD COMPETITIVE – BUILDING VALUE**

U. S. Steel remains committed to making steel, its core focus for more than 100 years; strengthening its position in the global marketplace to remain competitive; and building value for its stakeholders.

The vision of U. S. Steel and its subsidiary companies including USSK is to be:

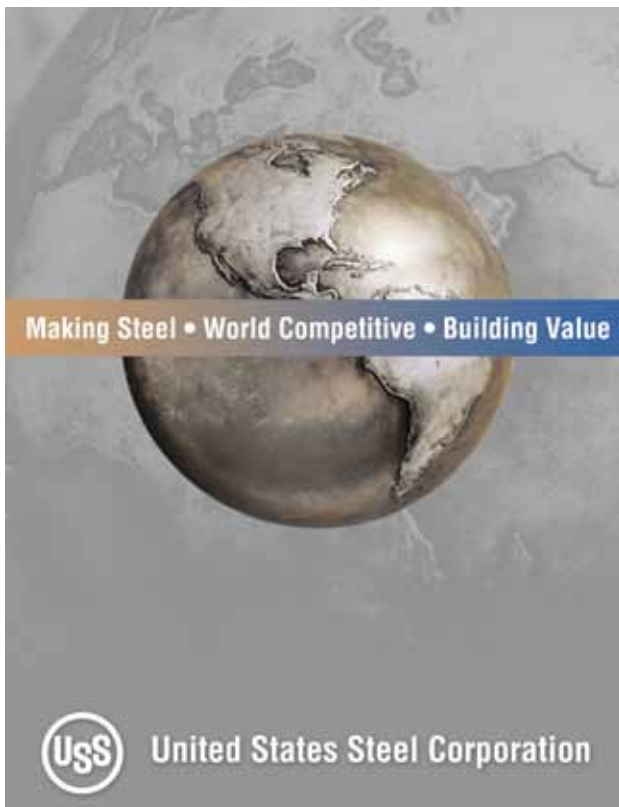
- A profitable steel company that earns adequate returns for its shareholders and provides sufficient capital to assure its long-term success.
- An innovative steel company that clearly distinguishes itself as the industry leader in providing superior quality and service to its customers, while continuously reducing costs to achieve the status of a low-cost producer.
- A company that has respect for all employees, creates an atmosphere that motivates employees to fully utilize their talents, encourages all employees to work together, and effectively and promptly recognizes and rewards each employee for contributions to the overall success of the company.

- A company that values diversity in its workforce, fosters a safe and healthy workplace, is environmentally responsible and at all times conducts itself in an ethical manner.
- A company in which each employee takes pride in being an important and contributing member.

A responsible approach to business has always been an inseparable feature of all U. S. Steel companies and operations. When the Corporation was established at the beginning of the 20th century, our first Chairman, Elbert Gary, set the basis for ethical and transparent business by defining and implementing the “Gary Principles” (<http://www.usske.sk/corpinfo/hist-e.htm>). Their validity has been confirmed over the years and demonstrated by U. S. Steel ’s success in the global steel industry.

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

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





# Corporate Responsibility in the Social Sphere

**USSK is the largest private employer in Slovakia and the largest employer in the East Slovakian region with a workforce of more than 13 000 people including the subsidiary companies.** Since the Company became part of U. S. Steel , its employment policy has undergone a transformation in order to ensure the competitiveness of the Company in comparison with other metallurgical companies in the world. The number of employees has been reduced by natural attrition, e.g. through retirement or voluntary departure, or by immediate dismissal for serious breaking of the employment rules, such as having alcohol in the blood (positive breath-test result), unexplained absence or gross breach of working discipline, which were reasons for dismissal of 41 employees during 2009.



Despite the difficulties of the crisis year 2009, when many firms decided simply to lay off employees, USSK started a restructuring project called "Flat and Effective Organization" with the aim of reducing the number of management levels, increasing the management scope in each position, and cutting the number of administrative staff by 15 percent. The responsibility of the employer's approach was clear from the fundamental principle of the project, which was to give each employee the chance to make a voluntary decision and to bear in mind the trade unions' objections. On the basis of a second addendum to the Collective Agreement for the years 2008 – 2011, employees whose positions were not included in the new organization structure on the basis of process analyses could choose to transfer to one of a number of vacant shop-floor worker positions, or they could apply for termination of their employment contract by agreement with the offer of a single salary payment consisting of a maximum of 15 times the average monthly earnings of the employee concerned. The latter option was taken up by 283 employees. The similar aim of increasing productivity, flexibility and efficiency in the steelmaking process was the basis of the OPTECH Hybrid

Program, which started in the second half of the year with the first phase of restructuring the positions of equipment operator and maintenance worker by creating combined positions. The conditions for this, agreed by Company management with the trade union organizations in the third addendum to the Collective Agreement, also included the offer of a single bonus incentive payment.

**"This kind of program helps us to preserve the sustainability of our business activities and a future for our employees."**

*George F. Babcoke, U. S. Steel Košice  
President*

## **HUMAN RESOURCES DEVELOPMENT, DIVERSITY**

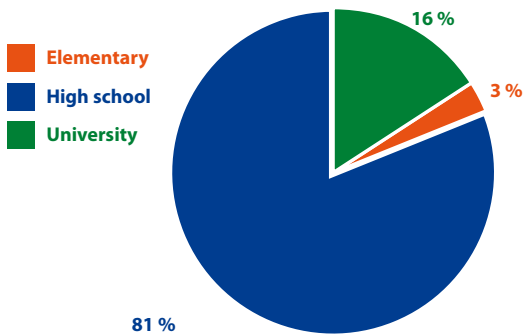
The continuing trend in the area of Human Resources is diversity and talent management – searching for and employing people coming from different environments, with various kinds of education, experience, ideas and talents, although the crisis year 2009 produced a minimum of opportunities for taking on new employees. Last year was dominated mainly by e-learning training programs, aimed at full-time employees, enabling them to make more efficient use of their working time and to spread the knowledge gained from the computer in their own offices. This form of training was applied in 2009 in the areas of occupational safety and fire protection, quality management systems, and in the development of "soft" skills. One of the well-used tools for developing the workforce and diversity is the reciprocal occupancy of posts and exchange of employees



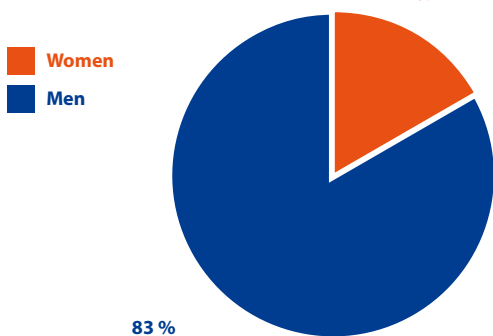
between the operations in Slovakia, Serbia and the USA. The Company's top management is an example of diversity in itself: the nine-member team features men and women of various age-groups, both Slovaks and Americans.

We see the best prospects for the future in supporting technically-oriented secondary schools and colleges. The Company works actively with the Secondary Vocational School for Metallurgy in Košice-Šaca, and with the Secondary Technical School for Metallurgy and the Secondary Vocational School for Railroad Transport in Košice itself. Hundreds of students from these schools take part in specialist work experience courses at the steelworks, enabling them to become familiar not only with its production processes, but also with the safety requirements and the corporate culture as well. Successful graduates of these schools are well set up for recruitment into selected shop-floor professions. For example, in September 2009 the Company signed employment contracts with the 17 best students from the fourth year of the Vocational School in Šaca, and a few days later with three students from the Railroad Transport School, ensuring them jobs at the steelworks after graduation in a year's time.

