U. S. Steel Košice, s.r.o.

ANNUAL REPORT 2012

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PRESIDENT’S FOREWORD

During 2012 the team at U. S. Steel Košice, s.r.o. worked effectively to deliver respectable results in a very difficult economy in Europe. The efforts in restructuring our Sales team and the hard work to bring a new approach to servicing our customers contributed to the results for 2012. In addition continuous improvement efforts by the Operations group assisted in delivering an improvement year over year.

While the tough economic conditions persist in much of Europe, the U. S. Steel Košice, s.r.o. team has demonstrated resilience in maintaining a competitive position. This resilience comes from the people who are U. S. Steel Košice, s.r.o. and they provide the core of the competitive advantage from customer service through to the high quality products produced. This is only possible through the hard work and dedication of every team member. I value and appreciate the determination and spirit of our group.

As I reflect upon our most important goal of Safety, we finished the year among the best in the world of manufacturing. Several of our divisions achieved our goal of zero injuries. However our performance can and will improve. We remain committed to doing our best on the journey to zero. There is no other activity that is more worthy of our time and energy.

In the area of environmental protection we have also achieved excellent results and fulfilled the requirements of the ISO 14001 standard. Our long-term effort in protection of all environmental segments is evident in that during 2012 we had no reportable external events for the fifth consecutive year.

Success in our business depends on doing the right things. The influence which we have on Slovakian industry and the community we live and work in, requires us to follow our ethical principles precisely. They are the basis for implementation of our key values and call for personal responsibility to protect and maintain the good reputation of our company. In the whole corporation and in Košice as well, we promote business which is done in an open, fair and decent way.

David J. Rintoul

President, U. S. Steel Košice, s.r.o.

CORPORATE PROFILE

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

The Company does not have a branch abroad.

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

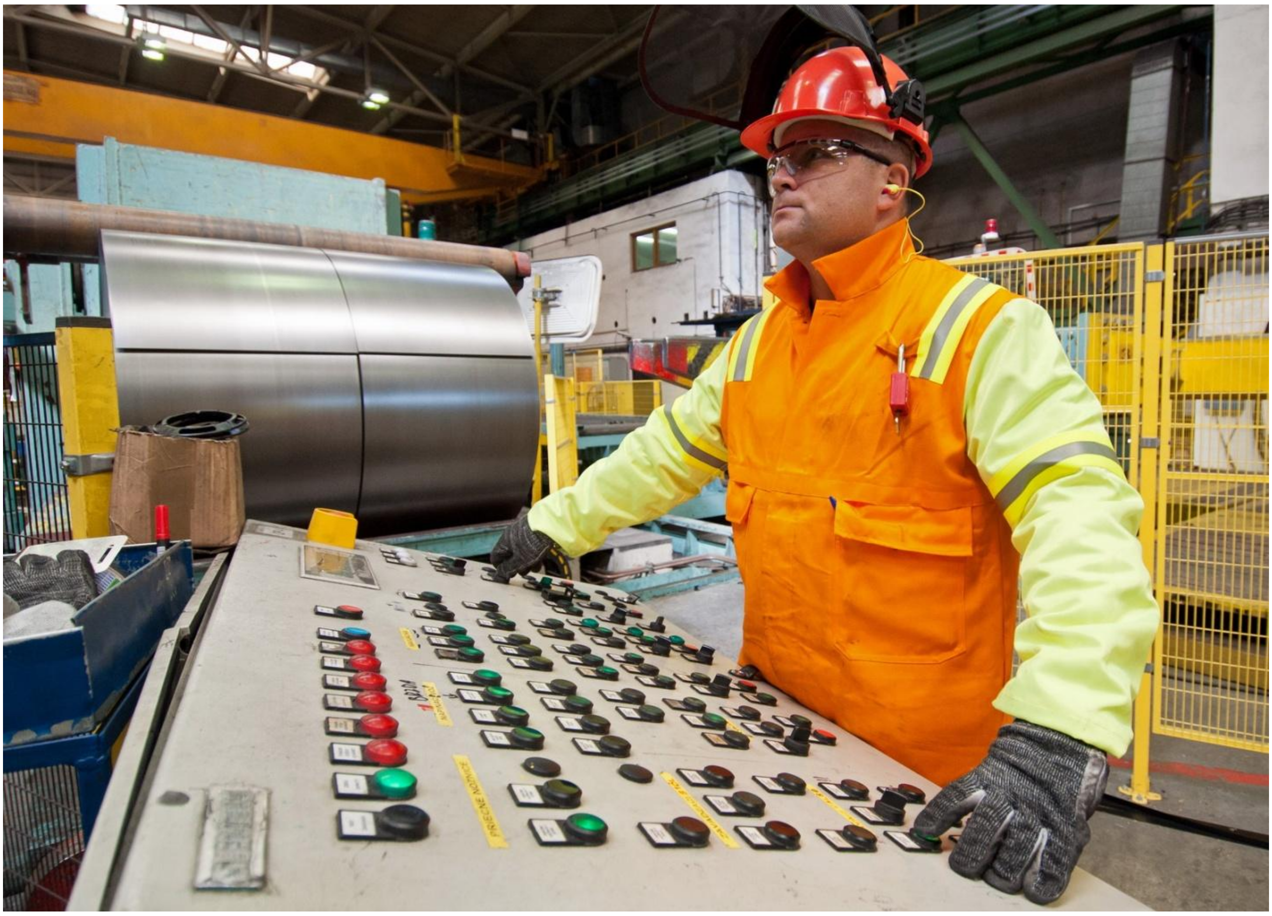
The statutory representatives as of December 31, 2012 were as follows:

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

Core Values

Through these values U. S. Steel Košice, s.r.o. employees and managers combine their efforts and attitudes to keep our business responsible and sustainable. These core values are the keys to our success and understanding with our partners.

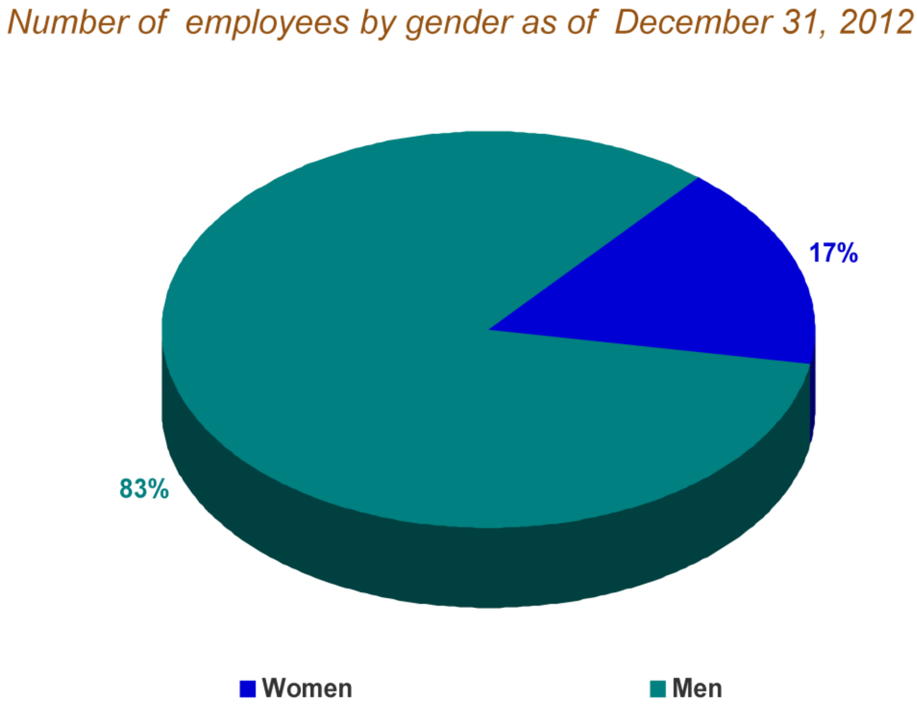
Safety - protecting the health and welfare of employees, contractors and visitors is the Company's top priority
Diversity and Inclusion – respecting diversity and talents of employees, recognizing their contributions to the overall success of the Company,
Cost, Quality and Customers - providing high-quality products and services to customers and business partners while being cost effective,
Results and Accountability – achieving long-term profitability in a responsible and ethical manner,
Environmental Stewardship – running steelmaking operations with the lowest possible impact on the environment, and in compliance with environmental laws and regulations.



IMPACT OF THE COMPANY IN THE SOCIAL AREA

U. S. Steel Košice, s.r.o. is the largest private employer in Slovakia and the largest employer in the East Slovakian region. As of December 31, 2012 the workforce was 10,661 people, mainly with technical expertise. Key **training activities** were designed to ensure improving their knowledge and skills. Training activities were carried out to meet the legal requirements for professional training and safety, as well as the demands arising from the strategic objectives and individual needs of employees. The Company supports **equal opportunities** through a special project, offering work for about one hundred long-term unemployed Roma.

USSK ACTIVE EMPLOYEES TOTAL: 10,661

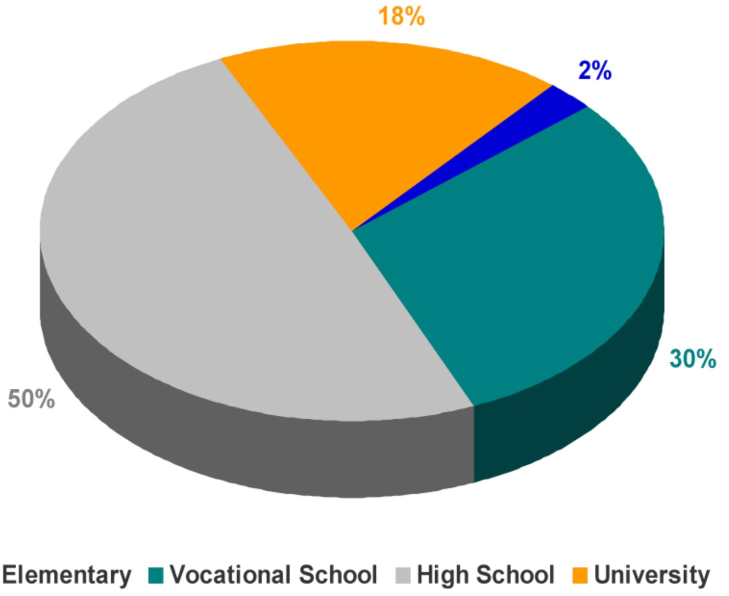


USSK ACTIVE EMPLOYEES

TOTAL:

