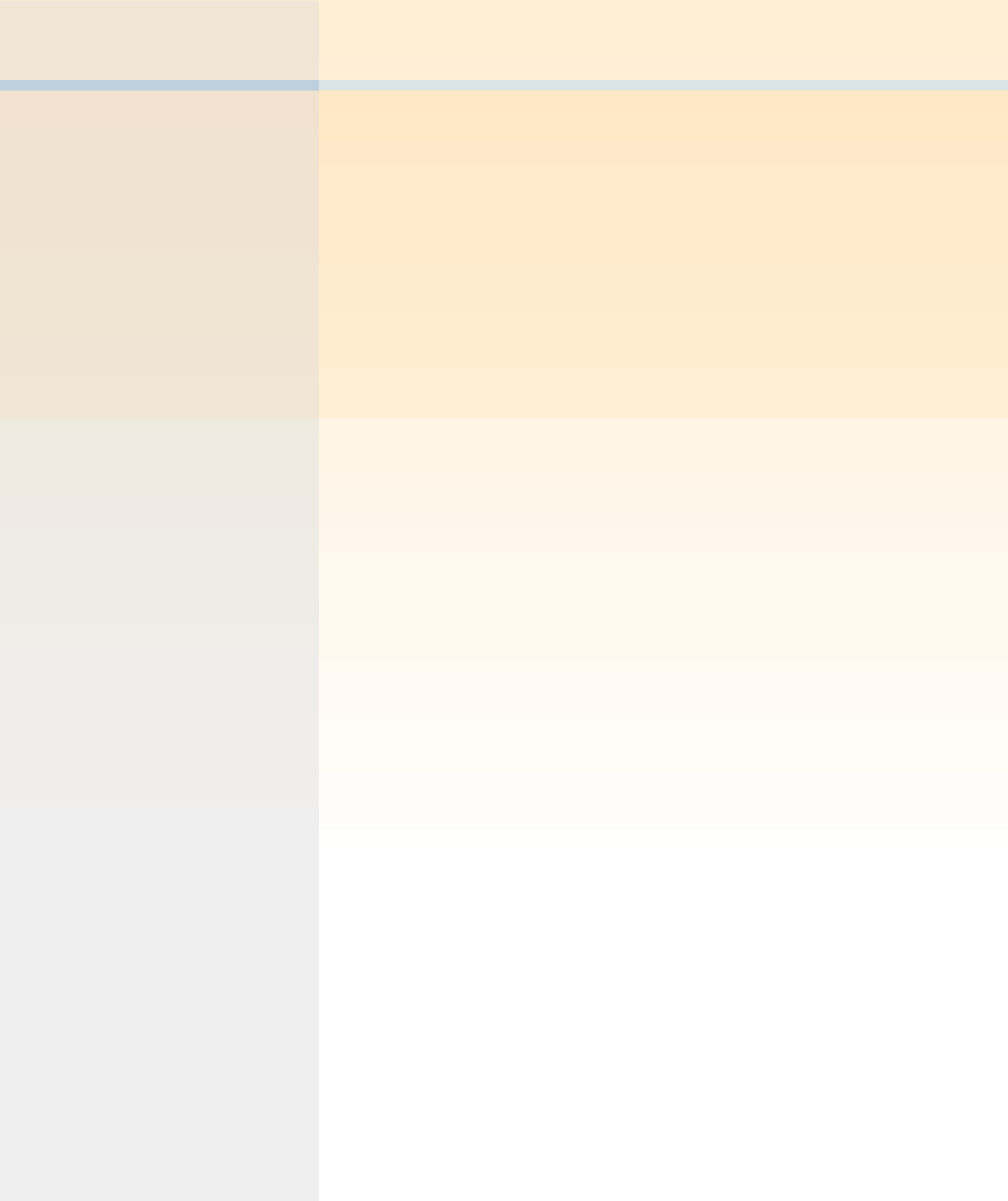


**U. S. Steel Košice Social Responsibility Report 2001 - 2005**





## President's Message

Dear Friends,

You are being presented with the Social Responsibility Report of U. S. Steel Košice for the period 2001-2005. Although during its five-year activity in Slovakia our firm has many times proven that it applies ethical, social and environmental principles in its day-to-day business, we have not yet informed the public about these activities in summary. We have realized, though, that our report may help motivate other firms whose ambition is to act in a socially responsible way.

In its business, our company carries on more than a hundred years of American steelmakers' experience and more than forty years of Slovak steelmakers' experience. As early as 1909, one of the U. S. Steel founders – Elbert H. Gary – defined the basic principles of honest and fair business conduct. A company's rights and interests are subjugated to public welfare, fair and human treatment of employees, business conduct in accordance with law, monitoring through public opinion, doing the right things that are the foundations for permanent development and success – these are just a few of Gary's principles that we honor and further develop. To these days our motto says: "Let us do the right things for employees, community, customers and suppliers. It helps us to be the best!". We share the success with our partners, but that also means responsibility and commitment to us. We would like to talk about our socially responsible business conduct in this report, and we will be glad if the information presented here creates the foundations for further mutual dialogue.



**David H. Lohr**  
president U. S. Steel Košice

A handwritten signature in blue ink that reads "David H. Lohr". The signature is fluid and cursive, written over a light gray background.