Education status as of 12/31/2009



Diversity status as of 12/31/2009



The principal means of identifying and selecting talented future university and college graduates is our **Summer Internship Program**, which the Company has run every year since 2002. In 2009 as well, over 30 fourth-year students were offered the opportunity to join in the Company's production and management activities, as well as the chance to learn basic leadership skills which are not part of their university courses. We are particularly interested in students specializing in metallurgy, mechanical engineering and electrical engineering. We expect them to have the ability to speak and write in English, to be able to use a PC, to show flexibility in their approach and willingness to adhere to the Company's ethical principles. The most successful students go through a selection process, and during the last year of their studies USSK offers some of them employment contracts, depending on the

Company's personnel requirements, with the possibility of starting work after they graduate successfully from university. Since its commencement a total of 354 university and college students have participated in this program.

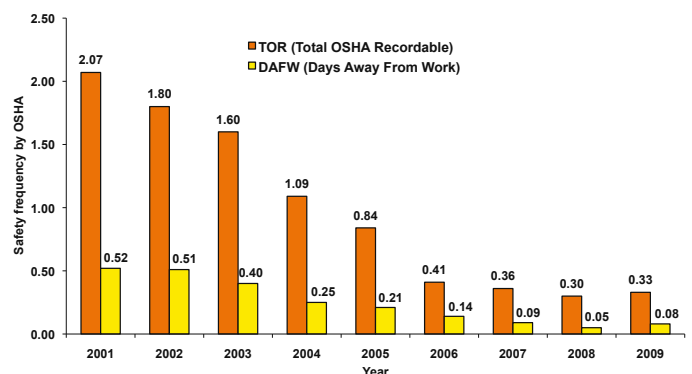
### OCCUPATIONAL SAFETY

Occupational safety and health protection (OSHP) for employees of the Company, its suppliers and partners working on Company premises is the no.1 priority. The use of certified personal protective clothing and devices and complying with the cardinal safety rules has become a matter of course. With the aim of further raising the awareness of our employees in this area, we have built an interactive cardinal rules training center where every employee can try out the application of these rules in practice. Using the OSHP Risk Management program, managers and staff can together identify dangers



and threats associated with production procedures, working activities, materials used, and other conditions in the working environment. They then assess the risks that could have negative impacts on the lives and health of our employees.

Thanks to the constant efforts made by all employees, we are seeing a continuously falling trend in the incidence of injuries. As the graph shows, as at December 31, 2009, we have recorded a 84 percent drop in the overall injury rate since 2001, and as much as a 85 percent drop in the number of reported injuries. Even so, despite all the implemented measures, there was a slight increase in the injury rate in 2009,



possibly caused by the changes in the working week and disturbance of working rhythms during the global economic crisis.

The year 2009 was characterized by new culture in the field of occupational safety and health protection, part of which was intended to be even more thorough prevention and motivation of employees in uncovering potential risks and dangers, and their subsequent resolution without delay. Great emphasis started being placed on safe behavior as the principal factor in preventing undesirable events. The process of making the Company's internal safety regulations more effective was commenced, based on more targeted bulletins for specific employees, to prevent the majority of employees being overloaded with a great amount of irrelevant information. The safety programs which were already running were continued, including the Safety Conversations, the aim of which is to identify risky behavior and dangerous conditions and to involve employees in the OSHP process through open dialog. Safety programs for life-threatening risks have their own special status; focusing on protection against falling, escaping gas, molten metal, moving equipment, energy sources and enclosed spaces. The commitment of top managers is evident in the creation of the Safety Management Team consisting of General Managers, trades union representatives and OSHP specialists. Their cooperation and mutual efforts have resulted in the implementation of new corporate programs at USSK. Great progress in the OSHP field has been recorded thanks to the ongoing safety research program, starting out from analysis of the overall safety status and investigation of undesirable events which had happened at USSK or at other Corporation operations. During the last couple of years up to the end of 2009, this program has enabled us to eliminate

more than 13 000 weak points threatening the safety of our employees. We have installed missing handrails on staircases in office buildings and plants, added pedestrian crossings, safety belts in trucks, protective covers for moving and rotating parts on cranes, protective showers for the eyes, emergency lighting and exits, glass-pane reinforcements and markings on pipes. During 2009 new halogen floodlights were installed over pedestrian crossings, as well as system signaling the entry of trains into production halls, and a new procedure was introduced for switching off equipment before accessing production lines and conveyor belts. The above-standard approach to OSHP was reflected in the implementation of a new program of protection from electric arcs, which apart from the basic requirements also defines the usage of highly-specific personal protective working equipment.

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

*Robert W. Kennedy, General Manager  
Safety and Industrial Hygiene*

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





The result of our managers' constant efforts towards improving safety is the goal of one million man-hours without injury, which a succession of divisional plants managed to achieve during 2009: Shipping, Repairs, Radiators and Pipes, Engineering Activities, Materials Management, and the Human Resources Department. More than two million injury-free hours were then recorded at the Cold Strip Mill and in



the Financial and Commercial Departments. The Research and Development employees even managed to work for more than three million hours without injury. It is mainly due to continuous open communication that employees' way of thinking can effectively be changed, which includes their attitude to their colleagues' safety as well as their own.

We are devoting particular attention to the safety of our suppliers and contractors, providing them with training and organizing joint meetings on a regular basis, as well as testing their employees' knowledge of the safety regulations. We distribute printed Safety Flashes to immediately inform everyone about dangerous events which could threaten the safety of employees of our suppliers or other companies working on our premises. We get considerable assistance in our efforts to improve OSH efficiency from our Safety Record Keeping System, which enables us to follow up the findings from the Safety Conversations, registered incidents and safety audits, and to monitor the implementation of approved measures within the given time-period. The positive trend in the OSH field is also being supported by our subsidiaries. OBAL-SERVIS, a.s.Košice has not only successfully undergone a re-certification audit of its OSH management system in line with the international standard OHSAS 18001, but it has also won the "Safe Company" competition run by the SR Ministry of Employment, Social and Family Affairs. What is more, in 2009 two subsidiaries, Vulkmont and Labortest, achieved significant success by working for more than one million man-hours without injury, demonstrating that our goal of a zero injury rate is really achievable.

The overall standard of occupational safety and health protection of our employees and protection of the Company's plant and equipment is supported to a considerable extent by the steelworks fire-fighting unit, which is one of the largest and best-equipped fire brigades in Eastern Slovakia. The USSK fire-fighters provide prevention services during all the larger





overhauls, and they respond to emergencies not only within the steelworks, but frequently also help in protecting people and property outside the Company area.

### **MOTIVATION AND COMPENSATION OF EMPLOYEES**

The Company realizes that the demanding objectives it sets can only be fulfilled by ensuring that its employees are properly qualified and motivated. The Group gives its employees social and economic security, good salaries, and conditions to ensure comprehensive personal development.

A specific feature of USSK business culture and communication consists of **meetings of all employees with the management of the Company**, which took place during the last week of April in 2009, traditionally in the handball hall in Košice. The top managers informed the employees about the Company's results and new plans and measures, particularly with regard to the global economic crisis, as well as replying directly to many questions from the audience. The common tools of internal communication are the multi-level Intranet and the corporate newspaper "Oceľ Východu" with its tradition of almost 50 years, which is available to employees free of charge at various points around the steelworks. In 2009 this weekly newspaper (which changed to fortnightly periodicity during the year) won two prizes at once: the national Best Corporate Media Award, and the Hospodárske noviny (Economic News) Award for Best Content.