10,661

Number of employees by educational background as of December 31, 2012

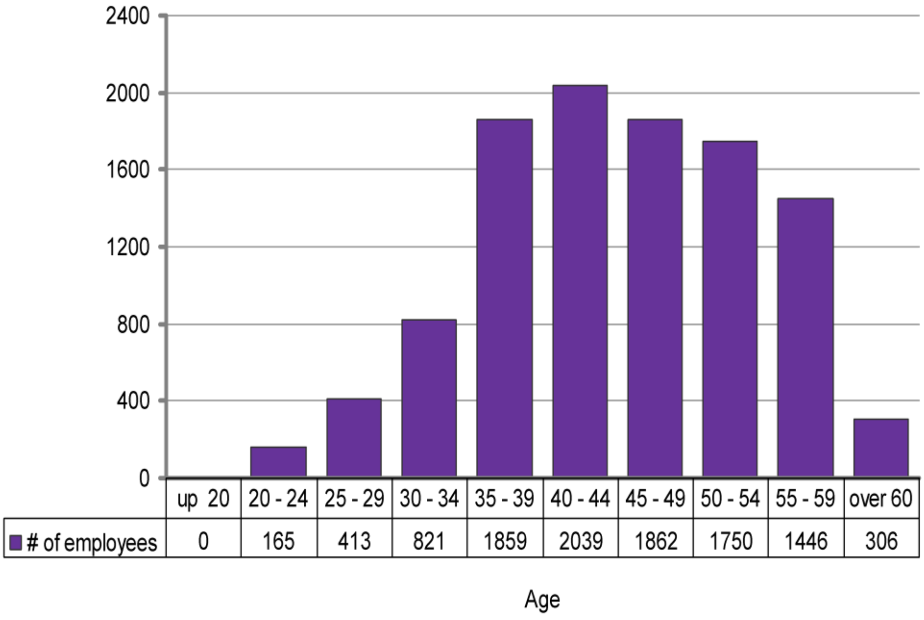


USSK ACTIVE EMPLOYEES

TOTAL:

10,661

Number of employees by age as of December 31, 2012

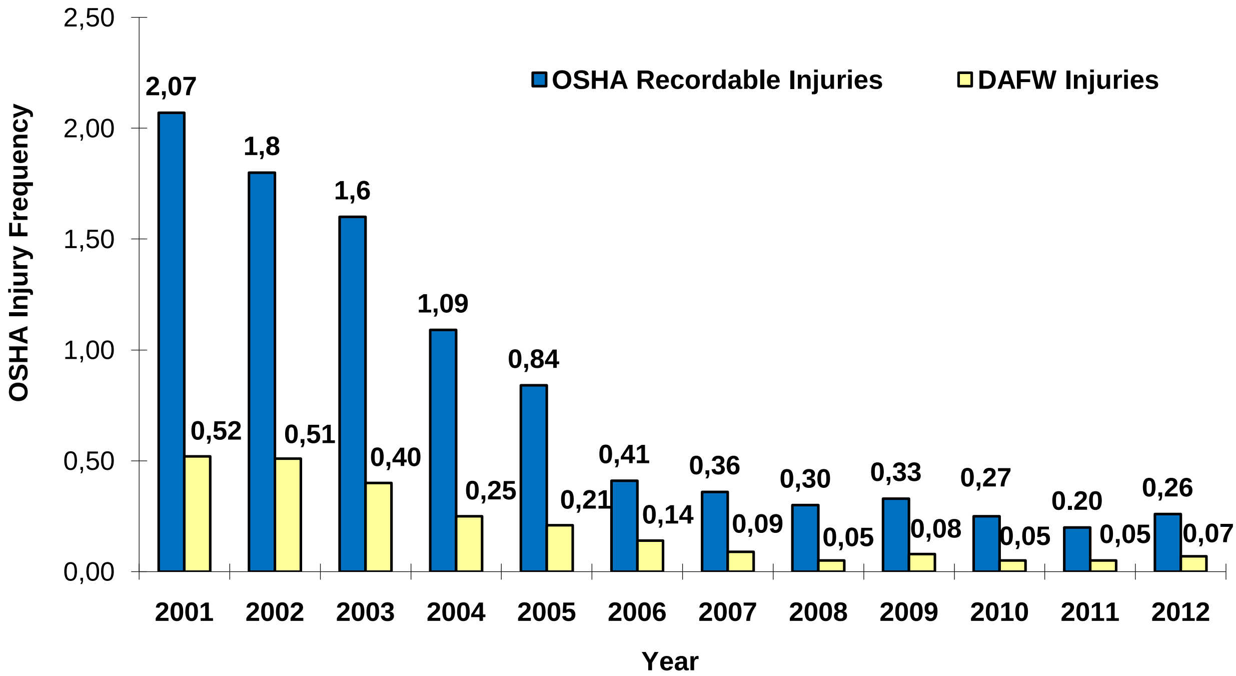


	up 20	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 59	over 60
# of employees	0	165	413	821	1859	2039	1862	1750	1446	306

Occupational Safety and Health Protection

The occupational health and safety of our employees and contractors working at U. S. Steel Košice, s.r.o. is our No. 1 priority. Zero injuries is our permanent goal. The Cokery, Radiators & Pipes and Company Management achieved more than one million hours worked with zero injuries. The Cokery Division also posted its second consecutive year achieving zero injuries.

As shown in the chart, **comparing the years 2001 through 2012, U. S. Steel Košice, s.r.o. achieved an 87 percent drop in both total OSHA (Occupational Safety and Health Administration) recordable injury frequency and Days Away From Work injury frequency as of December 31, 2012** (injury frequency is calculated based on the actual worked employee-hours).



New Hazard Identification and Risk Assessment (HIRA) training was launched in September and a new software application for recording risks was developed and commissioned in November. In total 700 employees were trained on HIRA.

The hazard identification and risk elimination process is also used to engage our **Employees' Representatives for Safety**. A software application was developed based on the requirements of the Labor Union and the Safety Department for the employees' representatives. The purpose of this process is to improve safety through the initiatives of the employees' representatives regarding safety-related issues such as unsafe conditions or practices.

A total number of 578 employees' representatives have access to the system. There were 1,154 safety-related initiatives entered into the software application and more than 75 percent addressed and completed by the end of 2012. U. S Steel Košice was granted an award in Slovakia for this software application in the competition on Safety and Health at Work within the European Campaign "Working Together for Risk Prevention" – European Good Practice Award 2012/13 and it was submitted to the European Union level.

The past benefits learned through the "Day with the Foreman" project resulted in launching a similar "**Day with the Crew Leader"** project, with the intention of establishing more effective relationships between the front line supervisors and the Safety Department employees. Last year 1,556 Crew Leaders were involved in the project. The interaction between the two groups yielded 417 corrective measures from mutual findings.

USSK held its inaugural **Family Safety Day named Where does my father, my mother work?** on September 22-23, 2012. This event was organized in cooperation with the Public Affairs Department, Operating, Maintenance and Administrative organizations. A total of three sessions were held over the two days in which 1,336 families participated. In total, there were 4,165 participants including 1,537 children of our employees. The guests participated in a walking tour of the Hot Strip Mill or a guided comprehensive Plant Tour. The main event area consisted of live entertainment, safety exhibits, environmental awareness activities, a commercial product exhibition and fun and games for the children. A Feedback Survey was conducted and 99.5 percent of participants expressed satisfaction with the event and are hopeful that it will become traditional.

Human Resources Development

The Company shows its appreciation to those employees who have worked at the steelworks for a long time by organizing gala dinners with entertainment and gifts. It also **rewards employees** who participate in the achievement of excellent results in various areas through the quality of their work. This includes for example regular lunch meetings of the Company's President with employees achieving the best results in the safety, quality or cost-saving areas, and blood donors have been acknowledged as well. Various events also help to build team spirit and USSK allegiance, among them the event called **"Families Do Sport",** and **the Company Summer and Winter Games** which includes soccer and ice-hockey tournaments for the President's Cup with several thousand amateur sportspeople participating. Many of these activities are approved in the Collective Labor Agreement, in special policies and company goals, and we organize them in excess of the legal requirements. The Company continuously informs the employees and general public about its business through the intranet, the website and the corporate newspaper "Oceľ Východu", which won the national Best Corporate Medium Award in 2012 for the fourth time.

Business Ethics

The principles of the **Code of Ethical Business Conduct**, which are mandatory for employees at all levels, are considered to be the foundation of the trust necessary for long-term success of the Company. The Code of Ethical Business Conduct defines standards of employee conduct in areas such as safety, respect for others, environmental protection, fair work for the Company benefit, protection and correct usage of the Company property, and honest behavior in compliance with legal requirements.

USSK is one of the leading companies enforcing business ethics and anti-corruption practices in Slovakia. In 2012, through USSK's intranet pages, information campaigns in the corporate newspaper "Oceľ Východu", as well as information leaflets available around the Company premises, USSK employees were regularly informed about the procedure for reporting any form of prohibited or unethical behavior. These kinds of behavior can be reported to a supervisor or by using the **U. S. Steel Ethics Line**, either by telephone, mail or internet. In addition to USSK employees, external persons may also use the U. S. Steel Ethics Line to report unethical or unauthorized practices in relation to USSK. Activities organized within **Ethics Week** from September 17 to 21 emphasized the importance of ethical conduct in day-by-day work. Managers met employees and discussed our ethical principles, which are not only a manual for conduct, but strengthen the Company's solidarity and unity as well.

IMPACT OF THE COMPANY IN THE ECONOMIC AND ENVIRONMENTAL SPHERES

U. S. Steel Košice, s.r.o. conducts its business primarily in Central and Western Europe. The Company engages in the production and sale of steel products (slabs, hot-rolled, cold-rolled and coated sheets, tin-mill products, spiral-welded pipes and heating radiators).

USSK serves several steel consuming sectors including construction, automobile production, packaging, transportation, appliances, electrical, oil and gas, and petrochemical industries. The Company also provides transportation services and engineering consultancy services (customer technical services).

In 2012 USSK produced 3.5 million metric tons of pig iron and 4 million metric tons of steel slabs.

During the year, we finalized several important improvements in the sales organization structure and in restructuring of sales processes to become closer to the market and to our customers. All these activities resulted in further upward movement in the efficiency and quality of services for customers, and were one of the decisive factors enabling U. S. Steel Košice, s.r.o. to remain successful and competitive in difficult market conditions.

Customers are offered the chance of touring our production facilities with expert guides, which contributes to better mutual understanding of our needs and technological capabilities. Customer audits carried out at USSK are another area of customer relationship development. 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.

The ability of a steelmaking company to break through in tough competition is also associated with continuous development of new value-added products. In 2012, total research costs amounted to EUR 3.2 million.

The Company is certificated in accordance with the international EN ISO 9001 and ISO/TS 16949 (automotive industry) standards. **Quality management system** performance (QMS) is regularly reviewed once a year. In the area of pipes, USSK has maintained the Spec Q1 certificate with American Petroleum Institute. The Company also holds several dozen individual product certificates, and several of its laboratories are accredited in compliance with ISO/IEC 17 025. The Company successfully passed through the QMS re-certification process according to EN ISO 9001 and ISO/TS 16949 in May 2012, thus proving that the implemented systems are appropriate and effective.

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

Since 2000, the Company has invested more than USD 465 million into dozens of ecological projects. The construction of a coke gas desulfurizing plant totaling approx. USD 100 million was one of the largest ecological projects in the past period. By burning desulfurized coke gas, which is used in many of the Company's operations, much less sulfur oxide will be emitted into the atmosphere, leading to improvement in air quality and the working environment at the Cokery Division, in the steelworks area and the works vicinity in general. The most important result of our long-term effort in protection of all environmental segments is the fact that since 2008 no external environmental incident occurred nor any penalty been imposed.

In compliance with legal requirements the Company continuously monitors and regularly informs employees, the professional and general public about its environmental performance in the corporate newspaper Oceľ Východu and on its web site www.usske.sk.

IMPACT OF THE COMPANY ON THE COMMUNITY AND THE REGION

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

U. S. Steel Košice, s.r.o. is a long-term partner of **the City of Košice**. The Company traditionally supports the Košice City Day celebrations in May, and co-organizes the Mikuláš and Christmas events with City Hall. The Company has committed itself to working for the successful implementation of the **European Capital of Culture Košice 2013** (ECoC) project, seeing great potential in this for the city's further development. In 2010 USSK together with several other commercial companies initiated the creation of the Coalition 2013+, which is intended to enable much wider partnership between the private and public sectors in this project, the sharing of financial and human resources, and the continuing sustainability of the project's outcomes. A special contribution to the ECoC project will be the establishment of a creative factory named Steel Park to promote modern technologies and science for children and the general public, which the Company is preparing together with Košice universities and other academic institutions.