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## Company Profile

U. S. Steel Košice, s.r.o. (USSK) ranks among the largest producers of flat-rolled products in Central Europe. In the year 2000 the original East Slovakian Steelworks became a part of the multinational company United States Steel Corporation, which has more than a hundred years tradition on the American continent, and besides Slovakia also has operating facilities in Serbia. The Košice steelworks were built in the 1960's. The works gradually rose to rank among the significant producers in Central Europe, the company proved itself on the steel market, and became a member of international professional associations. After privatization in the nineties, it fell into financial difficulties.

The restoration process, led by Gabriel Eichler, culminated in selling the steelmaking core of the company to U. S. Steel, with whom the steelworks had formed a joint-venture company to produce steel packaging materials in 1998. At the present time, the metallurgical plant in Košice is a modern company merging the vast technical skills and experience of Slovak steelmakers with western managerial procedures and strong market orientation. The operations are focused mostly on products with higher added value for automotive, packaging, electro-technical, consumer and construction industries.

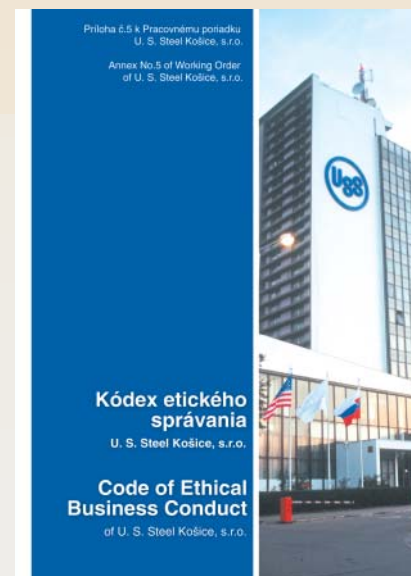
The vision and the objective of U. S. Steel Košice are to carry on the long-term iron and steel making tradition. **Our VISION is to be a profitable metallurgical company that offers its shareholders adequate profits and shows long-term growth and success; our OBJECTIVE is to assume position at the top of the iron and steel making industries.**

The keys to permanent success are the **six main business principles** that are being applied in production, commerce, communication with employees and partners, and through which the socially responsible approach of the company is applied in day-to-day practice:

- **Safety:** protecting the health of employees, as well as the other workers and visitors present on the Company's premises
- **Environment:** production respecting the environmental protection requirements and valid environmental legislation
- **Quality:** providing high quality of products
- **Services:** providing excellent services to customers and business partners
- **Costs:** low cost production
- **Productivity:** increasing the productivity of the Company's operations

U. S. Steel Košice realizes that demanding objectives set in the area of production, quality, ecology, sales increase and customer services improvement can only be fulfilled thanks to its employees. U. S. Steel Košice gives its employees social and economic security, good salaries, and conditions to assure comprehensive personal development.

At the same time the Company thoroughly **applies the principles of the Ethical Code** because it considers morals and ethical conduct to be the foundations of the trust necessary for the long-term success of the Company. When signing their employment contract, all employees become familiar with the U. S. Steel Košice Work Regulations and the Code of Ethical Conduct. The Ethical Code defines the acceptable standards of employee conduct and, besides other areas, addresses the problems of discrimination, sexual harassment, fraudulent practices and the protection of economic competition, conflict of interests, and political involvement. U. S. Steel Košice has become a leader in enforcing business ethics and corruption control.





## Primary areas within the Company's social responsibility according to the 6 business principles; objectives and their fulfillment

### 1/ Social Area

#### Safety

Occupational Safety and Health is the no.1 priority in U. S. Steel Košice. Safety of employees comes before any record in production, as does the safety of suppliers or other partners working on the Company's premises. Wearing certified personal protective equipment and complying with cardinal safety regulations is gradually becoming not just a necessity, but also a matter of course for the employees. Through the H.E.L.P. (Hazard Elimination and Loss Prevention) training program, the Company has been convincing employees that safe conduct is their individual need and responsibility. Managers and employees jointly discover operational procedures and locations that are a potential source of risks and hazards to the health of employees. Thanks to continuous effort the number of injuries has decreased by 60%, as compared to the status before acquisition of the Košice steelworks in 2000.

Convinced that the protection of life and health is as important for any human activity as it is for metallurgical production, U. S. Steel Košice extends its activity beyond the Company's gates. It has developed the program "Professionals Work Safely" for students and the general public, through which it has been drawing the attention of young people, their parents and educators to the issues of safe conduct and behavior since 2005 (for more see the part Philanthropic Activities and Community Support).

#### Occupational Safety and Health (OSH) – Our objectives and their fulfillment.

**Objective:** Implement rules for particularly difficult activities.

**Fulfillment:** In 2004 we issued 6 cardinal rules and one general rule. Each of the rules describes procedure for particularly difficult activities. They are supported by a set of safe working practices and also by a brief presentation. All employees have been trained in the rules, and the rules are also included in the USSK Work Regulations.

**Objective:** Implement integrated program as a part of the identification of hazards and the elimination of losses.

**Fulfillment:** In 2002 we commenced the implementation of the H.E.L.P. corporate program on USSK level. The manual of the program was prepared (2003). An interactive teaching CD was developed and the computer room established in 2004; the retraining of all USSK employees was commenced in 2005. The training should be completed in the 3rd quarter of 2006. Based on the H.E.L.P program requirements a Slovak version of the OSH administration program - „SRKS“ has been developed.

**Objective:** Implement observations of work activities and conditions as a part of the elimination of occupational injuries.