**Rewarding employees** who participate in the achievement of excellent results in various areas through the quality of their work, is also part of the Company's culture. This includes regular lunch meetings of the Company's President with employees achieving the best results in the occupational safety, quality or costs-saving areas. The Company also shows its appreciation for long-serving employees by organizing social evenings attended by management members, and presenting them with practical gifts. These meetings with employees who have worked at the steelworks for 30, 35 or 40 years and more are very popular, presenting the careers of generations of steelmakers who have remained loyal to the Company since graduating from high school or university. Various events also help build team spirit and company allegiance, including summer and winter corporate Olympiad with several thousand amateur athletes participating. In August 2009 the Company organized the third edition of the annual event called "Families Do Sport", with mixed teams of parents with children compete in soccer, volleyball, table tennis, darts and chess tournaments. During the Košice Day celebrations, the Košice City Prize was awarded to an employee of the Power Engineering Division, nominated by the Company, the marathoner Imrich Pástor.

The Company has sophisticated social and health care programs for employees and regularly discusses their modifications with the representatives of three union organizations (Metalurg, Kovo, and the Independent Christian Trade Union of Slovakia). The **corporate social fund** has been used to provide all full-time employees with non-cash compensation worth 84 € in the form of Relaxpass vouchers, which the employees can use as they wish for cultural or sporting events, relaxation and recuperation stays, recreation



activities, or even vitamin courses. One of the supplementary forms of extended health-care for employees was the Specific Form of Spa Physiotherapy, which selected employees could enjoy for up to five days free of charge. For other selected employees with noise factor risk categories 3 and 4, who could not claim recuperation stays by law based on a decision by the relevant public health authority, the Company provided short, six-day recuperation stays paid for out of the social fund.

### **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. The Code of Ethical Business Conduct defines acceptable standards of employee conduct in areas like discrimination, sexual harassment, unauthorized and unethical practices, protection of economic competition, conflicts of interest, and political involvement. USSK is one of the leading companies enforcing business ethics and corruption control in Slovakia. It requires ethical conduct not only from its employees and managers, but from its business partners as well. Through the USSK Intranet pages, information campaigns in the corporate newspaper "Oceľ Východu", as well as information leaflets available around the Company premises, USSK employees are regularly informed about the procedure for reporting any form of illegal or unethical behavior, such as falsification of documents, inappropriate gifts or entertainment, bribes and inducements, improper time or expenses recording,

unsuitable political activities or contributions, or prohibited use of Internet information for profiteering in trading. These kinds of behavior can be reported to one's line manager, or by contacting U. S. Steel **Ethics Line**, either by telephone, mail or Internet. In addition to USSK employees, external persons may also contact the U. S. Steel Ethics Line to report illegal or unethical behavior in relation to USSK.

and the Romintegra 7777 Civic Association active within the Lunik IX neighborhood in Košice, running a special project for employing Romanies whose unemployment rate used to be almost 100 percent due to poor qualifications. The Municipal Authority of the city of Košice took over the responsibilities of Romintegra in 2008. Romanies are employed by the above-mentioned municipalities, and USSK offers an agreed amount

of work and the respective financial resources. Despite the effects of the economic crisis, which resulted in USSK seriously limiting the purchasing of services from external suppliers in the effort to cut costs, this project was maintained due to its social significance.

The employee selection process is based on personal knowledge of the applicants. The selected ones are those who want to work and change their way of life, support the education of their children, and are interested in improving their qualifications. There is extra motivation in

the fact that every year the company or its subsidiaries employ those project participants who show the best work performance and are willing and able to complete special courses (e.g. flame-cutters and conveyor belt operators), which allow them to do more qualified work in more responsible positions. Educational improvement and finding ways of reducing the high level of absenteeism will continue to be the dominant elements of this project in the coming period.

This assistance in dealing with the problems of marginalized groups living in the environs of the steelworks, which has been implemented as a model in other regions of Slovakia, was the subject of the Via Bona Award in 2009 from the Pontis Foundation for responsibility towards employees. The "Equal Opportunities – Work for the Roma" project also won the Gypsy Spirit Award for 2009 in the category of companies supporting activities providing social assistance to the Roma community. USSK also received special recognition from the SR Ministry for Employment, Social Affairs and the Family for the creation and long-term maintenance of this project affecting the situation of long-term employed people in the region, specifically reducing unemployment and raising the living standard among the Roma.



For several years now, USSK has used its contractual documents to oblige its business partners entering in the Company's name into relations with authorities and representatives of the state, local government and state organizations to respect the anti-corruption principles applied in the Slovak Republic, EU and USA. At the same time allows for legal prosecution of business partners for this kind of behavior. The Company regularly verifies the behavior of its business partners. In 2009 not a single case came to light in which corruption or the suspicion of corruption could be the reason for terminating cooperation.

Every year the Company provides a wide range of training for its employees concerning ethics and ethical behavior (e.g., anti-corruption training, fraud awareness, prevention of sexual and discriminatory harassment, compliance with email and internet policies, management of business records, and training regarding economic competition rules), in the form of live presentations, on-line internet sessions and informational e-mails.

### **EQUAL OPPORTUNITIES**

Since 2002, USSK has been working in cooperation with the village council of Veľká Ida, the city ward of Šaca (since 2004),



# Corporate Responsibility in the Economic Sphere

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

In 2009 USSK made 3.0 million tons of pig iron out of its annual capability of 4.5 million tons, and 3.5 million tons of steel in slabs out of its annual capability of 4.9 million tons. Production was influenced by the planned general revamping of blast furnaces No.1 and No.3 (towards the end of the year), as well as by the impacts of the global finance and economic crisis. The greatest single negative impact on production was due to the natural gas crisis in January, when supplies of Russian gas through Ukraine were temporarily cut off. In response to the ensuing conditions, agreement was reached with the trade union organizations to introduce a shortened four-day working week with 60 percent compensation of pay for the day off work, and this arrangement continued until June. Another period of four-day working weeks was agreed in the month of December, this time with 70 percent compensation of pay. Throughout the year production was adjusted flexibly to the requirements of our customers.

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

## HIGHER QUALITY

Implementation of programs focusing on production quality creates conditions for improving economic efficiency and increasing our ability to compete in domestic and foreign markets. USSK is QMS certificated in accordance with the international ISO 9001 and ISO/TS 16949 (automotive industry) standards. QMS performance is regularly assessed (twice a year) and an assessment report is submitted to Company management. Apart from the results of assessment, this report also includes suggestions for improvement. One particular means of improving the quality management system is the schedule of regularly performed internal audits of the system, processes and products, with further proposals for improvement, carried out through the corporate programs CI - Continuous Improvement and CPAR - Corrective/Preventive Action Request. Workplace tidiness audits (5S) are another of the tools for improvement.



Improvement of quality in the standard of the Company's internal communication has been assisted by the implementation of an electronic document management system (EDMS) in 2007, replacing the previously-used paper-based form of management and document usage. The year 2009 also saw implementation of the HACCP system in the area of tinplate production for supply to customers in the food-processing chain. With regard to pipes, for many years the

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

*Zoltán Baksay, General Manager Customer Technical Services*

Company has had a certified system in line with API Spec. Q1. An environmental management system complying with the requirements of ISO 14001 has also been implemented at USSK. The Company also holds several dozen individual product certificates, and several of its laboratories are accredited as compliant with ISO/IEC 17 025. During the time of the economic crisis as well, when production was non-standard and fully focused on customer demand, emphasis continued being placed on the quality of every coil of steel sheet produced.

Top priorities for USSK are supplies to the automotive industry. The Company responds actively to current trends in that industry with capital investments in production, technology and development. The main construction material in auto-body production is galvanized sheet. Issues of its quality,

development and production were addressed by more than twenty specialists, members of the Steel Strip Society, who visited the Company in October 2009 and were given a guided tour of the modern HDG line no.3.