Every year in cooperation with the Carpathian Foundation, the Company runs the "**Together for the Region**" grant program, which focuses on supporting leisure-time activities for children and teenagers, environmental education, safety, sports activities and the preservation of cultural heritage.

<u>Community Support in Education</u>

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

For several years U. S. Steel Košice, s.r.o. has also supported the educational programs organized by the non-profit organization **Junior Achievement Slovakia** - Applied Economics and Business Activities in Tourism, or the associated competitions named Student Companies, An Idea For My Region or Young Leader. The Global Ethics Program motivates young people to reflect on and discuss ethical values and behavior. We support these programs financially, but also by sending 10 to 12 USSK specialists every year to work as voluntary consultants and jury members.

In 2004, the USSK Foundation started its own **Scholarship Program** to provide access to higher education for talented students from socially disadvantaged families in Eastern Slovakia, and in 2007 this was extended to the children of USSK employees. By the end of the academic year 2011/2012, 268 students had been given the chance to study at Slovakian or foreign institutions of higher education, and 8 more students were added in 2012/2013. Every year, dozens more students increase their theoretical knowledge, practical experience, communication and managerial skills during a summer stay called the **Summer Internship Program**. Since its commencement in 2002, a total of 430 university and college students have participated in this program.

The Company has also been developing long-term cooperation in education and research support with **the Technical University of Košice and Pavol Jozef Šafárik University in Košice**. The main areas of cooperation are primary operations and ecology, power engineering, mathematical modeling, optimization, metallurgy processes control, material properties control, as well as education of new specialists.

Community Support in Health Care

U. S. Steel Košice, s.r.o. receives numerous requests for support in medical care. USSK and its employees support hospitals by providing new medical equipment. In 2012 traditional pre-Christmas fund-raising was focused on buying a digital mammographic device for Šaca Hospital. To support the fund-raising, a cookbook containing recipes provided by both Slovak and

American employees has been published. Proceeds from the bilingual book linking cultures helped to raise the amount of EUR 96 thousand.

USSK, traditional partner of the League Against Cancer, jointly organizes the public fund-raising on **Daffodil Day**, the proceeds from which support public education, research and prevention of oncological diseases, and improve care for oncology patients in the Košice region. In 2012 the collection among employees raised EUR 5 thousand.

Community Support in Social Care

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

Since 2006, during the Advent Market on the Main Street in Košice, the USSK **Christmas charity hut** has provided space for many non-profit organizations to present their products and services, and supports them by organizing voluntary public fund-raising. The generosity of steelmakers is also manifested in the **Wishing Trees** project, organized at USSK every year since 2005. In their free time they go to buy gifts that will turn the specific wishes of children into reality – in 2012 these were in the St. Klement Hofbauer Foster Home in Podolínec and the Uralská Street Foster Home in Košice, as well as children from steelmakers' families affected by tragedy due to long-term illness or loss. The foster homes also received financial support amounting to EUR 9,000 each, and 14 steelmakers' families in social need were donated EUR 1,000 each.

Steelmakers take care of children from both foster homes during the whole year – together they played ice-hockey matches in the Steel Arena, celebrated Children's Day, visited the Zoo, played tennis during the International Košice Open Tennis Tournament, and ran one tenth of the marathon course in the Minimarathon – U. S. Steel Family Run during the Košice Peace Marathon event. Members of USSK Women's Network are very active as well, providing additional tutoring for children in Slovak language, math and physics, and American spouses in English too.

Community Support in Culture

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

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, traditional sports and community events, especially **the Košice Peace Marathon**, which is the oldest marathon in Europe. **The Minimarathon or the U. S. Steel Family Run** is becoming more and more popular and about 2,400 runners took part in it in 2012. The Company is also a long-term partner of the **HC Košice** ice-hockey club, which has won the Slovakian Extra League several times.

U. S. Steel Košice, s.r.o. supports children's sports, and either talented or disadvantaged young sportspeople. In 2006, the USSK Foundation 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. USSK supports children who fulfill the program criteria by subsidizing their club membership fees and part of the cost of buying sport equipment. During the 2011/2012 school year the Company supported 12 talented girl basketball-players, 21 young ice-hockey players and 5 soccer players; 8 more girl basketball-players, 21 ice-hockey players and 12 soccer players were added in the school year 2012/2013. So far the Company has helped 402 young sportspeople.

U. S. Steel Košice, s.r.o. traditionally supports **the Košice Summer of Sports** project, which was organized in 2012 for the eighth time during the school summer holidays by Košice-South city ward for children from the suburban residential estates. The sports activities on offer attracted children to the sports-grounds, helping them to improve their fitness, but also acting preventatively against drugs and aimless squandering of free time.

<u>Voluntary Programs Supporting the Community</u>

Not only the Company but also its employees themselves have volunteered for many years as teachers in educational programs, active collectors and contributors in public fund-raising and clothing and toy donations, as well as organizers of community life in this region. Our largest corporate volunteer event is the **Volunteer Days – U. S. Steel for Košice**, which were held for the sixth time on May 18-19, 2012. Employees of the Company and its subsidiaries helped eleven organizations with public-benefit activities, giving blood in the "Steelmakers' Drop of Blood" donor drive, collecting used clothing and other requirements for the crisis center and charity house, reconstructing playgrounds at the foster homes, crisis center and autistic center, providing safety paints for the union for the visually-impaired, helping out at the sports center, the botanical gardens, the zoo and the animal sanctuary. The whole event was supported by about 500 volunteers from U. S. Steel Košice, s.r.o., its subsidiaries and partner institutions.

SELECTED FINANCIAL INFORMATION

Statement of Financial Position

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

In million Euro	31 Dec 2012	31 Dec 2011	31 Dec 2010
Property, plant and equipment	855	886	945
Intangible assets	115	131	214
Other non-current assets	20	24	17
Inventories	337	442	392
Short-term receivables	317	417	530
Other current assets	172	81	14
Total Assets	**1,816**	**1,981**	**2,112**
Equity	1,226	907	1,006
Trade and other payables	273	619	613
Long-term loans and borrowings	205	346	309
Other liabilities	112	109	184
Total Equity and Liabilities	**1,816**	**1,981**	**2,112**

Property, plant and equipment decreased in the year 2012 compared to the year 2011 due to annual depreciation partially offset by capital expenditures. The Company recorded impairment in amount of EUR 16 million to intangible assets not yet available for use. Decrease in inventories was mainly caused by lower prices and lower volumes of raw materials. Decrease in short-term receivables was caused by decrease in average sale prices and payment received from U. S. Steel Serbia related to the sale of the company. Change in other current assets includes primarily an increase in cash in bank accounts.

Change in equity was mostly due to the return of initially declared but unpaid dividends back to retained earnings. This was also the main cause of the decrease in short-term payables. Decrease in long-term loans and borrowings reflects repayment of external loans and partial repayment of an intercompany loan.

Statement of Comprehensive Income

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

In million Euro	2012	2011	2010
Revenues and other income	2,478	2,605	2,621
Operating loss/profit	47	- 18	133
Loss/Profit for the Year	**28**	**- 25**	**96**

Improvement in financial results for the year 2012 compared to the year 2011 reflects impacts of lower raw material prices and higher shipment volumes, partially offset by decrease in sale prices and increase in energy costs.

Proposal for 2012 Profit Distribution

In thousands Euro	**2012**
Profit for 2012	27,664
Contribution to retained earnings	26,281
Contribution to legal reserve fund	1,383

Significant Events after 2012 Reporting Period and Expected Development in 2013

Significant events occurring after the reporting period are disclosed in Note 32 to the accompanying financial statements.

The first quarter of 2013 saw an improvement in profitability versus the same period last year due to lower raw material and other operating costs, partially offset by a decrease in average Euro based prices. The second quarter results are expected to decrease compared to the first quarter due to higher raw material costs, primarily iron ore. Shipments and average Euro based prices are expected to be comparable to the first quarter as decreases in spot market prices are expected to be offset by the positive effect of a higher volume of value-added shipments. Visibility beyond the second quarter remains very difficult as the economic situation in Europe continues to inject uncertainty into the market. In 2013, USSK will continue to focus on reducing costs through our continuous cost improvement process and providing our customers with high quality products and service.

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

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

We have audited the financial statements of U. S. Steel Košice, s.r.o. ("the Company") at 31 December 2012, on which we issued Auditor's Report on 2 May 2013 and on which we expressed an unqualified audit opinion as follows:

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as at 31 December 2012, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's annual report at 31 December 2012 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

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

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

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

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

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

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Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2012 is consistent, in all material respects, with the audited financial statements referred to above.

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

Mgr. Radoslav Náhlik
UDVA licence No. 1078

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

Bratislava, 2 May 2013

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

U. S. Steel Košice, s.r.o.

Financial statements
for the year ended December 31, 2012

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

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

pwc

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of U. S. Steel Košice, s.r.o., which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. as at 31 December 2012, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

Mgr. Radoslav Náhlik
UDVA licence No.: 1078

Bratislava, 2 May 2013

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

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Financial statements for the year ended December 31, 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, have been approved and authorized for issue by the statutory representatives of U. S. Steel Kosice, s.r.o. ("the Company") on May 2, 2013. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, May 2, 2013

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

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Table of Contents

(all amounts are in thousands of EUR)

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2012	December 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	**855,248**	886,359
Investment property	6	**3,383**	3,585
Intangible assets	7	**114,768**	130,651
Investments	8	**13,160**	13,573
Financial assets available-for-sale		**259**	259
Restricted cash	10	**3,333**	6,106
Total non-current assets		**990,151**	**1,040,533**
Current assets			
Inventories	11	**336,519**	441,669
Short-term receivables	12	**317,436**	417,385
Derivative financial instruments	13	**165**	24,210
Short-term borrowings	31	**-**	1,600
Restricted cash	10	**4,045**	6,002
Other current assets	15	**1,703**	1,583
Cash and cash equivalents	14	**165,809**	47,677
Total current assets		**825,677**	**940,126**
TOTAL ASSETS		**1,815,828**	**1,980,659**
EQUITY AND LIABILITIES			
Equity			
Base capital	16	**839,357**	839,357
Other reserves	16	**43,064**	82,752
Retained earnings / (losses)		**343,965**	(15,283)
Total equity		**1,226,386**	**906,826**
Liabilities			
Non-current liabilities			
Long-term loans and borrowings	17	**204,738**	346,372
Long-term provisions for liabilities and charges	18	**5,658**	7,856
Post-employments and other long-term employee benefits payable	19	**20,971**	19,145
Deferred income tax liability	9	**2,150**	5,432
Total non-current liabilities		**233,517**	**378,805**
Current liabilities			
Trade and other payables	20	**273,115**	619,009
Derivative financial instruments	13	**8,753**	25
Deferred income		**4**	102
Short-term borrowings	31	**9,060**	7,980
Short-term provisions for liabilities and charges	18	**63,892**	66,957
Short-term employee benefits payable	19	**1,101**	955
Total current liabilities		**355,925**	**695,028**
TOTAL EQUITY AND LIABILITIES		**1,815,828**	**1,980,659**

The accompanying notes on pages F-9 to F-49 are an integral part of these financial statements.