**Fulfillment:** Observations of work activities and conditions have been performed since 2004. Each employee on the first level of management in production performs at least two observations of his subordinates per month, which represents approx. 24,000 observations per month. Two-level observations of employees in direct management have been implemented. 25% of observations are being performed based on a pre-set monthly theme. We have also involved employee representatives in the observations (approx. 700 observations performed per month).

**Objective:** Implement the system of international audits as a part of the identification of hazards.

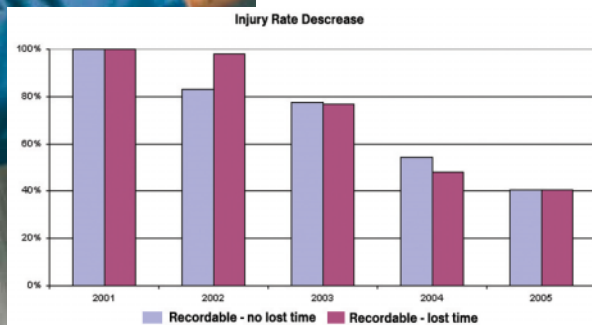


Chart 1 Graph of injury rate decrease

**Fulfillment:** The training of audit teams from USSK and USS Serbia was carried out at the end of 2005. The first international audit of OSH in USSK was performed at the same time. Further procedure and a schedule for the audits in Košice and Serbia have been agreed upon.

**Objective:** Increase employee awareness in the OSH area.

**Fulfillment:** A survey regarding the awareness of occupational safety regulations among USSK employees was performed in cooperation with the DuPont Company in 2005. The survey, during which 14,439 questionnaires were handed out and 12,168 answers returned, resulted in a summary of recommendations for the top management of USSK. Various employee training sessions focusing on special topics, such as hydraulic hoists, load rigging, etc., have been carried out.

### Employees

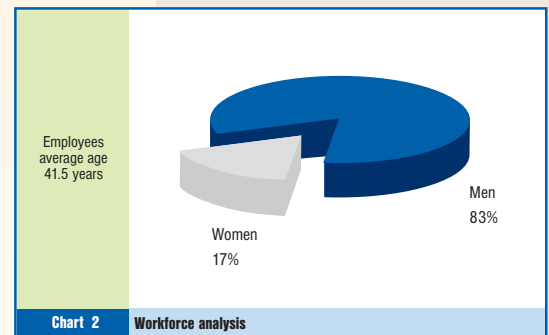
U. S. Steel Košice is the largest private employer in Slovakia and the largest employer in the East Slovakian region. It has about 16,000 employees, including its subsidiary companies. The employees participate in the Company's success and, compared to the Slovak national average, they earn above-standard salaries due to the fact that their remuneration also includes a share of the Company's success, i.e. its monthly profit.

Since the Company was acquired by the American owner, the Employment Policy has undergone a transformation in order to assure competitiveness of the Company in comparison with other metallurgical companies in the world. Open job positions are being filled mostly from internal resources, through employee retraining. The Company has a sophisticated training system within which the employees complete courses depending on individual needs or the requirements of a particular job position.

A new trend in the area of Human Resources is **diversity** – searching for and employing people coming from different environments, with various kinds of education, experience, ideas and talent. This is demanded by market globalization and increased requirements on companies' ability to compete. Future USSK success also depends on how prepared the Company will be to attract, hire, train and retain a new workforce and, at the same time, train the existing employees to understand and accept the changing character of business conduct.

The rewarding of employees who participate in the achievement of excellent results in various areas through their quality work, is also a part of the Company's culture. This includes regular lunch meetings of the Company's President with employees achieving the best results in occupational safety, quality or cost decreasing areas. Various events also help build team spirit and company citizenship, including summer and winter sports games with several thousand amateur athletes participating, annual balls of the Company, as well as reciprocal filling of positions and exchange of employees between Slovak, American and Serbian operations. 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 Trades Union of Slovakia).

A popular tool of internal company communication is the multi-level Intranet and the printed weekly newspaper "Oceľ Východu", winner of the national Best Corporate Media Award in 2003 and 2005. Annual meetings of the management with all employees, taking part in a nearby sports hall, are also an effective form of communication through which the employees may learn about the Company's intentions directly from the President and other top managers.



### Employees – Our objectives and their fulfillment

**Objective:** Identify talented future university graduates as a source for the selection of new employees.

**Fulfillment:** Since 2002, the Human Resources section has been organizing paid summer internships for 3rd and 4th year students from local universities and colleges. The objective is to allow students to become familiar with and participate in the production and control processes, evaluate their theoretical knowledge acquired through their studies, and obtain practical experience. In the course of four years, 170 students have participated in the internships. The participants spend 3 days a week in the working process under their mentor's supervision, and for the remaining 2 days they participate in a special development program. This gives them an opportunity to obtain skills not provided by higher education.



**Objective:** Decrease the number of smokers at workplaces.

**Fulfillment:** In 2005, the Company started a pilot program offering its employees an opportunity to participate in a workshop aimed at breaking the smoking habit. The program consisted of several stages and had almost 40% success rate. The initiative to designate smoking areas as a protection of the working environment for non-smokers has been successful as well.

**Objective:** Interconnect theoretical vocational training at schools with practical requirements.

**Fulfillment:** The Company actively cooperates with the Secondary Technical School of Metallurgy and the Secondary Vocational School of Metallurgy in Košice in order to improve the quality of vocational training of graduates, emphasizing the interconnection of theoretical vocational training with practical requirements at U. S. Steel Košice plants. This has resulted in adaptations to educational plans and cooperation in practical education which students undergo in the Company's operations. This cooperation has been mutually beneficial.