USSK policy on quality is an expression of the Company's strategic aim to be the leader in manufacture and supply of high-quality products through continuous improvement of the production process and of customer services. In order to achieve this aim, the Company pays great attention to the systematic education of all its employees. In particular, all employees in the Customer Technical Services (CTS)



department are involved in the education process through the educational activities plan. They take part in specialist training sessions and courses focusing on production technology and quality, and all CTS staff are taking foreign language courses with a view to continuously improving the standard of their individual communication with customers. In cooperation with specialized educational organizations, we provide courses dealing with the approach to customers, negotiating with customers, forming the Company image and employees' positive attitude.



Customers are satisfied generally-speaking with the quality of Company products and their protection during shipment, with our product prices and the range of our product assortment, including our flexible response to their specific

requirements. They appreciate the proactive behavior among USSK representatives and the standard of customer technical services. By now USSK has established its image as a correct partner in business with highly ethical behavior and proper fulfillment of its commitments. A whole range of individual quality agreements have been signed, accepting specific requirements for product inspection and supplier's documentation duties. In the competitiveness field, substantial weight is placed on long-term renewed international quality management and individual product certificates. From the point of view of environmental profile and product safety, we are accepted without reservation. All USSK products are furnished with safety papers.

### BETTER CUSTOMER SERVICE, RESEARCH AND DEVELOPMENT

Focusing on customer needs and satisfaction is another of USSK's strategic business drivers. Manufacturers of automobiles, electric motors, household appliances, packaging and construction materials have very demanding requirements, so the sales staff regularly works together with other organizational units in USSK to improve the quality of the services they provide. One of the most important roles is played by the USSE Research and Development, responsible for perfecting production technology and product characteristics, which is well appreciated by our customers. Electric motor manufacturers emphasize the need for reducing weight in electrical steels, pipe users require grades with greater drawing strength but also good weldability, and our researchers are working on developing new grades and coatings for the automotive industry.

Customer care is supervised at the highest level in the Company management. Top managers take part personally in visits to important customers or in meetings with them on USSK premises, in signing supply contracts and cooperation agreements dealing with the customers' specific requirements. Customers are offered the chance of touring our production facilities with expert guides, which contributes to better mutual understanding of needs in relation to technological potential. The number of service visits is constantly increasing, and there are continual contacts with customers regarding research and development, for example so that we can gain feedback from trial deliveries, and make use of joint insights in the continuing development process. Another feature of the development in customer relations are customer audits carried out at USSK. Through these audits the Company can demonstrate its capability as a supplier, and additionally in the case of long-term partnerships also its improvements in products and processes.

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



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

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

The following have been established as the main priorities of our sales policy:

- flexibility in reacting to customer needs,
- increasing production volume and profitability of sales,
- increasing the share of sales of our products in our natural market territories (Central Europe and EU countries),
- increasing the share of sales of our products with higher added value – tin-plate, galvanized and coated sheets,
- reducing the share of sales arranged by intermediates.

In the area of external quality we can state that positive development could be observed in 2009. Claims from customers fell by 20.8 percent compared with 2006, for example. A new program focused on customer satisfaction called “Every Coil Counts” was introduced, making more effective use of available information systems and resources in an online regime to monitor the stage of completion of specific orders, so that customers can be sure of receiving the ordered quantity of material on time and at the required quality.

In connection with the emphasis on products with increased added value, in 2008 USSK developed and successfully tested and homologized some new grades of galvanized sheets cut to size for some of the world’s most important automobile manufacturers. In June 2009 the U. S. Steel Corporation

became the only steel producer among 18 global suppliers to receive the VW Group 2009 award from the Volkswagen Corporation in Wolfsburg, Germany.

**“This recognition from a company such as Volkswagen, focusing on growth and quality, could only be gained thanks to the hard work and dedication of our employees.”**

***George Babcoke, U. S. Steel Košice  
President***

As a consequence of bringing the new production line for galvanized sheets into operation, a wider product range has contributed to increasing our capacity for supplying sheets for qualitatively more demanding automobile parts. Close cooperation with one of our most important customers in the field of developing new grades of rephosphorized and ultradeep-drawing steels complying with specific requirements has increased our share of materials supplied especially for Skoda models recently brought onto the market – the Roomster, new Fabia and Octavia, Superb and Skoda Yeti. The development of new micro-alloyed grades has also played its part in increasing supplies for production of the new Fiat 500, Fiat Panda and Ford Ka in Poland.

We have similarly widened our product range in the area of non-coated sheets with the production of two-phase hot-rolled sheets. Our development of this grade group enables our customers to maintain the current trend in reducing automobile wheel weight while preserving the required strength properties. We have successfully implemented the development of a new





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

In the area of radiator production we have maintained close cooperation with our customers, but we have also increased the emphasis on more detailed consultation with central heating system designers and better knowledge of their current needs. Their analyses as well as the presentation of new developments in Korad radiators, including their correct installation and diagnostics, were the subject of a familiarization session at the Medzev Training Center in September 2009.

**The total costs for development in the company in 2009 came to 3.4 million €.**

We place great importance also on our relationships with our suppliers, whose products and services directly and indirectly influence the quality of USSK's products and technical equipment, as well as affecting the performance of our employees. Our lasting aim to keep our mutual supplier-

customer relations direct and effective bore fruit in 2009, when the suppliers had to face the economic crisis together with us, sharing in eliminating its negative impacts. No less important is the participation of our suppliers in important capital investment projects, as well as joint projects in the field of costs saving. Partnerships with suppliers are built and deepened through recognition of the same values in terms of safety, quality, customer service, productivity and ethics.

**HIGHER PRODUCTIVITY**

Increased productivity in USSK's operations has been a principal goal since the moment of acquisition. In 2000, the Company committed to investing around 700 million USD over the next ten years into increasing production performance and the capability to produce higher added value products, into ecological projects and into improving the quality of the infrastructure. This undertaking was fulfilled in 2006, and all further capital investment is being made above and beyond the originally-agreed commitment. The greatest investment project has been the building of the third galvanizing line with an annual capacity of 350 000 tons, making the Company more competitive in the market for high-quality sheets for the automobile, appliances and construction industries. A significant project from the point of view of increasing in-house production of our own electrical power was the general overhaul in 2009 of Turbo-Generator no.2 at the Power Engineering Division. Another project, the demanding replacement of the gas pipeline on Blast Furnace no.3, was undertaken by in-house teams, instead of external contractors, from the Project Engineering, Blast Furnaces, Repairs and Mechanics Divisions.





A further project, spread over several months, involved extension of the high-tension electrical input substation, and this was implemented concurrently with a project by the Slovakian Electrification and Transmission Network Company. Two new 250 MVA transformers were installed to convert the high-tension input from 400 kV to 110 kV. This project has resulted in clearly improved reliability of the steelworks' connection to the network through new twin extra high-tension power lines (2 x 400 kV), enabling the obsolete and faulty 2 x 220 kV power lines to be taken down.

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

### **COSTS SAVING**

Reducing production costs is crucial for success in very competitive markets. Although raw material costs have been rising in the long term, the Company has succeeded in reducing production costs by introducing efficient management systems at all levels, assisted by the continuous improvement process. Hundreds of projects have been implemented, based on proposals submitted by USSK employees and managers alike, which have saved millions of dollars every year. Their

significance became particularly evident during the recent crisis period, helping with the maintenance of sufficient operating capital and the Company's liquidity.