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2012
(all amounts are in thousands of EUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2012	2011
Revenue	21	**2,352,491**	2,436,273
Other income	21	**125,584**	168,901
Materials and energy consumed	22	**(1,672,891)**	(1,753,029)
Salaries and other employees benefits	23	**(257,227)**	(253,205)
Depreciation and amortization	5, 6, 7	**(79,191)**	(88,245)
Repairs and maintenance		**(55,842)**	(55,137)
Transportation services		**(113,361)**	(113,023)
Advisory services		**(14,436)**	(14,346)
Foreign exchange losses		**(7,165)**	(3,244)
Impairment loss	7	**(44,461)**	(108,211)
Other operating expenses	24	**(186,478)**	(234,442)
Profit / (loss) from operations		**47,023**	**(17,708)**
Dividend income		**2,183**	12,977
Finance income	25	**112**	248
Finance cost	25	**(18,346)**	(22,277)
Profit / (loss) before tax		**30,972**	**(26,760)**
Income tax benefit / (expense)	26	**(3,308)**	1,995
Profit / (loss) after tax		**27,664**	**(24,765)**
Changes in fair value of derivative financial instruments	26	**(24,405)**	24,553
Changes in revaluation reserve	26	**-**	(1,846)
Other comprehensive (loss) / income, net of tax		**(24,405)**	**22,707**
Total comprehensive income / (loss) for the year		**3,259**	**(2,058)**

The accompanying notes on pages F-9 to F-49 are an integral part of these financial statements.

(all amounts are in thousands of EUR)

STATEMENT OF CHANGES IN EQUITY

	Base capital	Other reserves	Retained earnings / (losses)	Total
Balance as of January 1, 2012	**839,357**	**82,752**	**(15,283)**	**906,826**
Profit for 2012	-	-	27,664	**27,664**
Other comprehensive income	-	(24,405)	-	**(24,405)**
Total comprehensive income for the year	**-**	**(24,405)**	**27,664**	**3,259**
Transactions with owners:				
Reversal of previously declared dividends	-	-	316,301	**316,301**
Loss settlement from legal reserve fund	-	(15,283)	15,283	**-**
Total transactions with owners	**-**	**(15,283)**	**331,584**	**316,301**
Balance as of December 31, 2012	**839,357**	**43,064**	**343,965**	**1,226,386**

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

The accompanying notes on pages F-9 to F-49 are an integral part of these financial statements.

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2012
(all amounts are in thousands of EUR)

STATEMENT OF CASH FLOWS

	Note	Total	
		2012	**2011**
Profit / (loss) before tax		**30,972**	**(26,760)**
Non-cash Adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**77,058**	86,166
Amortization of intangible assets	7	**2,133**	2,079
Amortization of deferred income from CO_2 emission allowances	21	**(95,202)**	(160,505)
Charge of provision for CO_2 emissions emitted	18, 24	**56,578**	58,603
Reversal of unused provision for CO_2 emissions emitted	24	**-**	(3,165)
Impairment of intangible asset	7	**16,066**	-
Impairment loss – CO_2 emisssion allowances	7	**28,395**	108,211
(Reversal of impairment) / impairment of investments		**(130)**	199
Loss on disposal of property, plant and equipment and intangible assets	24	**1,081**	3,942
Loss on disposal of financial investments		**334**	-
Loss / (gain) from fair value changes of derivative financial instruments	21, 24	**(26,198)**	20,286
Dividend income		**(2,183)**	(12,977)
Interest income	25	**(112)**	(248)
Interest expense	25	**18,346**	22,277
Foreign exchange loss / (gain) on operating activities		**3,109**	(3)
Changes in working capital			
(Increase) / decrease in inventories	11	**105,150**	(49,614)
Decrease/ (increase) in trade and other receivables and other current assets	12, 15	**100,866**	113,139
(Decrease) / Increase in trade and other payables and other current liabilities	20	**(32,093)**	(48,942)
Cash generated from / (used in) operations		**284,170**	**112,688**
Interest paid		**(17,230)**	(21,189)
Income taxes (paid) / received		**(21)**	(20)
Net (payments) / receipts from derivative financial instruments		**27,996**	(22,126)
Net cash generated from / (used in) operating activities		**294,915**	**69,353**
Cash flows from / (used in) investing activities			
Acquisition of a subsidiary	8	**(10)**	-
Purchases of property, plant and equipment	5	**(46,740)**	(32,070)
Proceeds from sale of property, plant and equipment		**179**	728
Proceeds from liquidation of subsidiary		**219**	-
Purchases of intangible assets	7	**(2,206)**	(31,791)
Proceeds from sale of intangible assets (excluding CO_2 emission allowances)		**315**	7,146
Proceeds from sale of CO_2 emission allowances		**7,516**	37,283
Change in restricted cash, net	10	**4,730**	(4,888)
Interest received		**118**	250
Dividends received		**1,148**	12,977
Net cash used in investing activities		**(34,731)**	**(10,365)**
Cash flows from / (used in) financing activities			
Intercompany borrowings granted	31	**(17,157)**	(31,964)
Intercompany borrowings repaid	31	**18,753**	32,168
Proceeds from borrowings	28	**469,891**	3,455,063
Repayment of borrowings	28	**(613,539)**	(3,425,174)
Dividends paid to the Company's shareholder		**-**	(46,000)
Net cash generated from / (used in) financing activities		**(142,052)**	**(15,907)**
Net increase in cash and cash equivalents		**118,132**	**43,081**
Cash and cash equivalents at beginning of year	14	**47,677**	4,596
Cash and cash equivalents at end of year	14	**165,809**	**47,677**

The accompanying notes on pages F-9 to F-49 are an integral part of these financial statements.

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

Note 1 General Information

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

The Company's registered office is:

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

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

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

Average number of staff
The average number of the Company's employees is presented in Note 23.

The Company's management
Statutory representatives as of December 31, 2012 were as follows:

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

Emoluments of statutory representatives are disclosed in Note 31.

Shareholder of the Company
As of December 31, 2012, the only shareholder of the Company was U. S. Steel Global Holdings I B.V., Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands. The shareholder owns a 100 percent share of the base capital, representing 100 percent of the voting rights.

On June 15, 2012, General Meeting approved the Company's financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period.

Consolidated Group
According to the Slovak Accounting Law, the Company is not required to prepare consolidated financial statements in case that the impact of subsidiaries to be consolidated is immaterial. Management considers that the conditions of the exemption are met as of December 31, 2012 and therefore the subsidiaries have not been consolidated, but are carried at cost less impairment in these financial statements for U. S. Steel Košice, s.r.o. for the year ended December 31, 2012.

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

Note 2 Summary of Significant Accounting Policies

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

2.1 Statement of Compliance

These financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of December 31, 2012 and effective for annual periods then ended.

2.2 Basis of Preparation

The Slovak Accounting Law requires the Company to prepare financial statements for the year ended December 31, 2012 in compliance with IFRS as adopted by the EU.

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

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

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

2.3 Changes in Accounting Policies

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

2.4 Foreign Currency Translations

Functional and presentation currency

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

Transactions and balances

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

2.5 Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items such as purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs for long-term construction projects if the recognition criteria are met (Note 2.9).

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

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

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

Buildings	35 years
Machinery, equipment and motor vehicles	6 – 15 years

Useful lives of landfills are determined based on their capacity.

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

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

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

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

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

2.6 Investment Properties

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

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

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

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

Fair values are obtained from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contract and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

2.7 Intangible Assets

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

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

<u>Research and development costs</u>

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

Software

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

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

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

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

Emission allowances

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

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

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

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

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

2.8 Impairment of Non-Financial Assets

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

2.9 Borrowing Costs

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

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

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

2.10 Accounting for Leases

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

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

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

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

2.11 Investments

Subsidiaries

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

2.12 Financial Assets

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

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

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

Loans and receivables

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

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

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

Financial assets at fair value through profit and loss

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

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

Hedging derivatives

Derivatives are categorized as held for trading unless they qualify for hedge accounting (Note 2.24). Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months after the end of reporting period.

Financial assets available-for-sale

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

Derecognition of financial assets

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

2.13 Inventories

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

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

2.14 Cash and Cash Equivalents

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

2.15 Equity and Reserves

Equity and liabilities

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

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

Reserves

a) Legal reserve fund

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

b) Revaluation Reserves

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

2.16 Financial Liabilities

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

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

Loans and borrowings

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

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

Trade and other payables

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

Derecognition of financial liabilities

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

2.17 Dividends

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

2.18 Government Grants

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

2.19 Provisions

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

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

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

2.20 Current and Deferred Income Tax

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

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

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

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

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

2.21 Employee Benefits

Defined contribution pension plan

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

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

Employee retirement obligation

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

- if an employee terminates his/her labor contract in the month in which he or she acquires the entitlement to a regular old age pension, in the amount of his or her average monthly pay plus an amount of up to EUR 1,830 based on the years of employment with the Company;
- in other cases, in the amount of his or her average monthly earnings.

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

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

<u>Work and life jubilee benefits</u>

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

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

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

<u>Termination benefits</u>

Termination benefits are payable either when employment is terminated by the Company as a result of specific organizational reasons or employee health reasons, or whenever an employee accepts voluntary redundancy in exchange for termination or similar benefits, e.g. one-off wage for long-term employment. The Company recognizes these benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination or similar benefits in exchange for an offer made to encourage voluntary redundancy. In case of an offer made to encourage voluntary redundancy, the measurement of these benefits is determined based on the number of employees, who are expected to accept the offer. Termination benefits due more than 12 months after the end of reporting period are discounted to present value.

<u>Profit sharing and bonus plans</u>

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

2.22 Revenue Recognition

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

<u>Sale of own production and goods</u>

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

<u>Rendering of services</u>

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

<u>Interest income</u>

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

Dividend income

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

2.23 Contingent Liabilities and Contingent Assets

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

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

2.24 Accounting for Derivative Financial Instruments

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

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

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

Hedge accounting

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

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

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

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

2.25 Fair Value Estimation

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

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

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

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

2.26 Events After the Reporting Period

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

Note 3 Significant Accounting Estimates and Judgments

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

Estimated useful life of property, plant and equipment and investment property

The average useful life of depreciable property, plant and equipment and investment property represents approximately 18 years (2011: 16 years). An increase of the average useful life by 1 year would change the annual depreciation charge by EUR 2 million (2011: EUR 4 million). A decrease of the average useful life by 1 year would change the annual depreciation charge by EUR 7 million (2011: EUR 8 million).

Impairment of property, plant and equipment and investment properties

The Company evaluates impairment of its property, plant and equipment and investment properties whenever circumstances indicate that the carrying amount exceeds its recoverable amount. There were no triggering events that required the Company's assets to be evaluated for impairment in 2012. The Company's assets were tested for impairment at the end of the year 2011, which testing did not indicate that the assets were impaired.

Impairment of intangible assets

Intangible assets not yet available for use, representing the allocated part of corporate software, were tested for impairment. Due to the sale of allocated part of corporate software after the balance sheet date, the Company recorded an impairment loss (Note 7 and Note 32).

Income taxes

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

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

Litigation

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

Employee benefits

The present value of employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. The appropriate assumptions are determined by U. S. Steel actuaries at the end of each year. Any changes in these assumptions will impact the carrying amount of employee benefits obligations (Note 2.21 and Note 19).