**Objective:** Increase the occupational safety awareness of secondary school students.

**Fulfillment:** In 2005, courses and workshops targeted at the presentation of occupational safety policy to educators and students were organized for the Secondary Technical School of Metallurgy and the Secondary Vocational School of Metallurgy in Košice. At the same time, the Company provided the schools with personal protective equipment to be included as a natural part of vocational training. The objective was to achieve the same levels of care, training and measures in the area of occupational safety so that students can smoothly apply the required knowledge and approach in the conditions of practical education in U. S. Steel Košice operations, as well as when performing their future jobs, and thus help promote the basic objective of the Company – to protect the health of its employees.

**Objective:** Implement additional forms of healthcare in order to prevent damage to our employees' health.

**Fulfillment:** Every year our employees have an opportunity to participate in specific forms of curative physiotherapy focusing on functional disorders of the bones and muscles. A preventive gynecological/oncological program is available to female employees, offering mammography examination to assure early diagnosis and prevention.



**Objective:** Support non-profit blood donation.

**Fulfillment:** Non-profit blood donors receive a contribution amounting to SKK 300 for each voluntary donation, and the employees who donate blood at least 10 times (bearers of so called "Jánsky Plaque") receive a contribution ranging between SKK 2,000 – 6,000 that may be used for recreation/relaxation activities. During the period 2001 - 2005 the Company made gratuity payments to employees for 5247 unpaid blood donations, representing 2098.8 liters of blood freely given by USSK employees during that time.

**Objective:** Housing support.

**Fulfillment:** Within the terms of the agreed rules, we offer our employees loans to provide first housing that may be used to purchase or build an apartment or house, at a total amount of approx. SKK 18 million per year. During the period 2001 - 2005 the Company provided a total of 260 repayable loans to employees for purchasing their first homes.

### Equal opportunity – work for the Roma

It has been already four years since U. S. Steel Košice, in cooperation with the village council of Veľká Ida, the borough of Šaca, and the Romintegra 7777 Civil Association active within the Lunik IX residential area in Košice, started a special project for employing Romanies whose unemployment rate is almost 100% due to poor qualifications. Romanies are employed by the above-mentioned employers, and U. S. Steel offers an agreed amount of work and the respective financial resources. The entire employee selection process is based on personal knowledge of the applicants. The selected ones are those who want to work and improve their standard of living, support the education of their children, and are interested in personal development. They must also fulfill the requirements for work in U. S. Steel Košice. Project participants may apply for regular employment. The Company has already permanently employed 6 project participants as a result of their good work performance.

The project is a particular USSK contribution to the resolution of complex Romany issues.

Romanies can acquire working habits, improve their qualifications, receive regular income that allows them to take care of their families and integrate them into society. At the same time, it serves as a model for other organizations to employ more Romanies.

Positive motivation is important also for children and youth, with more and more recognizing the importance of education – several pupils have already shown an interest in continuing their studies at metallurgical vocational school, commercial academy or grammar school.

USSK understands Romany issues in a wider perspective and is therefore developing other mutually integrated and supportive projects (for more see the chapter Philanthropic Activities and Community Support).



### Services

Another basic business principle of U. S Steel Košice is customer orientation, with the intention of constantly increasing the quality of our products and services, fulfilling required delivery conditions, and thus improving the satisfaction of our customers. One of the measures to achieve this objective was the implementation of a new organizational structure and business culture after the acquisition of the Košice steelworks. The number of external, intermediary companies has decreased, and the focus has been put on the end user. Direct contact with customers on Central, Eastern and Western European markets is maintained through the Company's domestic and foreign commercial offices. The requirements of the producers of automobiles, electric motors, home appliances, packaging and construction materials are demanding, and therefore our commercial agents regularly cooperate with other organizational units in order to improve the quality of services.

They seek better technical solutions for customer requirements with the employees of the Customer Technical Services Department, develop new material properties with the staff of the Research and Development Institute, offer the best solutions for payment terms and financial coverage with a team from the Financial Group, and cooperate with the Public Relations Department on the presentation of the complete production cycle and its dependencies. Our permanent aim is to achieve the most direct and effective supplier-customer relations. Everyday communication with the customers and partners, personal meetings and negotiations, and flexible problem solutions contribute to improving customer satisfaction. Their appreciation has been expressed in the form of awards: the Phillips Company Award in 2004, and the Best Supplier Award from the Slovenian company Rotomatika in 2005.



#### Customer Services – Our objectives and their fulfillment

**Objective:** Decrease claim rate for all products by 8%, as compared to the results from 2004.

**Fulfillment:** The value of claim rate since 2001 has been improved by 50%.

**Objective:** Improve customer satisfaction for automotive and dynamo materials by maintaining delivery terms.

**Fulfillment:** By establishing 5 consignment warehouses for customers in Slovakia and the Czech Republic, as well as for selected customers in Hungary, we have managed to maintain delivery terms and improve customer satisfaction.

**Objective:** Improve access to information for domestic and foreign customers and communication with them, with the aim of improving our points rating by 5%.

**Fulfillment:** Based on the requirements of individual commercial sections and participation in trade fairs and exhibitions, the Product Catalogue was updated with the required language versions in 2005. Informational



materials for prepainted and electrical sheets have been updated. EDI communication has been established with at least two customers.

**Objective:** Develop cooperation with suppliers, with the aim of constantly improving the quality of all procured materials and services.