The corporate Continuous Cost Improvement Program (CCIP), implemented at USSK in 2008, focuses on projects reducing costs always compared to the previous year. The standardized software applied throughout the Corporation's operations enables all implemented projects to be seen, which is inspiring in terms of the methods of calculating savings. In 2009 individual employees and teams in the Company submitted 196 projects aimed at reducing costs, which led to savings of 16.28 dollars for each metric ton of steel produced. Most of them, 73 percent of the projects, proposed savings in materials costs. The most active in this regard were the employees of the Procurement Department and the Blast Furnaces and Steel Plants Divisions. The following projects were among the best: Framework Contracts, One-off Orders, Savings in Coke Purchasing, Reduction of Lime Consumption through Adaptation of the Flux Model, and Replacement of Limestone with Converter Slag in Pig-iron Production.

A separate initiative was introduced focusing on costs saving in the area of steel production support. Three project competitions were run: Energy Star for reducing energy costs, Orient Express for reducing transport costs, and Long Life for reducing maintenance costs.



# Corporate Responsibility in the Environmental Sphere

Environmental protection is one of the Company's principal strategic business drivers, and its main commitments are stated in the Company's Environmental Policy drafted in compliance with the ISO 14001 standard. Concurrently with the incorporation of these standards into the normative system of the Slovak Republic, the Company has progressively implemented an environmental management system in all 14 of its divisional plants. The first phase was completed in 2003 with successful international certification of USSK's environmental management system in line with ISO 14 001, covering the five finishing plants. This international EMS certificate was successfully renewed for the second time in 2009, and a new certificate in line with ISO 14001 was issued by certification company TÜV NORD, valid until November 8th 2012. The strong points of the EMS implemented at USSK lie mainly in the Company management's aims broken down into long- and short-term environmental objectives including their implementation, targeted attentiveness to protection of individual components of the environment, high standard of internal and external communication, above all with the public and the state authorities, cooperation with professional associations, increasing the share of research in implementation of environmental projects, as well as the process of measuring and monitoring environmental impacts. For its high standard of EMS implementation and corporate responsibility, USSK gained an Honorable Mention in the SR National Entrepreneur Awards for environmental protection in 2009.

atmosphere, leading to improvement in air quality and in the working environment at the Cokery Division in particular, and in the steelworks area and its vicinity in general. Regarding the reduction of CO<sub>2</sub> emissions, there was significant investment amounting to 45 million USD with the objective of changing the input fuel for power generating boilers nos. 2 and 3 from coal to gas. Another contribution to protecting the environment was the installation of a camera system for monitoring gas outlets from the coking batteries, and extractor systems for the blast furnaces and steel plants sheds in order to limit the escape of solid pollutants into the atmosphere. The outcome of these atmospheric protection projects has been a reduction in solid pollutant output by more than 85 percent per ton of steel produced in comparison with 2001, as well as reduction in SO<sub>2</sub> emissions from 17 000 to 7 900 tons annually.



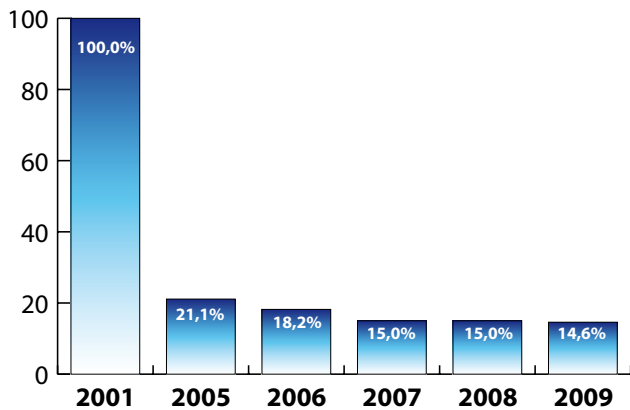
## PROTECTION OF THE ATMOSPHERE AND WATER, AND WASTE RECYCLING

Since 2000, the Company has invested more than 450 million USD into dozens of ecological projects, one of the largest being specifically in 2009 the construction of a cokery gas desulfurization plant costing nearly 100 million USD. This included the closure of the ammonia plant and the end of production of ammonium sulfate at the Chemicals operation, together with the storage of sulfuric acid. By burning desulfurized cokery gas as fuel in many of the Company's operations, much less oxides of sulfur are emitted into the

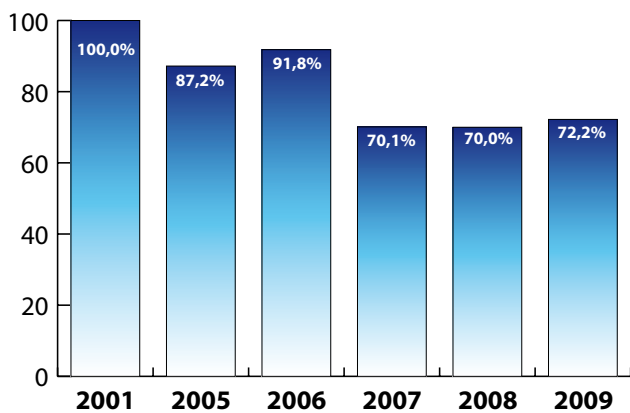
In the area of water-sources protection, the trend in the proportion of waste water per ton of steel produced has been positive. This has been caused partly by Ground Water Protection Project no.3, which dealt with improving the capture and isolation of dangerous chemical substances (e.g. hydrochloric acid, ammonia or emulsion oils) from the Company's operations. The quality of waste water is moreover monitored very responsively by an accredited laboratory within the works. The increase in the amount of waste water released in 2009 was due primarily to the pumping out of ground water from the foundations of the cokery gas desulfurization plant, as well as increased drawing off from the granulation pool. In 2009 a new version of the Sewerage Rules was issued, specifying the limit values for pollutants in waste water and setting out the procedures for dealing with undesirable events. The department of GM Environmental organized the retraining of the relevant responsible staff (82 employees altogether) regarding these operational rules.



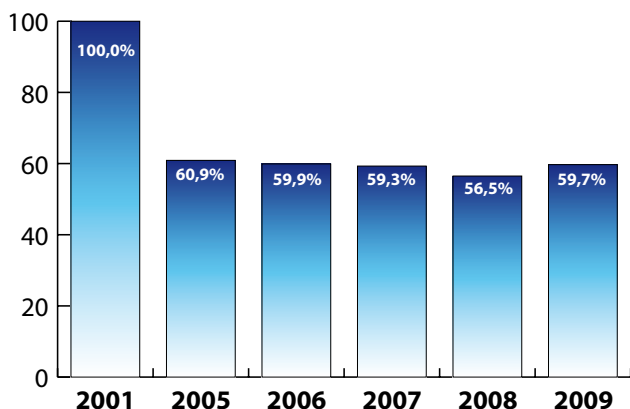
The waste management section of USSK has for a long time shown an improving trend in profitizing on waste and reducing the relative share of technological waste per ton of steel produced. Despite the significant drop in production in 2009, there was ultimately only approx. 5 percent reduction in the amount of waste material produced, and the specific amount of waste produced (the amount of waste per ton of steel produced) increased by 3.2 percent as a result of cleaning out the Wet Dump pool and leakage from the Blast Furnaces concrete-lined reservoir.



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



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



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

In 2009 a great deal of effort was put into eliminating fly-tipping dumps outside the perimeter fence but still on the territory of the steelworks. This required cooperation between several USSK departments, particularly the department of GM Environmental, Košice City Hall, and USSK's subsidiaries and supplier companies. For many years we have been taking care over separation of waste. Bins for paper, plastic bottles and single-cell batteries have been set up at many locations around the works. From the latter alone in 2009 we collected and passed on to an external company for disposal seven hundred kilograms of batteries – but the total for plastic bottles was much greater, with 55 tons collected. For separated waste around the works there are more than three hundred 240-liter bins, and more than a hundred and twenty 1 100-liter containers.