Landfill provision

A provision for landfill restoration is measured at the net present value of the estimated future expenditure required to settle the Company's restoration and aftercare obligations. Restoration and aftercare expenditures are determined by an external professional company (Note 18).

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective for the first time for periods on or after January 1, 2012

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

4.2 Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which standards and interpretations the Company has not early adopted.

IFRS 9 "Financial Instruments Part 1: Classification and Measurement". IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

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

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of IFRS 9, the impact on the Company and the timing of its adoption. The standard has not yet been adopted by EU.

IFRS 12 "Disclosure of Interests in Other Entities", (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014 in the EU), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company does not expect the standard to have any material impact on its financial statements.

IFRS 13 "Fair Value Measurement", (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is currently assessing the impact of the standard on its financial statements.

IAS 27 "Separate Financial Statements", (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014 in the EU), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The Company does not expect the standard to have any material impact on its financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" - (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but not to have material impact on measurement of transactions and balances.

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Company does not expect the standard to have any material material impact on its financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. The Company is currently assessing the impact of the amendments on its financial statements. The improvements have not yet been adopted by EU.

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

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

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2012 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2012	**422,116**	**1,049,366**	**12,495**	**15,712**	**1,499,689**
Additions	-	-	1,800	44,940	**46,740**
Disposals	(61)	(19,918)	(443)	(263)	**(20,685)**
Transfer to investment property	(49)	-	-	-	**(49)**
Transfers to base	5,415	29,305	10	(34,730)	**-**
December 31, 2012	**427,421**	**1,058,753**	**13,862**	**25,659**	**1,525,695**
Accumulated Depreciation and Impairment Losses					
January 1, 2012	**(90,745)**	**(512,223)**	**(10,362)**	**-**	**(613,330)**
Depreciation for the year	(11,063)	(65,705)	(180)	-	**(76,948)**
Disposals	17	19,814	-	-	**19,831**
December 31, 2012	**(101,791)**	**(558,114)**	**(10,542)**	**-**	**(670,447)**
Carrying amount	**325,630**	**500,639**	**3,320**	**25,659**	**855,248**

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

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2011	**399,349**	**1,065,356**	**12,670**	**10,191**	**1,487,566**
Additions	-	-	-	32,070	**32,070**
Disposals	(195)	(19,481)	(184)	(87)	**(19,947)**
Transfers to base	22,962	3,491	9	(26,462)	**-**
December 31, 2011	**422,116**	**1,049,366**	**12,495**	**15,712**	**1,499,689**
Accumulated Depreciation and Impairment Losses					
January 1, 2011	**(79,839)**	**(456,215)**	**(10,210)**	**-**	**(546,264)**
Depreciation for the year	(10,821)	(75,074)	(152)	-	**(86,047)**
Disposals	(85)	19,066	-	-	**18,981**
December 31, 2011	**(90,745)**	**(512,223)**	**(10,362)**	**-**	**(613,330)**
Carrying amount	**331,371**	**537,143**	**2,133**	**15,712**	**886,359**

Additions to property, plant and equipment include EUR 477 thousand in 2012 (2011: EUR 272 thousand) of interest capitalized at an average borrowing rate of 5.77 percent (2011: 6.29 percent).

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of December 31, 2012 or December 31, 2011.

<u>Insurance</u>

Property, plant and equipment are insured by Generali Slovensko poisťovňa, a. s. The insurance covers damage caused by theft, disaster and other causes of machinery failure while maximum insurance compensation for one insurance claim is USD 750 million (i.e. EUR 568 million using the exchange rate at the end of reporting period) (2011: USD 750 million (i.e. EUR 580 million using the exchange rate as of December 31, 2011)). Compensation sublimits for individual risks are specified in the insurance contract. Own participation is USD 25 million (i.e. EUR 19 million using the exchange rate at the end of reporting period) per claim.

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

Note 6 Investment Properties

Movements in investment properties during 2012 and 2011 are as follows:

	2012	2011
Cost		
Opening balance as of January 1	**4,669**	**4,669**
Transfer from property, plant and equipment	49	-
Disposals	(204)	-
Closing balance as of December 31	**4,514**	**4,669**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,084)**	**(965)**
Depreciation for the year	(110)	(119)
Disposals	63	-
Closing balance as of December 31	**(1,131)**	**(1,084)**
Carrying amount	**3,383**	**3,585**

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

Investment property of the Company is carried at historical cost less provision for depreciation and impairment.

The fair value of the investment properties totaled EUR 3,749 thousand as of December 31, 2012 (December 31, 2011: EUR 3,224 thousand).

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

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

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

Note 7 Intangible Assets

Movements in intangible assets during 2012 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2012	**23,820**	**210,650**	**272**	**22,736**	**257,478**
Additions – purchased	-	-	-	2,206	**2,206**
Additions – granted	-	95,202	-	-	**95,202**
Disposals	(846)	(143,635)	-	(35)	**(144,516)**
Transfers to base	2,351	-	55	(2,406)	**-**
December 31, 2012	**25,325**	**162,217**	**327**	**22,501**	**210,370**
Accumulated Amortization and Impairment Losses					
January 1, 2012	**(18,445)**	**(108,211)**	**(171)**	**-**	**(126,827)**
Amortization for the year	(2,096)	-	(37)	-	**(2,133)**
Disposals	834	76,985	-	-	**77,819**
Impairment losses	-	(28,395)	-	(16,066)	**(44,461)**
December 31, 2012	**(19,707)**	**(59,621)**	**(208)**	**(16,066)**	**(95,602)**
Carrying amount	**5,618**	**102,596**	**119**	**6,435**	**114,768**

Movements in intangible assets during 2011 are as follows:

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

No capitalized interest was included in additions to intangible assets in 2012 (2011: EUR 409 thousand at an average borrowing rate of 6.29 percent).

On January 2013, management of U. S. Steel decided to remove the Company from the scope of its global implementation of an enterprise resource planning ("ERP") system. On March 15, 2013, intangible assets not yet available for use related to modules that will not be deployed in the Company were sold to U. S. Steel (see also Note 32). The Company recorded an impairment loss in amount of EUR 16,066 thousand in the year ended December 31, 2012.

No intangible assets were pledged in favor of a creditor or restricted in its use as of December 31, 2012 or December 31, 2011.

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

Insurance

Intangible assets are not insured.

Emission allowances

The Company was allocated free of charge CO_2 emission allowances by the Slovak Government. The allowances were initially measured at fair value as of the allocation date at EUR 8.82 per allowance (2011: EUR 14.87 per allowance). The allowances are revalued at the end of reporting period. The European Energy Stock Exchange is used to obtain the fair value of the emission allowances. The liability for the obligation to deliver the emission allowances is settled within a few months after the end of reporting period in accordance with applicable legislation.

In December 2010, Slovakia enacted an 80 percent tax on excess emission allowances registered in 2011 and 2012. The law was changed to eliminate the tax for 2012. For more information see Note 24 Other Operating Expenses.

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

	December 31, 2012	**December 31, 2011**
Emission allowances (intangible asset)	**102,596**	102,439
Liability for the obligation to deliver allowances (provision) (Note 18)	**56,578**	58,603

If a cost model had been used, the carrying amount of emission allowances net of impairment would have been the same as under fair value model as of December 31, 2012 and December 31, 2011.

Note 8 Investments

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

Entity, Place of incorporation, Principal activities		**2012**	2011
U. S. Steel Košice – Labortest, s.r.o., Slovakia, Testing laboratory			
	Ownership interest (%)	**99.97**	99.97
	Carrying amount	**2,250**	2,250
	Profit / (loss)	**234**	410
	Equity	**4,016**	4,171
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit / (loss)	**93**	98
	Equity	**374**	380
RMS, a.s. Košice, Slovakia, Maintenance and vulcanization services, Refractory production			
	Ownership interest (%)	**76.01**	100.00
	Carrying amount	**1,995**	1,995
	Profit / (loss)	**985**	1,488
	Equity	**14,741**	7,314
Refrako s.r.o., Slovakia, Refractory production			
	Ownership interest (%)	**-**	99.98
	Carrying amount	**-**	4,565
	Profit / (loss)	**-**	(474)
	Equity	**-**	8,220
U. S. Steel Services s.r.o., Slovakia, Various services			
	Ownership interest (%)	**99.96**	99.96
	Carrying amount	**1,804**	1,804
	Profit / (loss)	**420**	435
	Equity	**2,919**	2,913

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

Entity, Place of incorporation, Principal activities		2012	2011
OBAL-SERVIS, a.s. Košice, Slovakia, Packaging			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**6,055**	1,304
	Profit / (loss)	**523**	1,076
	Equity	**6,332**	4,013
U. S. Steel Europe – Bohemia a.s. , Czech Republic, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**390**	466
	Profit / (loss)	**60**	73
	Equity	**2,113**	2,073
U. S. Steel Europe – France S.A. France[(1)], Steel trading			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit / (loss)	**16**	16
	Equity	**184**	184
U. S. Steel Europe – Germany GmbH[(1)], Germany, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**410**	421
	Profit / (loss)	**(3)**	65
	Equity	**1,287**	1,290
U. S. Steel Europe – Austria GmbH in Liqu., Austria, Steel trading			
	Ownership interest (%)	**-**	100.00
	Carrying amount	**-**	188
	Profit / (loss)	**-**	94
	Equity	**-**	208
U. S. Steel Europe – Italy S.r.l. [(1)], Italy, Steel trading			
	Ownership interest (%)	**100.00**	-
	Carrying amount	**10**	-
	Profit / (loss)	**4**	-
	Equity	**14**	-
U. S. Steel Europe (UK) Limited , Great Britain, Steel trading			
	Ownership interest (%)	**-**	100.00
	Carrying amount	**-**	334
	Profit / (loss)	**-**	274
	Equity	**-**	526
Total carrying amount		**13,160**	**13,573**

Profit / (loss) and equity of subsidiaries are presented under local accounting standards.
[(1)] Financial information for the year 2012 is unaudited.

The change in carrying amounts as of December 31, 2012 of U. S. Steel Europe – Germany GmbH and U. S. Steel Europe – Bohemia a.s. relates to adjustments made in the provisions for impairment to the investments.

U. S. Steel Europe – Austria GmbH in Liqu. was liquidated and deleted from Commercial register effective June 6, 2012.

The Company increased carrying value of the investment in OBAL-SERVIS, a.s. Košice

- by non-monetary contribution of Refrako s.r.o. to OBAL-SERVIS, a.s. Košice effective July 3, 2012,
- by non-monetary contribution of U. S. Steel Europe (UK) Limited to OBAL-SERVIS, a.s. Košice effective November 21, 2012.

Refrako s.r.o. merged with RMS, a.s. Košice effective November 1, 2012. The Company's ownership interest in RMS, a.s. Košice decreased to 76.01 percent. Remaining 23.99 percent is owned by OBAL-SERVIS, a.s. Košice.

U. S. Steel Europe – Italy, S.r.l. was established effective August 9, 2012.

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

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

None of the Company's ownership interests in subsidiaries were pledged as of December 31, 2012 or December 31, 2011.

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

Note 9 Deferred Income Taxes

Differences between IFRS as adopted by the EU and Slovak taxation regulations give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is recorded at the rate of 23 percent at December 31, 2012 (2011: 19 percent) due to amended tax legislation which increases the corporate income tax rate from 19 percent to 23 percent effective January 1, 2013.