**Fulfillment:** In order to improve the quality of procured services and materials, which is reflected in the quality of materials and services supplied to end users, 8 customer audits have been performed at qualified external

producers, focusing on the verification of quality management systems in line with the EN ISO 9001:2000 system implemented in U. S. Steel Košice.

**Objective:** Promote sales of the new M400 grade material.

**Fulfillment:** Our existing customers have appreciated the new grade M400 and accepted it as an extension of the product assortment offered. More than 1000 metric tons of this material have been sold to customers, including new buyers.

**Objective:** Improve flexibility of transportation from U. S. Steel Serbia to Czech customers.

**Fulfillment:** By replacing water transportation with rail and truck transportation, as well as by implementing the standards applied in U. S. Steel Košice, we have managed to decrease material transportation time to Czech customers by 20%.

## 2/ Environmental Area

### Environment

The nature of metallurgical operations anywhere in the world has impacts on the environment, especially on the atmosphere, water management and waste production. Environmental protection is based on valid national and international standards and laws, but to a significant degree depends also on the activities and responsibility of companies themselves.

Environmental protection is one of the basic business drivers for U. S. Steel Košice. In real life, this is demonstrated by a systematic approach to the environmental protection. At the end of 2003, U. S. Steel Košice s.r.o. received a corporate EMS certificate from the RWTÜV audit organization, confirming the implementation of an environmental management system in accordance with the international standard ISO 14 001. This certificate covers 5 finishing plants, although the environmental management system has been implemented in all thirteen of the Company's divisions.

Since 2000, the Company has invested more than USD 200 million into dozens of ecological projects, including the new highly efficient de-dusting systems at the Cokery, Blast Furnaces and Steel Plants within the period 2004-2005. This has resulted in decrease of Total Solid Particulates (TSP) by 76% per ton of steel produced.

Besides direct investment, the CITE (Continuous Improvement to the Environment) training program represents an active approach by the management to increasing employees' environmental awareness. Moreover, USSK supports development of positive attitudes toward environmental protection and improvement among elementary, secondary schools and universities students through several ecological projects (Where and how we will live, What we never knew until now, EKO, Ekotopfilm). USSK works intensively in this area with non-governmental organizations and local villages (for more see the chapter Philanthropic Activities and Community Support).

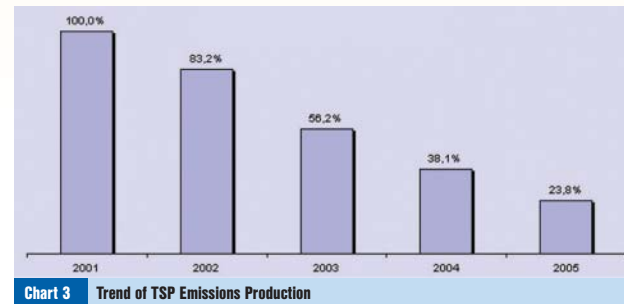
The Company continuously monitors emissions and regularly informs the public about emission volumes and waste water quality in the weekly newspaper Ocel' východu and on its web site [www.usske.sk](http://www.usske.sk).

### Environmental Protection – Our objectives and their fulfillment

All USSK objectives in environmental protection area are specified in the Environmental Action Plan (EAP). The measures contained in EAP result from various sources: Quality Policy, Environmental Policy, CAPEX, Waste Management Program and Low Emission Program.

**Air Protection** is among USSK's top priorities. The main objectives in this area are:

- permanent decrease of emissions (especially TSP, CO, SO<sub>2</sub>, NO<sub>x</sub>)
- to fulfill emission limits at air pollution sources
- to comply with general operating requirements.



During the period from 2001 through 2005, several significant investment projects were carried out aiming towards fulfillment of the above-mentioned objectives at the Cokery, Blast Furnaces, Steelworks and Power Divisions.

These have resulted, for example, in:

- decreasing the emissions of TSP by 76% and NO<sub>2</sub> by 24% per ton of steel produced
- decreasing fugitive emissions
- improving the working environment
- installing a continuous monitoring system in order to monitor the emissions of NO<sub>x</sub>, CO, SO<sub>2</sub> and dust in USSK surroundings.

In the area of Water Protection, the main objectives are aimed at:

- eliminating leaks of hazardous substances into surface and underground water during the production process
- decreasing pollution indicators for water discharged from the Waste Water Treatment Plant (WWTP)
- decreasing the amount of waste water and increasing the recycling ratio.

Fulfillment of the objectives in this area has been achieved through multiple projects, such as upgrade of the Sokofany WWTP, waste-water monitoring on USSK premises, and Wet landfill upgrade. In the period 2001-2005, the ratio of recycled water from the WWTP has been increased by 28%.