### IMPLEMENTATION OF THE KYOTO PROTOCOL AND REACH

In connection with fulfillment of the Kyoto Protocol commitments for reducing greenhouse gas emissions, in 2005 the scheme for CO<sub>2</sub> emissions trading came into effect in Slovakia as well. Following the approval by the European Commission of the plan NAP 2 for 2008 to 2012, the Ministry of the Environment of the Slovak Republic assigned CO<sub>2</sub> emissions quotas to USSK linked to the planned production of iron and steel for that period. As part of the Eurofer consortium, USSK joined in with the objections to the conception of the plans, pointing out that as long as the CO<sub>2</sub> emissions restrictions are applied only within the EU, without involving the wider



international circle of steel producers, only European companies would incur costs. This could put them at a competitive disadvantage, and increase the possibility that they would move away to countries without emissions restrictions. However, specialists at the U. S. Steel Europe Research and Development started working on a project to discover how the CO<sub>2</sub> produced during the iron and steel-making processes could be stored or bound up in blast-furnace slag or demetallized converter slag, for example, or how and whether it might be possible to store CO<sub>2</sub> underground in this region.

In June 2007, new legislation came into force called REACH (Regulation No. 1907/2006 Registration, Evaluation, Authorisation and Restriction of Chemicals), which requires among other things that every chemical substance manufactured in and imported to European markets be registered with the European Chemicals Agency. Because of this regulation USSK had the obligation in 2008 to pre-register numerous substances and currently USSK is in the process of registration of these substances.

In order to fulfill their registration obligations during 2009 producers and importers gradually began forming associations and consortiums for the purposes of cooperation in drawing up registration documents. USSK joined several consortiums and was elected the Lead Registrant for two substances, thereby taking over the leading role in preparing registration for and organizing the other producers and importers.

Through communication with our suppliers we gained their full undertaking to pre-register all the substances bought from them for use in our operations (over 2000). For most of these substances we also informed them about their purpose and method of utilization in our operations.

For our customers we issued certificates for all of our steel products confirming that they do not contain "substances

of very high concern" (SVHC) from the first Candidate list at values exceeding the limit of 0.1 percent as set by European legislation. We are currently preparing similar declarations based on the second and third Candidate lists.

### INFORMING AND INVOLVING EMPLOYEES

The company continuously monitors emissions and regularly informs employees, specialists and the general public about emissions volumes and waste water quality in the corporate newspaper Ocel' Východu and on its web site [www.usske.sk](http://www.usske.sk).

In 2009 new activities got under way with a view to raising our employees' ecological awareness. On the occasion of international Earth Day, Company managers together with workers from the Protected Workshop of USSK subsidiary U. S. Steel Services planted more young trees in the protective woodland around the steelworks. In the course of a few weeks nearly fifteen thousand young alder, ash and sycamore trees were added to this woodland.

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





# Support for the Region and Community

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

The company has long been interested in regional needs and is engaged in providing for them in compliance with its main values and business principles. It acts by itself, or through its **U. S. Steel Košice Foundation**, which was established in 2002 to support public-benefit projects in healthcare and education, financially supporting science, culture and charity. The Company's priorities in the area of donations focus primarily on assisting and supporting those who are directly dependent on such support, especially in children's homes, crisis centers and the disabled, as well as organizations and clubs involved in social and charity activities. The company has also become a partner to many non-profit organizations, which are keen on solving problems and providing innovative solutions for community development. The Company has already gained several awards for its philanthropic activities, and at a charity concert in Levoča in 2009 it received the Crystal Spring Award for Altruism from the Spring Foundation.



## COMMUNITY SUPPORT IN EDUCATION

In 2004, the Company started a **Scholarship Program** to provide access to higher education for talented students from socially disadvantaged families in the Košice and Prešov regions. By the end of the academic year 2008/2009, 176 students had been supported in their study at Slovak or foreign institutions of higher education, and in 2009/2010 twenty-six more scholarship holders were included.

USSK also actively supports secondary technical or specialist schools. The Company partners with secondary schools in presenting their type of education to elementary school pupils in



order to make the technical professions more attractive to them. We are also involved in the legislative process concerning the modification of secondary specialist education, and we motivate students in selected study disciplines to achieve better results by providing them with scholarships and arranging work experience for them in our production plants.

Long-term systematic cooperation has been developed by the Company with the **Secondary Vocational School for Metallurgy in Košice-Šaca**, in particular in the area of preparing pupils for employment in the steel-making industry. Based on an agreement concerning the education and upbringing of pupils in line with the needs of the steelworks, we are cooperating now on modifying the teaching syllabuses. We are defining our needs several years in advance, as this influences the number of pupils for particular professions – to be specific: steel plant operator, machine and equipment mechanic, electrotechnical mechanic, metal-worker, mechanic and repairman, and electrician. Pupils are motivated during the courses themselves by the offer of pocket money, and they get bonuses for the time spent in operational practice. The best graduates become Company employees after finishing school and signing an employment contract.



The school and the Company also work together to actively market the school itself. Together we present the school and job or study opportunities for its students at its regular Open Days, on joint stands at education fairs, and in visits to elementary schools. One of the results of our cooperation with the school and the Košice Self-governing Region, whose establishment responsibilities also cover specialist schools, was the opening in October 2009 of a Specialist Education Center for Steelmaking and Engineering Production within the Šaca school, which will also serve students from other schools and employers in this region in improving or modifying their education or qualifications.

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

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

*George F. Babcoke, U. S. Steel Košice  
President*

For several years USSK has also supported the educational project for secondary school students called the “Global Ethics Program”, which motivates young people to reflect on and discuss ethical values and behavior. We support this program financially, but also by sending 10 to 12 Company specialists every year to work as voluntary consultants and jury members in this as well as other **educational programs organized by the Junior Achievement Slovakia NGO**, entitled Applied Economics

and Business Activities in the Tourist Industry, or the associated competitions named Student Companies, An Idea For My Region, and Young Leader.

USSK has also been developing long-term cooperation with the **Technical University in Košice**. The Company has become the general partner of a special event focusing on promotion of higher technical education: the Open Day at the Technical University in Košice. On October 16, 2009 the technical classrooms and laboratories with high-tech equipment were presented to potential students and the general public as well. The event was organized with the motto “Safety for Life” and it provided a perfect opportunity to discuss with young people many safety issues concerning school, work and everyday life. Presentation of heatproof safety clothing for smelters, deactivation of explosives by Scorpio1 robot, a plasma storm and many other attractions were part of this safety message. The Company and the University are also jointly involved in other events aimed at promoting specialist technical education, for example the Job Fair, Pro Educo and Career Days exhibitions.

USSK has also been partner of the **national environmental competition EKO 2009**, organized as a two year project by the Faculty of Metallurgy at the Technical University in Kosice. USSK researchers won the first place award in the “company employees” category with their project named “Additive Influence on Fluid Temperature of Ash in Wet Bottom Boiler” and went on to the international Slovak-Czech-Polish round in Třinec (Czech Republic), where they took third place.

Mutually beneficial cooperation has also been developed between U. S. Steel Europe Research and Development, which has provided technical and technological support to operations for more than 40 years, and both the Technical University and Pavol Jozef Šafárik University in Košice. The main fields 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. USSE Research and Development supports practical teaching in schools by organizing lessons in its laboratories, or by providing consultation for students preparing bachelor,



master and doctoral theses. R&D staff are members of state examination and other specialist commissions, as well as being co-organizers of scientific conferences.

### COMMUNITY SUPPORT IN ENVIRONMENT

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

USSK also supports the development of positive attitudes toward environmental protection and improvement among elementary, secondary school and college students through several ecological projects, since it believes that the younger generation will be the successor of its sustainability approach.