The tax effect of the movements in the temporary differences during year 2012 is as follows:

	January 1, 2012	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2012
Property, plant and equipment	**(4,662)**	(10,378)	-	**(15,040)**
Inventories	**3,944**	298	-	**4,242**
Employee benefits	**3,805**	1,245	-	**5,050**
Deferred charges	**272**	234	-	**506**
Provision for impairment to receivables	**2,333**	701	-	**3,034**
Unused tax loss 2009 and 2012	**2,585**	5,457	-	**8,042**
Emission allowances transactions	**(8,344)**	(2,240)	-	**(10,584)**
Derivative financial instruments	**(4,595)**	-	6,570	**1,975**
Other items	**(770)**	1,395	-	**625**
Total	**(5,432)**	**(3,288)**	**6,570**	**(2,150)**
Deferred tax liability	**(5,432)**			**(2,150)**

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

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

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

	December 31, 2012	December 31, 2011
Deferred tax to be realized within 12 months	**3,465**	(3,628)
Deferred tax to be realized after 12 months	**(5,615)**	(1,804)

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

The Company has unrecognized potential deferred tax assets of EUR 917 thousand related to subsidiaries as of December 31, 2012 (December 31, 2011: EUR 2,043 thousand).

Tax loss carryforward

In 2009, the Company recognized a deferred tax asset for the full loss in accordance with IAS 12 Income Taxes. The 2009 tax loss amounted to EUR 84,623 thousand which can be carried forward and utilized over a period of five years. In 2011, the Company utilized EUR 45,580 thousand of the 2009 tax loss (2010: EUR 25,207 thousand).

In 2012, the Company recognized a deferred tax asset for the full loss in accordance with IAS 12 Income Taxes. The 2012 tax loss amounted to EUR 21,128 thousand which can be carried forward and utilized over a period of seven years.

Note 10 Restricted Cash

	December 31, 2012	December 31, 2011
Cash restricted in its use - long-term portion	**3,333**	6,106
Cash restricted in its use - short-term portion	**4,045**	6,002
Total (Notes 28 and 29)	**7,378**	**12,108**

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

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

Note 11 Inventories

	December 31, 2012	December 31, 2011
Raw materials	**177,690**	253,083
Work-in-progress	**39,792**	40,098
Semi-finished production	**34,821**	54,474
Finished products	**84,216**	94,014
Total	**336,519**	**441,669**

Inventory as of December 31, 2012 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 1,572 thousand (December 31, 2011: EUR 7,106 thousand). No inventories were pledged or restricted in use as of December 31, 2012 or December 31, 2011.

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

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2012	**2,521**	**1,602**	**986**	**1,997**	**7,106**
Allowance made	3,164	208	28	330	**3,730**
Allowance used	(4,668)	(945)	(443)	(1,096)	**(7,152)**
Allowance reversed	(11)	(657)	(543)	(901)	**(2,112)**
December 31, 2012	**1,006**	**208**	**28**	**330**	**1,572**

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

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

Note 12 Short-Term Receivables

	December 31, 2012	December 31, 2011
Trade receivables	**296,541**	342,562
Related party accounts receivable (Note 31)	**6,048**	47,168
Total trade receivables (Note 29)	**302,589**	**389,730**
Advance payments made	**6,025**	3,315
VAT receivable	**24,049**	49,908
Other receivables	**432**	432
Trade and other receivables (gross)	**333,095**	**443,385**
Less provision for impairment to trade receivables	**(15,552)**	(25,838)
Less provision for impairment to other receivables	**(107)**	(162)
Trade and other receivables (net)	**317,436**	**417,385**
Long-term receivables	**-**	-
Short-term receivables	**317,436**	417,385

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2012 or December 31, 2011. The maximum credit risk exposure at the end of reporting period is the carrying amount of each class of receivable mentioned above. Information about collateral or other credit enhancements and the overall credit risk of the Company is disclosed in Note 28.

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

	December 31, 2012	December 31, 2011
EUR	**274,014**	331,900
USD	**15,732**	40,832
Other	**12,843**	16,998
Total	**302,589**	**389,730**

The structure of trade receivables is as follows:

	December 31, 2012	December 31, 2011
Receivables not yet due and not impaired	**255,895**	310,194
Receivables past due but not impaired	**25,094**	16,741
Receivables individually impaired	**15,552**	15,627
Trade receivables	**296,541**	**342,562**
Receivables not yet due and not impaired	**2,936**	18,184
Receivables past due but not impaired	**3,112**	18,773
Receivables individually impaired	**-**	10,211
Related party accounts receivable	**6,048**	**47,168**
Total	**302,589**	**389,730**

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

	December 31, 2012	December 31, 2011
No or low-risk counterparties	**141,515**	172,974
Marginal or high-risk counterparties	**114,380**	137,220
Trade receivables	**255,895**	**310,194**
No or low-risk counterparties	**2,507**	782
Marginal or high-risk counterparties	**429**	17,402
Related party accounts receivable	**2,936**	**18,184**
Total	**258,831**	**328,378**

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

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

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

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

	December 31, 2012	December 31, 2011
Past due 0 – 30 days	**21,022**	15,974
Past due 30 – 90 days	**4,060**	627
Past due 90 – 180 days	**12**	140
Past due more than 180 days	**-**	-
Trade receivables	**25,094**	**16,741**
Past due 0 – 30 days	**92**	3,781
Past due 30 – 90 days	**-**	6,334
Past due 90 – 180 days	**-**	3,529
Past due more then 180 days	**3,020**	5,129
Related party accounts receivable	**3,112**	**18,773**
Total	**28,206**	**35,514**

Discounted present value of receivables past due is not materially different from their book values as of December 31, 2012 and 2011.

Ageing structure of trade receivables individually impaired is as follows:

	December 31, 2012	December 31, 2011
Not yet due	**70**	-
Past due 0 – 30 days	**1,011**	-
Past due 30 – 90 days	**4**	39
Past due 90 – 180 days	**30**	56
Past due 180 – 365 days	**214**	110
Past due over 365 days	**14,223**	15,422
Trade receivables	**15,552**	**15,627**
Not yet due	**-**	4,999
Past due 0 – 30 days	**-**	1,209
Past due 30 – 90 days	**-**	2,041
Past due 90 – 180 days	**-**	1,081
Past due 180 – 365 days	**-**	834
Past due over 365 days	**-**	47
Related party accounts receivable	**-**	**10,211**
Total	**15,552**	**25,838**

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

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

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

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
January 1, 2012	**25,838**	**-**	**162**	**-**	**26,000**
Provision made	1,366	-	15	-	**1,381**
Receivables written-off	(10,948)	-	(60)	-	**(11,008)**
Provision reversed	(704)	-	(10)	-	**(714)**
December 31, 2012	**15,552**	**-**	**107**	**-**	**15,659**

	Trade receivables	Related party accounts receivable	Other receivables	Advance payments made	Total
January 1, 2011	**17,445**	**359**	**154**	**-**	**17,958**
Provision made	244	10,163	15	-	**10,422**
Receivables written-off	(1,550)	(27)	-	-	**(1,577)**
Provision reversed	(512)	(284)	(7)	-	**(803)**
December 31, 2011	**15,627**	**10,211**	**162**	**-**	**26,000**

U. S. Steel sold its interest in U. S. Steel Serbia on January 2012, therefore the balance of provision for impairment to accounts receivable to U. S. Steel Serbia was transfered from related parties to provision for impairment to trade receivables.

Accounts receivable totaling EUR 11,008 thousand were written off in 2012 (2011: EUR 1,594 thousand).

Note 13 Derivative Financial Instruments

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

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses on forward foreign exchange contracts recognized in other comprehensive income and accumulated in revaluation reserves in equity (Note 16) as of December 31, 2012 will be recognized in the profit or loss in the period(s) during which the hedged forecast transaction affects the profit or loss. This is generally within 12 months after the end of reporting period.

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

	December 31, 2012		December 31, 2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	**165**	**8,753**	24,210	25
Total	**165**	**8,753**	**24,210**	**25**

Balances as of December 31, 2012 and December 31, 2011 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Company has entered into forward foreign exchange contracts with ING Bank N.V., Citibank Europe plc, PNC Bank, Commerzbank and The Bank of Nova Scotia as of December 31, 2012 and with ING Bank N.V., Citibank Europe plc, PNC Bank, Fifth Third Bank and The Bank of Nova Scotia as of December 31, 2011. Financial asset for each counterparty represents less than 35 percent of total financial assets. The ratings of the banks are A- and higher (according to Standard & Poor’s) as of December 31, 2012 (December 31, 2011: BBB and higher).

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

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

	December 31, 2012	December 31, 2011
Payable on settlement in EUR thousand	**(317,362)**	(336,863)
Receivable on settlement in USD thousand	**408,000**	468,000

Note 14 Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Cash on hand	**33**	38
Cash at bank	**165,776**	47,639
Total (Note 29)	**165,809**	**47,677**

Cash at bank earned approximately 0.15 percent p.a. for EUR deposits, 0.10 percent p.a. for USD deposits and 0.19 percent p.a. for CZK deposits as of December 31, 2012 (December 31, 2011: 0.8 percent p.a. for EUR deposits, 0.1 percent p.a. for USD deposits and 0.31 percent p.a. for CZK deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances in these accounts are not material.

Cash restricted in its use is presented in Note 10.

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

Note 15 Other Current Assets

The balance of other current assets represents prepaid expenses totaling EUR 1,703 thousand as of December 31, 2012 (December 31, 2011: EUR 1,583 thousand).

Note 16 Equity

Base capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased base capital as of December 31, 2012.

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve fund	Revaluation reserves	Total
January 1, 2012	**44**	**64,303**	**18,405**	**82,752**
Changes in fair value of derivative financial instruments	-	-	(24,405)	**(24,405)**
Loss settlement from legal reserve fund	-	(15,283)	-	**(15,283)**
December 31, 2012	**44**	**49,020**	**(6,000)**	**43,064**

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

As of December 31, 2012 and 2011, the closing balance of revaluation reserves consisted of revaluation reserve for derivative financial instruments.

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

Dividends

U.S. Steel Global Holdings I B.V. made the decision to cancel the unpaid dividends declared in 2009, 2010 and 2011. As a result of this decision, dividends payable decreased (Note 20) and retained earnings increased during 2012 in the amount of EUR 316,301 thousand.

There were no declared but unpaid dividends as of December 31, 2012 (December 31, 2011: EUR 316,301 thousand) (Notes 20 and 31).

Note 17 Long-Term Loans and Borrowings

	December 31, 2012	December 31, 2011
USD 500 million credit facility (2011: 400 million EUR credit facility)	**204,738**	246,353
EUR 200 million credit facility	**-**	100,019
	204,738	**346,372**
Current portion of the borrowings	-	-
Non-current portion of the borrowings	204,738	346,372

As of March 23, 2010, the Company entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V, the Company's parent entity. Interest on borrowings under the facility is based on a fixed rate of 6.80 percent p.a., and the agreement contains customary terms and conditions. As of June 16, 2010, the amount of this credit facility was increased by EUR 100 million. As of April 1, 2012 the EUR 400 million credit facility was changed to USD 500 million credit facility. As of December 31, 2012, borrowings totaling USD 270 million (i.e. EUR 205 million using the exchange rate at the end of reporting period) were drawn against this facility (December 31, 2011: EUR 246 million).

On August 6, 2010, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank N.V. pobočka zahraničnej banky. The facility bears interest at the applicable inter-bank offer rate plus a margin and the agreement contains customary terms and conditions. As of December 31, 2012, there were no borrowings against this credit facility (December 31, 2011: borrowings totaling EUR 100 million were drawn against this facility).