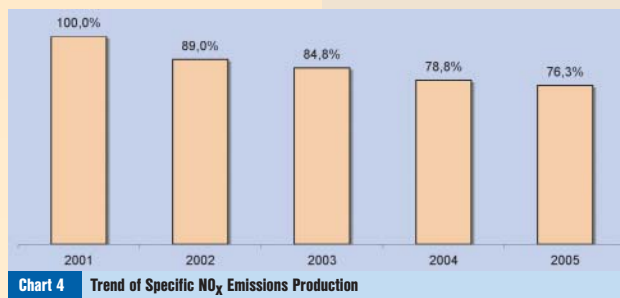


Chart 4 Trend of Specific NO<sub>x</sub> Emissions Production

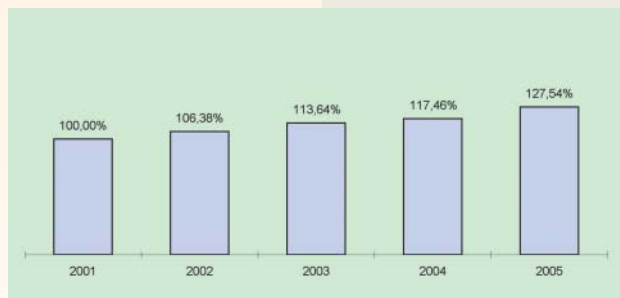
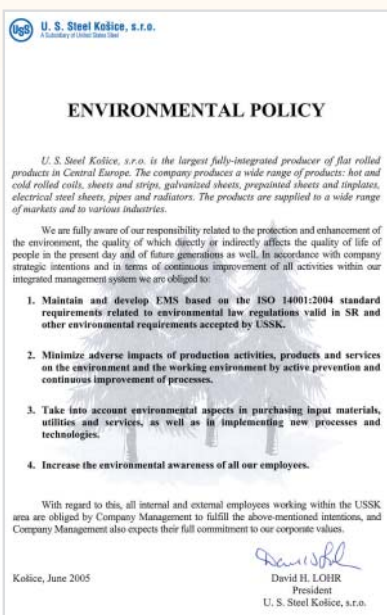


Chart 5 Share of Recycled Industrial Water to Total Consumption (1,000 m<sup>3</sup>)



**Waste Management** is aimed above all at:

- minimizing waste production
- effective waste utilization and re-use of waste in the production process.

From a long-term perspective, the utilization of waste in USSK has shown an increasing trend. This positive outcome is being achieved through the following measures:

- establishing a technological line to process metallurgical waste. This results in final products such as pellets and briquettes that are subsequently re-used in USSK technological facilities.
- increasing the utilization of converter and blast furnace slag
- maximizing the utilization of iron scrap
- implementing separated collection of waste paper.

In the period 2001- 2005, investment projects have been carried out with the main objective to harmonize the status of waste handling and disposal with valid EU and Slovak regulations.





# CERTIFIKÁT

Certifikačné miesto  
RWTÜV System

podľa postupu



American  
Petroleum  
Institute



### 3/ Economic Area

#### Quality

U. S. Steel Košice is a modern company, setting more demanding objectives in all areas of its activity on a year-to-year basis. New investment projects constantly improve the technical and technological standards of production and increase the ratio of products with higher added value. The Company declares its emphasis on quality through the quality management system implemented in accordance with ISO 9001:2000 and ISO/TS 16949:2002. The fulfillment of demanding quality criteria has resulted in dozens of process / product certificates.

U. S. Steel Košice considers its product quality and quality management systems to be crucial factors for distinguishing the Company from its competitors. USSK is certified in accordance with the international ISO 9001:2000 and ISO/TS 16949 standards for the automotive industry. An environmental management system in line with the requirements of ISO 14001:2004 has been implemented as well, and an occupational health and safety management system is also being implemented. In 2002, USSK was awarded the Slovak National Award for Quality in the category of large manufacturing companies. In 2003, Korad steel panel radiators were accorded the Quality Trademark Certificate and the Slovak Gold Medal.

#### Productivity

**Increased productivity** of USSK operations has been a principal target since the moment of acquisition. In 2000, the Company committed itself to investing approximately USD 700 million within a 10-year capital investment plan. Over the first five years, as a part of the overall capital spending commitment, USSK has invested USD 647 million to enhance its capabilities and performance, environmental systems and infrastructure.

In April 2002 USSK commissioned a vacuum degasser, which gave the company access to the low-carbon and silicon steels markets.

In 2003 the second continuous annealing and tinning lines were commissioned. In 2004 production commenced on the third dynamo line for electrical steel. On June 23rd 2005, USSK held a groundbreaking ceremony for its new automotive-grade hot-dip galvanizing line. With an annual capacity of 350,000 tons, the new line will serve to satisfy the growing demand for high-quality coated sheet products in the Central European automotive and construction industries. Start-up of the USD 160 million facility is scheduled for the beginning of 2007.



**Costs**

**Lowering the cost of production** is crucial to success in all competitive markets. Though the prices of raw materials have risen extremely, the Company has been able to reduce production costs through efficient management systems at all levels and through its continuous improvement process. Hundreds of improvement projects submitted by USSK employees and managers have been implemented, saving millions of dollars annually. Savings in primary metallurgy, energy production and finishing operations are the most significant.

The process of decreasing customer costs has been commenced successfully: through reducing the weight of packaging. For one of our customers – a manufacturer of home appliances – we saved Euro 34,000. In a similar manner, by changing the wrapping of tin sheet edges and automating the entire process on the shearing lines, SKK 18 million have been saved.

In the truck transportation area, the calculated tariff costs have been decreased by 2% compared to the previous year.





#### 4/ Philanthropic Activities and Community Support

U. S. Steel Košice realizes and accepts its role as a **responsible community partner** and is a leading contributor to the economic, environmental and social development of Košice and Eastern Slovakia. In November 2000, as part of its commitment to the Slovak Government, USSK established the **Economic Development Center (EDC)** in Košice, with the aim of promoting economic growth and creating new jobs in the region.

By the end of 2005, the EDC had helped to successfully attract 15 foreign investors, with total investment of USD 100.2 million. When fully staffed, the companies will employ 2440 people.