**"Where and How We Will Live"** is a competition focusing on protection of air, water and nature, which USSK has been organizing together with the Sosna Civic Association since the school year of 2003/04. Students of elementary schools and special schools, led by their teachers, share in preparing and implementing projects which result in the creation for instance of school gardens, eco-classrooms and nature-trails. Here students can get to know many plants, trees and curative herbs, familiarize themselves with the basics of bio-waste processing through composting, or the proper use of water in the countryside. During the past six years the Company has supported environmental protection and development with grants totaling more than 41 492 €. For the schools and their projects which were successful in 2009, please see below.

#### 1. ZŠ Trstené p/Hornáde, Školská 94

Project: Preservation and renovation of an ox-bow lake on the old course of the River Hornád

Sum: 1 500 €

#### 2. ZŠ Zlatá 2, Rožňava

Project: We are learning about nature in nature and with nature!!!

Sum: 280 €

#### 3. ZŠ Krymská 5, Michalovce

Project: Relaxation and education zone

Sum: 700 €

#### 4. ZŠ s MŠ Helcmanovce

Project: Green for our school

Sum: 1 570 €

#### 5. ŠZŠ internátna Ždaňa, Ždaňa 244

Project: Greenhouse class – an eco-classroom

Sum: 530 €

#### 6. ZŠ Vojčice, Školská 379

Project: Our school nature-trail

Sum: 980 €

#### 7. ZŠ Remetské Hámre 27, Sobrance

Project: Save four drops of water

Sum: 1 500 €

#### 8. ZŠ Moussona 4, Michalovce

Project: A mystery path of insight and wisdom

Sum: 1 250 €

**"It is very important for this region and for Slovakia, but also for all of humankind and this planet itself, that we keep on raising the awareness of young people concerning environmental protection."**

*George Babcoke, U. S. Steel Košice  
President*

### COMMUNITY SUPPORT IN HEALTH CARE

As the biggest company in Eastern Slovakia, USSK receives many requests from both hospitals and individuals for support in medical care. The Company supports hospitals by providing new medical equipment which can bring benefits to thousands of inhabitants. Not only the Company itself but also its employees participate in this support. They are very generous during **Christmas fund-raising** as well as when donating their 2% tax contribution to various health-care institutions, especially the Košice-Šaca Hospital, L. Pasteur University Hospital, or the Children's Hospital in Košice. In 2009, thanks to a concerted campaign in the corporate newspaper, the employees helped St.Luke's Geriatric Institute in Košice, the SOS Leukemia Civic Association, and the Novorodenec Regional Neonatal Non-profit Organization. Before Christmas 2008 the steelmakers collected 41 396.80 € for the East Slovakian Institute for Cardio-vascular Diseases in Košice, and since both the Company and the USSK Foundation each then contributed an identical sum, the resulting total of 123 190,40 € helped the Department of Anesthesiology and Intensive Medicine to acquire new instrument technology. For this reason, among others, the Institute, which moved into its own new, modern building in June 2009, now ranks among the elite health-care facilities in the eastern part of Slovakia. USSK also contributed the greatest share in the collection for purchasing a portable ultra-sound machine to be used for timely diagnosis of life-threatening conditions at Anesthesiology and Intensive Medicine Clinic No.1 in the University Hospital with Polyclinic in Košice.



In spite of the global economic crisis in 2009 steelmakers continue to be generous and have not hesitated to help the patients of the Casualty Surgery Clinic at the L. Pasteur University Hospital with Polyclinic. More than eight thousand

employees contributed to the pre-Christmas voluntary fund-raising, and the proceeds were later multiplied three times, because the Company contributed the same amount of money as the employees, as well as the USSK Foundation. The resulting sum of 92 975.49 € was used for purchasing a positionable operating table with additional special equipment. The Company employees regularly support such public health projects at Christmas time. They also consider it meaningful to support workplaces with staff who save the lives of people in critical states after traffic accidents or other serious injuries in sports and at work.

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

*Lubomír Kupčo, Mechanika Division*

USSK is traditionally also one of the active partners of the League Against Cancer, jointly organizing the public fund-raising on **Daffodil Day** every April, supporting the prevention of cancer through research and treatment. In 2009 the collection among steelmakers at the USSK works produced 3 228 €, also thanks to the targeted approach of the volunteer activists from USSK.

#### COMMUNITY SUPPORT IN SOCIAL CARE

USSK also directs its assistance into the social sphere, especially **supporting children’s foster homes, social services centers and retirement homes**. For many years the Company has been in cooperation with the Archdiocesan Charity in Košice, making life easier for people in difficult situations. Also for many years the Company has partnered the charity event called the Opatovská Rallye – Living at Max Revs, which brings unforgettable experiences to physically-disabled children at the combined school on Opatovská Street in Košice. Two thirds of the drivers in the thirty cars driving the competition course with three children as passengers consisted of USSK managers. During the Advent Market on the Main Street in Košice, the **USSK Christmas charity hut** provides space for many other non-profit organizations to present their products and services, and supports them with voluntary fund-raising. Every year the hut is reliably staffed from December 5th to 23rd by volunteers from the ranks of USSK employees and scholarship students. The steelmakers’ generosity is also manifested in the **Wishing Trees** project, organized at USSK every year since 2005. In their free time they go with their own children to buy gifts that will turn into reality the specific wishes of children in several foster homes – in 2009 these were in Medzilaborce and Vranov nad Topľou – and at the already-mentioned combined school on Opatovská Street in Košice. They become the destination in the pre-Christmas period for

hundreds of toys, books, sports gear and other gifts. In 2009, though, the children received a special surprise too, a great pre-Christmas delivery of wonderful books, aiming to stimulate their interest in reading and learning.



**Who and how we helped in the USSK Christmas charity hut in 2009:**

**December 5 - December 6**

**Association of Mutual Help of People and Dogs in Košice**  
For animal sanctuary operation and center building

**December 7**

**“Independent Life”, Organization of Wheelchair Users in Košice**

Costs related to organizational operation and activities.

**December 8**

**Slovak Diabetes Association, Basic Organization in Košice**  
Costs related to organizational operation and activities.

**December 9**

**Parent-Teachers’ Association – Elementary Art School, Bernolákova 26, Košice**

Purchasing art supplies for fine-art department

**December 10**

**ŠANCA Non-investment Fund**

Purchasing of supplies for the special school at Opatovská cesta 97, Košice

**December 11**

**University Hospital for Children, Košice**

Purchasing of infusion pumps for the 2nd Clinic for Children & Youth and children’s recliners for the Children’s Center at the University Hospital for Children in Košice

**December 12**

**Re-education Home for Children and Youth, Bankov 15, Košice**

For creative activities of children living in this facility

**December 13**

**“Centipede” Maternity Center, Košice-South**

For operation of the Maternity Center – creation of safe and hygienic environment for the youngest children and for their free-time activities

**December 14**

**Elementary Art School, Fine-art Section, Kováčska 43, Košice**

Purchasing of art supplies for the students



**December 15**

**Psychological & Social Center, Jegorovovo námestie 5, Košice**

Material purchasing for art therapy for the clients  
"Happiness" Association of Relatives & Friends in Košice,  
Rastislavova 12, Košice

For activities of the Rehabilitation Center for mentally-disabled people at Bauerova 1, Košice

**December 16**

**"Smile on Me" Civic Association, Košice**

For purchasing of special teaching aids for students of special school at Vojenská 13, Košice.

**December 17**

**Association of Disabled Children and Youth in Košice**

For purchasing rehabilitation aids for disabled children

**December 18**

**Fenestra Association**

Costs related to organizational operation and activities.

**December 19**

**Foster Home Košická Nová Ves**

For purchasing of material for children's spare-time activities

**December 20**

**Foster Home on Uralská Street, Košice**

For purchasing of art and shop supplies for the Therapeutic Workshop.