Carrying amounts of the borrowings as of December 31, 2012 and December 31, 2011 are measured at amortized costs. Fair values of the borrowings as of December 31, 2012 and December 31, 2011 approximate their carrying amounts.

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

Note 18 Provisions for Liabilities and Charges

Movements in provisions for liabilities and charges were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2012	**12,913**	**3,040**	**58,603**	**257**	**74,813**
Provision made	1,960	1,387	56,578	137	**60,062**
Provision used / reversed	(5,802)	(611)	(58,603)	(309)	**(65,325)**
December 31, 2012	**9,071**	**3,816**	**56,578**	**85**	**69,550**
Long-term provisions	5,658	-	-	-	**5,658**
Short-term provisions	3,413	3,816	56,578	85	**63,892**

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

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

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2012 and 2011 was considered to be immaterial.

Provision reversals for the year 2012 and 2011, except for reversal of unused provision for CO_2 emission in 2011 (Note 24), were considered to be immaterial.

Landfill

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

Litigation

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

CO_2 emissions

A provision was recognized for CO_2 emissions emitted in 2012. The provision is calculated as a multiple of the estimated volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Energy Stock Exchange. The provision was charged to Other operating expenses (Note 24). Amortization of related deferred income is recognized in Other income (Note 21).

Other

Other provisions include provisions for warranty and other business risks.

Note 19 Employee Benefits Obligations

Employee retirement obligation

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

Work and life jubilee benefits

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

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

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

	2012	2011
January 1,	**20,100**	**18,287**
Total expense charged in profit or loss – pension	**1,517**	1,764
Total expense charged in profit or loss – jubilee	**1,638**	934
Total expense charged in profit or loss – termination	**1,752**	-
Benefits paid	**(2,935)**	(885)
December 31,	**22,072**	**20,100**
Long-term employee benefits payable	**20,971**	19,145
Short-term employee benefits payable	**1,101**	955

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

	December 31, 2012	December 31, 2011
Present value of the obligation – pension	**17,561**	15,333
Present value of the obligation – jubilee	**7,972**	6,868
Unrecognized actuarial gains	**(2,910)**	(2,101)
Unrecognized past service costs	**(551)**	-
Total liability in the statement of financial position	**22,072**	**20,100**

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

	2012	2011
Current service costs – pension	**575**	711
Current service costs – jubilee	**98**	315
Current service costs – termination	**1,752**	-
Interest costs	**978**	1,008
Net actuarial losses recognized	**1,504**	664
Total	**4,907**	**2,698**

Service cost and net actuarial losses are presented in Salaries and other employee benefits (Note 23) and interest costs are reflected in Finance costs.

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

	2012	2011
Discount rate	**3.75%**	4.50%
Annual wage and salary increases	**3.00%**	5.00%
Staff turnover [(1)]	**max 5.00%**	max 5.00%

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

Profit sharing and bonus plans

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

Defined contribution pension plan

Throughout the year, the Company made contributions to the mandatory government and private defined contribution plans amounting to 24.3 percent (2011: 24.5 percent) of gross salaries up to a monthly salary ceiling between EUR 1,153.50 to EUR 3,076.00 (2011: EUR 1,116.75 to EUR 2,978.00). The amount of contributions made is presented in Note 23.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company made contributions to the supplementary scheme amounting up to 1.7 percent from the monthly accounted wage in 2012 (2011: 1.7 percent).

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

Note 20 Trade and Other Payables

	December 31, 2012	December 31, 2011
Trade payables	**116,720**	119,961
Related party accounts payable (Note 31)	**31,924**	44,101
Assigned trade payables	**17,503**	32,093
Uninvoiced deliveries and other accrued expenses	**70,463**	62,188
Trade payables and accruals (Note 29)	**236,610**	**258,343**
Advance payments received	**1,852**	3,138
Liability to employees and social security institutions	**22,510**	21,749
Dividends payable (Notes 16 and 31)	**-**	316,301
VAT and other taxes and fees	**8,406**	15,513
Other payables	**3,737**	3,965
Total	**273,115**	**619,009**

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

	December 31, 2012	December 31, 2011
Trade and other payables not yet due	**268,575**	612,396
Trade and other payables past due	**4,540**	6,613
Total	**273,115**	**619,009**

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

	December 31, 2012	December 31, 2011
EUR	**157,745**	155,298
USD	**62,401**	87,099
Other	**16,464**	15,946
Total	**236,610**	**258,343**

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

	2012	2011
Opening balance as of January 1	**59**	**465**
Company contribution (company costs)	**1,389**	1,067
Employees contribution (repayments)	**273**	312
Withdrawals	**(1,722)**	(1,785)
Closing balance as of December 31	**(1)**	**59**

The social fund is used for social, medical, relaxing and similar needs of the Company's employees in accordance with social fund law. The balances are included in the Liability to employees and social security institutions caption of the table above.

Note 21 Revenue and Other Income

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

Revenue consists of the following:

	2012	2011
Sales of own production	**2,331,026**	2,410,022
Sales of merchandise	**7,041**	9,292
Rendering of services	**14,424**	16,959
Total	**2,352,491**	**2,436,273**

In 2012 and 2011, sales of merchandise represent primarily sales of electricity.

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

Other income

Other income consists of the following:

	2012	2011
Amortization of deferred income - CO_2 emission allowances	**95,202**	160,505
Gain on derivative financial instruments	**26,198**	-
Rental income	**1,933**	1,927
Income from contractual penalties	**600**	352
Other income	**1,651**	6,117
Total	**125,584**	**168,901**

Note 22 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2012	2011
Materials consumed	**(1,506,947)**	(1,642,136)
Energy consumed	**(132,162)**	(108,029)
Costs of merchandise sold	**(7,044)**	(9,225)
Changes in internal inventory	**(25,120)**	13,599
Inventory write-down allowance (Note 11)	**(1,618)**	(7,238)
Total	**(1,672,891)**	**(1,753,029)**

Note 23 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2012	2011
Wages and salaries	**(176,817)**	(175,689)
Profit sharing expense	**(1,892)**	(1,581)
Termination benefits (Note 19)	**(1,752)**	-
Social insurance – defined contribution plan (Note 19)	**(62,592)**	(62,151)
Other social expenses	**(11,997)**	(12,094)
Pension expenses – retirement and work and life jubilees (Note 19)	**(2,177)**	(1,690)
Total	**(257,227)**	**(253,205)**

The average number of the Company's employees for 2012 was 10,850 (2011: 11,095), from which 253 were key management employees (2011: 255).

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

Note 24 Other Operating Expenses

Other operating expenses during 2012 are as follows:

	2012	2011
Packaging	**(15,734)**	(15,880)
Cleaning and waste	**(6,722)**	(8,359)
Rent	**(2,549)**	(3,033)
Advertising and promotion	**(2,818)**	(3,317)
Intermediary fees	**(4,582)**	(7,707)
Training	**(1,397)**	(2,216)
Charge for provision for CO_2 emissions (Note 18)	**(56,578)**	(58,603)
Reversal of unused provision for CO_2 emissions	**-**	3,165
Tax on excess CO_2 emissions	**-**	(9,891)
Impairment of receivables – (loss) and receivables written-off (Note 12)	**(667)**	(9,634)
Loss on disposal of property, plant and equipment and intangible assets	**(1,081)**	(3,942)
Loss from derivative financial instruments	**-**	(20,286)
Real estate tax and other taxes	**(3,637)**	(5,161)
Laboratory and heat tests	**(5,767)**	(5,816)
Audit fees	**(670)**	(661)
Other services provided by the auditor	**(20)**	(15)
Other operating expenses [1]	**(84,256)**	(83,086)
Total	**(186,478)**	**(234,442)**

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

As explained in the Note 7, in December 2010, Slovakia enacted an 80 percent tax on excess emission allowances registered in 2011 and 2012.The law was changed to eliminate the tax for 2012.

Note 25 Finance Income and Finance Cost

Finance income and finance cost during 2012 are as follows:

	2012	2011
Interest income	**112**	248
Interest expense	**(18,346)**	(22,277)
Total	**(18,234)**	**(22,029)**

Note 26 Income Taxes

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

	2012	2011
Current tax	**(20)**	(43)
Deferred tax (Note 9)	**(3,288)**	2,038
Total	**(3,308)**	**1,995**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the Company as follows:

	2012	2011
Profit / (loss) before tax	**30,972**	**(26,760)**
Tax calculated at 19% tax rate	**(5,885)**	5,084
Non-deductible expenses	**788**	(3,746)
Impact of income tax change from 19% to 23%	**717**	-
Other	**1 072**	657
Tax credit / (charge)	**(3,308)**	**1,995**

The effective tax rate was 11 percent (2011: 7 percent).

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

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

	2012			2011		
	Before tax	**Tax (charge) / credit**	**After tax**	**Before tax**	**Tax (charge) / credit**	**After tax**
Changes in fair value of derivative financial instruments	**(30,975)**	**6,570**	**(24,405)**	30,744	(6,191)	24,553
Changes in revaluation reserve	-	-	-	(4,460)	2,614	(1,846)
Other comprehensive income	**(30,975)**	**6,570**	**(24,405)**	**26,284**	**(3,577)**	**22,707**
Current tax		-			-	
Deferred tax (Note 9)		**6,570**			(3,577)	
		6,570			**(3,577)**	

Note 27 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to pay obligations as they come due. The Company's overall strategy did not change from 2011.

The capital structure of the Company consists of debt (Note 17 and Note 31) totaling EUR 213,798 thousand as of December 31, 2012 (December 31, 2011: EUR 354,352 thousand) and equity (Note 16) totaling EUR 1,226,386 thousand as of December 31, 2012 (December 31, 2011: EUR 906,825 thousand) that includes base capital, other reserves and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include a minimum level of base capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of December 31, 2012 and December 31, 2011.

Note 28 Financial Risk Management

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

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

Credit risk

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

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

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

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

December 31, 2012

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 12)		
Trade receivables (net)	-	280,882
Related party accounts receivables (net)	-	6,048
Derivative financial instruments (Note 13)		
Forward foreign exchange contracts	165	-
Cash and cash equivalents (Note 14)		
ING Bank N.V.	-	54,097
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	29,348
HSBC Bank plc, pobočka zahraničnej banky	-	-
Citibank (Slovakia) a.s.	-	49,708
Slovenská sporiteľňa, a.s.	-	32,572
Other banks	-	50
Cash on hand	-	34
Cash restricted in its use (Note 10)		
Slovenská sporiteľňa, a.s.	-	4,880
Všeobecná úverová banka, a.s.	-	2,325
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	173
Total	**165**	**460,117**

December 31, 2011

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 12)		
Trade receivables (net)	-	326,935
Related party accounts receivables (net)	-	36,957
Derivative financial instruments (Note 13)		
Forward foreign exchange contracts	24,210	-
Short-term borrowings (Note 31)		
Short-term borrowings	-	1,600
Cash and cash equivalents (Note 14)		
ING Bank N.V.	-	26,323
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	11
HSBC Bank plc, pobočka zahraničnej banky	-	47
Citibank (Slovakia) a.s.	-	21,159
Slovenská sporiteľňa, a.s.	-	89
Other banks	-	10
Cash on hand	-	38
Cash restricted in its use (Note 10)		
Citibank (Slovakia) a.s.	-	10,793
Other banks	-	1,315
Total	**24,210**	**425,277**

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

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

The Company mitigates credit risk for approximately 81 percent (2011: 77 percent) of its revenues by requiring bank guarantees, letters of credit, credit insurance, prepayments or other collateral. Information about collateral or other credit enhancements is as follows:

	2012	2011
Credit insurance	**60 %**	58 %
Letters of credit and documentary collection	**6 %**	5 %
Bank guarantees	**4 %**	4 %
Other credit enhancements	**11 %**	10 %
Credit enhanced sales	**81 %**	**77 %**
Unsecured sales	**19 %**	23 %
Total	**100 %**	**100 %**

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

Liquidity risk

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

On October 8, 2012, the Company's EUR 40 million credit facility expired. This credit facility was used for drawing short-term loans, issuing of bank guarantees and letters of credit. There were no borrowings against this facility as of expiration date or December 31, 2011.