As a responsible company, **during the past five years USSK has supported thousands of talented and active people, particularly those in need, through more than 1100 projects in the health-care sector, charity, education, sports and culture, with a total contribution of SKK 455 million.**<sup>1</sup>

For U. S. Steel Košice it is typical that it does not just support hundreds of projects and events financially, but many times actively participates in their realization, or organizes them independently or with its partners. Many cultural and public events for Košice residents have become a tradition (Košice City Days, International Children's Day, Christmas in Košice). From a number of projects aimed at community support, we would like to present just a few:



##### Talent Night

Since 2001 USSK has been organizing this annual competition focused on supporting musical groups, singers and dancers from Eastern Slovakia. All participants in the preliminary rounds have an opportunity to present their own creations, and only their own creations, live in front of a jury composed mainly of record company representatives, radio program managers, renowned producers, active singers and musical group members. Finalists and absolute winners of the competition receive valuable prizes that will support their further artistic growth (e.g. recording a CD or video clip).



<sup>1</sup> The support has been realized in the form of gift covenants, advertising contracts and organizational costs of public events





### Where and how we will live

This competition, focusing on the protection of air, water and nature through waste separation and collection, is intended for elementary schools, and we have been organizing it since 2003. The pupils of participating schools must be able to participate in project preparation and realization, and the projects should be executable in real life. A jury of professionals, composed of the representatives from USSK, the Regional Education Department and the non-government organization Sosna, every year awards SKK 200,000 to selected winning projects (e.g. renovation of a school fountain, creation of a nature classroom or implementation of a school waste separation system) The announcement of results is organized as a "Morning of Fun" for the pupils of participating schools.



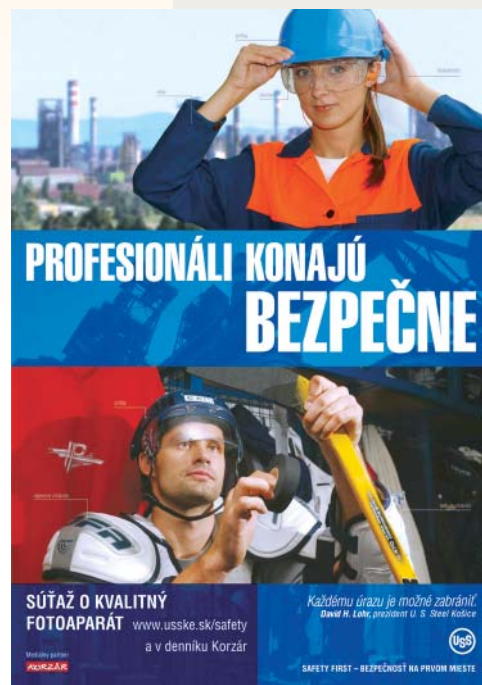
### What we never knew until now

This new knowledge competition for secondary school students was announced in 2005. Its objective is to motivate students to take an interest in the environment, support positive attitudes toward the environment, and help recognize the importance of its protection. The competition takes part in four rounds and the students submit their answers on standardized forms within a set deadline. All competing three-member teams have so far chosen the electronic form of communication. Valuable prizes are awarded to the winners.

### Professionals work safely

This project also started in 2005, with the aim of drawing the attention of young people to safety issues at work, at school, as well as in regular life, at home, during sports and leisure activities. First of all the USSK top managers met more than 1,500 secondary school students and talked to them about safe work and behavior, not only in a metallurgical plant but also in everyday life, and then photography and essay contests were announced. Students were asked to express their own opinions on various safety aspects. Almost 600 students from more than 25 schools enrolled in the competition, submitting 331 photographs, 339 articles and 40 graphics and videos.

The results were announced in December, in the sports hall of the Secondary Vocational School of Metallurgy in Košice-Šaca, and almost all participating students gathered there. The best 24 students were presented with digital cameras, protective sports equipment and books. The top prize was a digital reflex camera with lenses and a memory card. All participating students and their teachers received hockey shirts with the logo STEEL ARENA/SAFETY 1st, which served as tickets to the opening ceremony of the STEEL ARENA - the LadislavTrojak Ice Stadium. The project will be continuing in the future.



### Green Relax Zone Project

With financial and other support from USSK, this project was realized by the association of 16 villages in the Hornád Micro-Region. The project resulted in the creation of 11 new relax zones, e.g. village parks, or picnic shelters by lakes and streams. Unkempt areas or former garbage heaps became places where locals meet - safe for children and suitable for domestic or foreign tourists or cyclists. The project was linked with the existing Hornád bicycle route and Upper Abov Nature Trail.

### Projects to support the Romany community

As already stated in the Social Area - Employees part of this report, we understand the resolution of Romany issues in a wider perspective. Besides the special project Equal Opportunity - Work for the Roma, we focus our efforts on Romany youth education and improvement of their qualifications. The Schola project is devoted to pre-school children, focusing on their preparation for compulsory school attendance. By upgrading and equipping a vocational education classroom at the elementary school in the Luník IX residential area, we have achieved better conditions for Romany girls and boys, enabling them to gain work habits and skills. With the aim of drawing attention also to occupational safety issues, we have supplied pupils with protective clothing: coats and aprons manufactured by Romany women in a sewing shop established with the support of our Company. Summer camps for Romany youth near the opal mines up at Dubník are focused on environmental protection. We try to make the overall outcome of the solutions for Romany issues more effective by interconnecting these and other projects.