**December 21**

**Archdiocese Charity, Košice**

For operation of the Mother Teresa Hospice in Bardejovská Nová Ves, Home for Seniors, and Social Services Home in Košice, Lipany, Veľký Šariš and Vojčice, for the Crisis Center in Košická Nová Ves.

**December 22**

**ArtEst – aesthetical education of disadvantaged young people**

For purchasing of art supplies for mentally-disabled children

**December 23**

**Elementary School on Irkutská Street, Košice**

Purchasing of art supplies for the students

**Peace Marathon**, which is the oldest marathon in Europe, the second oldest worldwide, and has been organized since 1924. More than 160 USSK employees and their family members participated in the main race in 2009, as well as in the mini marathon, half-marathon or inline half-marathon together with company business partners. Imrich Pástor, USSK employee became the Slovak Marathon Championship winner for the third time in a row. USSK is moreover the general partner of Košice Ice-Hockey Club, which became Slovakian Champions in the 2008/2009 Extra League season.



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



**COMMUNITY SUPPORT IN SPORTS**

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

In 2009 the Company also sponsored the 2nd edition of the annual **Schools' Sports League**, organized by the City of Košice and the Sports For All sports club. More than 3000 children competed in eleven sports disciplines during the course of the school year. The organized sports activities not only attracted children to the sports grounds, but also helped a little to improve the young people's fitness, as well as functioning as prevention against drugs and aimless spending of free time by children around the city streets. With a similar aim the Company also supported the **Košice Sporting Summer 2009**, organized for the fifth year in a row during the school vacation by the South city ward for children from Košice's suburban neighborhoods. Once a year we also support the **Street Basket** event with the motto "Take a Ball not Drugs", with the tenth edition taking place in September 2009, when several hundred young people actively spent the day playing basketball.

USSK also provides special support for **developing kids' playgrounds and sport facilities**, where children can spend their free time to good purpose, e.g. the Multipurpose Sports Facility for Children & Youth on Alejová Street in Košice, which includes an amphitheatre, sports fields, an ice-rink and a road-traffic playground as well as a training center for traffic education. Between 2006 and 2008, the Company supported the start-up of more than 20 sports-grounds in the region. In 2009 together with the city of Košice and the Faculty of Arts of the Technical University in Košice it started a new model of children's playground construction in the city ward Košice – Krásna, involving the active participation of local residents, including USSK employees.

**VOLUNTARY PROGRAMS SUPPORTING THE COMMUNITY**

Not only the Company itself but also its employees personally show their interest in the needs of the region, and their assistance at many volunteer events is quite altruistic. Several smaller volunteer events during the year culminate in the **USSK Volunteer Days**, which took place on May 15th and 16th in 2009 under the name of "U. S. Steel for Košice". During this single weekend, employees of the Company and its subsidiaries and their family members helped out eight organizations in Košice with public-benefit activities.

The event started off with the "Steelmakers' Drop of Blood" drive on the Friday morning at the Hematology and Transfusion Department of Košice-Šaca Hospital, which is part of the clinic in the U. S. Steel Public Access Area. On Friday and Saturday it was possible to donate clean, undamaged summer clothing for children, bed-linen, hand-towels or kitchen utensils for the Crisis Center for Mothers with Children maintained by the Archdiocesan Charity in Košice. On Saturday the volunteers helped to put up a tent camp at Košice Zoo, they spruced up the premises of the kindergarten for disabled children on Ľudová Street, and tidied up the terrace and park around St.Luke's Geriatric Institute on Strojársená Street. Another group rendered the walls of the main building and tidied up the surroundings of the animals' sanctuary near Haniska. Cycling enthusiasts cleaned and repaired the Hornád-Torysa-Hornád cycle trail in the vicinity of Košice city ward Krásna. Due to the great interest in voluntary work, a further activity was



improvised – sprucing up and painting the climbing-frames and fences outside the Crisis Center for Mothers with Children in the city ward Košická Nová Ves.

The whole event was supported by four hundred volunteers from USSK, our subsidiaries and partner institutions. Many of the participants were individuals, but complete working teams took part as well. Just as in previous years, various professions were represented on this occasion too: apart from workers and managers from different plants and divisions, there were also large numbers of lawyers, ecologists, and specialists in procurement, finance and IT. There was also a group of USSK scholarship students, supported by the Company in their studies at college or university. Slovak and American top managers led



by President George Babcoke and his wife Kathie worked side by side with the others. The Company management supports corporate voluntary involvement, and values the employees' willingness to help others. Three volunteers were winners of a prize draw enabling them to spend a weekend with their families at the Company's leisure facility at Medzev, a more than fifty-strong group of steelmakers had the chance to spend



the night under canvas together with their children at Košice Zoo, and eleven of the most active volunteers were invited to lunch with the Company's President. USSK Top Volunteer in 2009 was Annamária Tóthová from the Project Management Department. This long-term, systematic work in the field of corporate voluntary involvement was also appreciated by the Pontis Foundation, which awarded USSK their Via Bona prize at the beginning of April for encouraging employees to engage in voluntary work.

**“My aim was to help young people by offering voluntary work up at the castle, specifically the scouts, who make use of their time in an untraditional way. In a different way from most other young people, anyway, who say they're bored, but they're not willing to put any effort into changing that.”**

*Jozef Breza, Steel Plant*

April 2009 saw the publishing of the results of the second round of the **“Together for the Region”** grant program, which the Company had announced in cooperation with the Carpathian Foundation. The sum of 33 193.91 € was divided among the 11 winning community projects, aimed at developing leisure-time activities for children and teenagers, but also environmental education, safety, sports activities and the preservation of cultural values. This program also offered

an opportunity for those USSK employees who take active part in their community life to work with local self-government or non-profit organizations in preparing projects making their surroundings and relationships more attractive, and improving the quality of life and services in the region.

#### The list of supported organizations and projects

- **ALMA - Center for preservation and renovation of folk architecture and traditions in Gemer**, Interactive green studio – preserving rural identity, 3 210 €
- **Rubikon Autistic Center, Košice**, Summer crafts camp, 2 409.96 €
- **Frigo Children's Organization, Košice**, Pohoda Open Club, 3 300 €
- **Centipede Maternity Center, Košice**, Safety Manual and Child's Safety Card, 2 661.41 €
- **Eurošariš Microregion, Kapušany**, The most beautiful corner of the wide world, 3 305 €
- **Design Forum Civic Association, Drienovec**, Things and Thingies- a little country crafts museum, 3 294 €
- **Katarína Civic Association, Terňa**, We get to know, protect and make good use of the forest, 3 261 €
- **Friends of the Trstené Countryside, Trstené pri Hornáde**, Let's rescue the old river Hornád – revitalization, 3 319.39 €
- **Rákóczi's Road, Veľký Šariš**, The Castle Protectors' Guild, 2 224 €
- **Slovakian Ornithology Society, Michalovce**, Avescentrum – Bird Paradise Eco-education Center, 2 927.70 €
- **Slovak Scouting, East Slovakian Area, Prešov**, Pilgrimage Down The Centuries, 3 281.46 €





# Selected Financial Information

## STATEMENT OF FINANCIAL POSITION

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

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

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

Major changes in 2009 equity represent an increase in base capital and dividend declaration. External financing as well as accounts payable were at comparable levels. Change in other liabilities reflects a decrease in provision for CO<sub>2</sub> emissions resulting from lower production and lower market prices of emission allowances.

## STATEMENT OF COMPREHENSIVE INCOME

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

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

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

## PROPOSAL OF 2009 PROFIT DISTRIBUTION

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

**SIGNIFICANT EVENTS AFTER 2009 REPORTING PERIOD AND EXPECTED DEVELOPMENT IN 2010**

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

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







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