### Sports and Fun Complex for Children and Youth

The wives of presidents and other USSK top managers actively participate in charity events and seek opportunities to help the community. In 2004 the reconstruction of children's playgrounds was selected from various potential activities due to the possibility of applying the values of safety, environmental protection and development, education, and meaningful enhancement of children's leisure activities. The choice fell on the deserted children's sports complex in desolate condition on Alejová Street. The borough of Košice-South had refused the offers for commercial utilization of this lucrative property from various firms and came up with the project for the Sports and Fun Complex for Children and Youth.

Financial aid from USSK amounting to more than SKK 1 million helped start up the entire project, for which the borough later managed to allocate funds from its own budget and find other financial sources and grants. The children's traffic playground was completed first in 2004, ideal for practising traffic safety and teaching traffic rules to elementary school children from Košice and the surrounding area. An amphitheatre, a sand volleyball court, an inline skating area used as an ice rink during winter, and 3 multi-purpose courts with artificial surface were reconstructed





in 2005. Landscaping, installation of benches and other equipment made from environmentally friendly and recyclable materials came next. USSK participated in the entire project not only financially, but also by carrying out building work, organizing regular staff meetings, and coordinating efforts. The complex, capable of accommodating up to 1000 children a day, is open to civil-defence sports days for schools, children's homes and the general public, and during summer serves as a site for active and safe leisure time for school children and youth within the Košice Summer of Sports program.

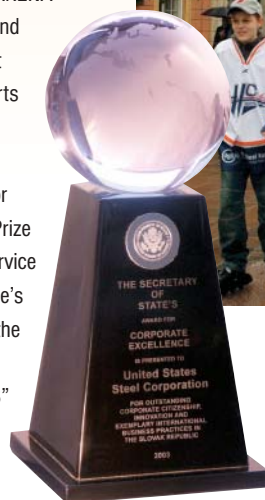
### Wishing Trees

This project was initiated by the wife of the USSK President, Mrs. Susan Lohr, before Christmas 2005. She had collected specific children's wishes during her numerous visits to children's homes in Eastern Slovakia, and these were subsequently written on cards and hung on four Christmas trees located within USSK premises. The wives of other American and Slovak managers also assisted in the organization. The project raised a great response when more than five hundred employees donated their free time and funds to purchase one or more gifts for children in the homes.

### Sports Support

Ice hockey, the Košice Peace Marathon, handball and tennis dominate among the sports activities sponsored by the Company. Besides financial sponsorship in the form of advertising contracts, there are many non-financial forms of aid. U. S. Steel Košice has not only been supporting Košice Ice-Hockey Club, but has also actively contributed to the completion of the STEEL ARENA construction with financial, legal and technical help and advice. Moreover, it went on to prepare a magnificent opening event for this multi-purpose complex for sports fans.

Obtaining the Grand Prize Via Bona Slovakia 2002 for Promoting Philanthropy in the region and the Grand Prize Via Bona Slovakia 2003 for Supporting Community Service are two examples of appreciation of U. S. Steel Košice's permanent efforts in supporting the community and the East Slovakian region. Very special meaning is also attributed to the "Award for Corporate Excellence 2003" granted by the US Department of Foreign Affairs.



Award for Corporate Excellence 2003



### U. S. Steel Košice Foundation

Since 2002 part of Company's philanthropic activities has been realized through the U. S. Steel Košice Foundation. During the years of its activity, the steel company has proved that it is not only a reliable business partner, but also an exemplary donor and supporter of active people or, on the other hand, those in need. Recognizing the needs of the region, it distributes the funds obtained mostly from the percentage of corporate and private income tax set by the government to support services to the community. The majority of support is for youth education, fitness and sports, activities for the retired, and other social, humanitarian and charity purposes.

In 2005 alone U. S. Steel Košice transferred SKK 5, 254, 880 to the Foundation's accounts, and its employees added another SKK 987,076. These funds were then **used to purchase medical appliances** that would help:

- to ascertain diagnosis of serious eye problems
- to diagnose hip joint problems in children at an early stage
- to improve the performance of demanding surgical operations
- to save lives of patients with acute conditions

Several health-care establishments have thus been able to purchase modern medical appliances that will serve to carry out preventative and special examinations of U. S. Steel employees, their relatives, and other residents of Košice and Eastern Slovakia.

**The U. S. Steel Košice Scholarship Program** is devoted to providing higher education for talented students from children's homes and socially disadvantaged families in the Košice and Prešov regions. In 2004 and 2005, 35 students were given the chance of full-time studies at Slovak or foreign institutions of higher education. At the same time, the program motivates secondary school students to better performance since enrollment in the program depends also on their results. Mostly students who were able to express their own opinions and, besides studying, also participated in various community service activities qualified from among the applicants.



### CONCLUSION

At U. S. Steel Košice, we try to improve our work every day and be better than the day before. We do this in order to satisfy our customers, make the work in our company rewarding, and build a prosperous and safe life for the residents and families in Košice and Eastern Slovakia.

### Selected Basic Facts about U. S. Steel Košice

Steel production capacity	4.5 million metric tons <i>(5 million US tons)</i>
Number of employees (including subsidiaries) <i>(as of December 31<sup>st</sup>, 2005)</i>	16 492
USSK industrial area	12.6 km <sup>2</sup>
USSK owned area	14.9 km <sup>2</sup>



Issued by:  
Public Affairs Department  
U. S. Steel Košice, s.r.o.  
044 54 Košice  
tel.: +421 55 673 4476  
[www.usske.sk](http://www.usske.sk)

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