On December 10, 2012, the Company's EUR 20 million multi-use credit facility expired. This credit facility was used for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. There were no borrowings against this facility as of expiration date (December 31, 2011: EUR 763 thousand).

On December 17, 2010, the Company entered into a EUR 20 million credit facility to replace its EUR 10 million credit facility that was scheduled to expire in January 2011. The EUR 20 million credit facility may be used until December 2015 for working capital financing, drawing bank overdraft, issuing of bank guarantees and letters of credit. As of December 31, 2012, the credit facility has been used in the amount of EUR 1,464 thousand for bank guarantees (December 31, 2011: no borrowings against this credit facility).

On August 6, 2010, the Company entered into a EUR 200 million three-year revolving unsecured credit facility with ING Bank N.V. pobočka zahraničnej banky. The EUR 200 million credit facility may be used until August 2013. As of December 31, 2012, there were no borrowings against this credit facility (December 31, 2011: borrowings totaling EUR 100 million were drawn against this facility).

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

During year 2012, the Company drew EUR 402 million and repaid EUR 502 million against these credit facilities (2011: EUR 3,372 million were drawn and EUR 3,272 million repaid). During 2012, individual loans were up to EUR 100 million with term up to 8 days. Average daily borrowed amount was EUR 10 million. During 2011, individual loans were up to EUR 125 million with term up to 32 days. Average daily borrowed amount was EUR 74 million.

As of March 23, 2010, the Company entered into a EUR 300 million seven-year revolving unsecured credit facility with U. S. Steel Global Holdings I B.V, the Company's parent entity. Interest on borrowings under the facility is based on a fixed rate of 6.80 percent p.a., and the agreement contains customary terms and conditions. As of June 16, 2010, the amount of this credit facility was increased by EUR 100 million. As of April 1, 2012, the EUR 400 million credit facility was changed to a USD 500 million credit facility. As of December 31, 2012, borrowings totaling USD 270 million (i.e. EUR 205 million using the exchange rate at the end of reporting period) were drawn against this facility (December 31, 2011: EUR 246 million). In addition, USD 59 million (i.e. EUR 45 million using the exchange rate prevailing at the date of the transactions) was repaid during 2012 (2011: EUR 14 million was drawn and subsequently repaid).

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

During 2012, the Company drew short-term borrowings as a part of the Company's cash pooling strategy of EUR 68 million and repaid amount of EUR 67 million. During 2011, the Company under these borrowings drew amount of EUR 69 million from which amount of EUR 76 million was repaid. Borrowings drawn within cash pooling strategy bear interest rate spread over EUR LIBOR plus margin. Borrowing contracts contain customary terms and conditions and are valid until May 31, 2013 with the option to be prolonged.

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

December 31, 2012

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	165,809	-	-	**165,809**
Restricted cash	4,045	3,333	-	**7,378**
Trade receivables (net)	286,930	-	-	**286,930**
Derivative financial instruments	309,231	-	-	**309,231**
Loans and borrowings	-	-	-	**-**
Total	**766,015**	**3,333**	-	**769,348**
Liabilities				
Trade payables and accruals	236,610	-	-	**236,610**
Derivative financial instruments	317,362	-	-	**317,362**
Loans and borrowings	23,190	261,541	-	**284,731**
Total	**577,162**	**261,541**	-	**838,703**

December 31, 2011

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

Market risk

a) Interest rate risk

The Company is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facility (Note 17). If the interest rate had been 1 percent higher/lower during 2012, it would have resulted to EUR 0.1 million higher/lower interest expense. If the interest rate had been 1 percent higher/lower during 2011, it would have resulted to EUR 0.7 million higher/lower interest expense.

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

The Company's income is substantially independent of changes in market interest rates. The Company had no significant interest income other than that arising from short term bank deposits and cash at bank accounts as of 31 December 2012 and 31 December 2011.

b) Currency risk

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

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

December 31, 2012

	Cash and cash equivalents	Cash restricted in its use
EUR	150,828	7,378
USD	10,314	-
CZK	4,109	-
Other	558	-
Total	**165,809**	**7,378**

December 31, 2011

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

The Company manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance Group, using a limited number of forward foreign exchange contracts. As of December 31, 2012, the Company had open EUR forward sales contracts for U. S. dollars (total notional value of approximately EUR 317.4 million; December 31, 2011: EUR 336.9 million). The Company changed its EUR 400 million credit facility to a USD 500 million credit facility as of April 1, 2012. As of December 31, 2012, borrowings totaling USD 270 million (i.e. EUR 205 million using the exchange rate at the end of reporting period) were drawn against this facility (Note 17).

As of December 31, 2012, if the EUR had weakened/strengthened by 10% against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 31 million credit / EUR 24 million charge to total comprehensive income, mainly as a result of gains/losses from fair value of forward foreign exchange contracts, offset by foreign exchange losses/gains on translation on USD-denominated borrowings.

As of December 31, 2011, if the EUR had weakened/strengthened by 10% against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 36 million credit / EUR 29 million charge to total comprehensive income, mainly as a result of gains/losses from fair value of forward foreign exchange contracts.

c) Other price risk

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

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

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

The Company did not carry out any other material derivative transaction mitigating commodity price risk and had no outstanding commodity derivatives as of December 31, 2012 or December 31, 2011.

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

Note 29 Financial Instruments by Category

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

December 31, 2012

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	280,882	-	-	**280,882**
Related party accounts receivables (net)	6,048	-	-	**6,048**
Derivative financial instruments	-	165	-	**165**
Cash and cash equivalents	165,809	-	-	**165,809**
Restricted cash	7,378	-	-	**7,378**
Total	**460,117**	**165**	**259**	**460,541**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	204,738	**204,738**
Trade payables and accruals	-	236,610	**236,610**
Dividends payable	-	-	**-**
Short-term borrowings	-	9,060	**9,060**
Derivative financial instruments	8,753	-	**8,753**
Total	**8,753**	**450,408**	**459,161**

December 31, 2011

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

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

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

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

December 31, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	165	-	**165**
Total	**-**	**165**	**-**	**165**
Liabilities				
Hedging derivatives	-	8,753	-	**8,753**
Total	**-**	**8,753**	**-**	**8,753**

December 31, 2011

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

During the year 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Note 30 Contingent Liabilities and Contingent Assets

Operating leases

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

	2012	2011
Not later than 1 year	**5,922**	6,093
Later than 1 year and not later than 5 years	**22,475**	16,526
Later than 5 years	**15**	943
Total	**28,412**	**23,562**

Capital commitments

Capital expenditures of EUR 9 million had been committed under contractual arrangements as of December 31, 2012 (December 31, 2011: EUR 15 million).

Environmental commitments

The Company is in compliance with environmental legislation. In 2012, the environmental expenses represented by air, water and solid waste pollution fees totaled approximately EUR 12 million (2011: EUR 13 million). There are no material legal proceedings pending against the Company involving environmental matters.

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

The EU has issued proposed regulations under their cap and trade system for the period 2013-2020 (NAP III) which are expected to be more stringent than the current requirements. The Company expects to be advised of its free CO_2 emission allocation before the end of the first quarter of 2013. Depending upon the allocation received, the Company may be required to purchase CO_2 emission allowances on the market at some point in the future.

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

Note 31 Related Party Transactions

Transactions with related parties

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

		2012	2011
U. S. Steel Global Holdings I B.V., Parent company			
	Expenses	**17,176**	18,885
	Payables	**-**	316,301
	Borrowings received	**204,738**	246,353
United States Steel Corporation, Ultimate parent company			
	Revenues	**113,348**	49,028
	Expenses	**83,762**	74,436
	Receivables	**941**	420
	Payables	**22,021**	23,473
U. S. Steel Serbia d.o.o., Company under common control of U. S. Steel			
	Revenues	**7,068**	51,806
	Expenses	**969**	18,323
	Receivables	**-**	41,127
	Payables	**-**	3,078
USS International Services, LLC, Company under common control of U. S. Steel			
	Revenues	**3**	173
	Expenses	**7,353**	8,965
	Receivables	**219**	169
	Payables	**1,229**	1,360
U. S. Steel Canada Inc, Company under common control of U. S. Steel			
	Revenues	**111**	191
	Expenses	**-**	-
	Receivables	**71**	22
United States Steel International Inc, Company under common control of U. S. Steel			
	Revenues	**123**	60
	Expenses	**-**	1
	Receivables	**5**	7
U. S. Steel Enterprises B.V., Company under common control of U. S. Steel			
	Revenues	**-**	5
Subsidiaries under control of the Company (Note 8)			
	Revenues	**7, 740**	18,736
	Expenses	**81,751**	79,407
	Receivables	**4,812**	5,423
	Payables	**8,674**	16,190
	Borrowings received	**9,060**	7,980
	Borrowings provided	**-**	1,600
Total			
	Revenues	**128 393**	119,999
	Expenses	**191,011**	200,017
	Receivables	**6,048**	47,168
	Payables	**31,924**	360,402
	Borrowings received	**213,798**	254,333
	Borrowings provided	**-**	1,600

The balances of borrowings received from U. S. Steel Global Holdings I B.V. represent long-term revolving unsecured credit facility (Note 17) as of December 31, 2012 and 2011. Expenses represent related interest costs only.

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

Transactions with United States Steel Corporation relate mainly to sales of slabs (2012: EUR 110,654 thousand; 2011: EUR 41,333 thousand), rendering of services (2012: EUR 2,694 thousand; 2011: EUR 7,696 thousand) and purchases of raw material.

Transactions with U. S. Steel Serbia represent mainly sales of the Company's own products and purchase of raw material. U. S. Steel sold its interest in U. S. Steel Serbia d.o.o. ("U. S. Steel Serbia") on January 31, 2012 (Note 12). In 2011, provision for impairment to receivables due from U. S. Steel Serbia was recognized totaling EUR 10,163 thousand.

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

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

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

Transactions with subsidiaries of U. S. Steel Košice, s.r.o. include sales of steel products and purchases of various services provided to U. S. Steel Košice, s.r.o.

Borrowings drawn and provided within the Company's cash pooling strategy bear interest rate spread over EUR LIBOR plus margin. Borrowing contracts contain customary terms and conditions and are valid until May 31, 2013 with the option to be prolonged. During 2012, the Company under these borrowings credited its subsidiaries with amount of EUR 17,157 thousand and subsidiaries repaid amount of EUR 18,753 thousand. The Company also drew amount of EUR 68,195 thousand and repaid amount of EUR 67,113 thousand. During 2011, the Company under these borrowings credited its subsidiaries with amount of EUR 25,964 thousand from which amount of EUR 26,168 thousand was repaid as well as drew amount of EUR 68,745 thousand from which amount of EUR 76,247 thousand was repaid.

Emoluments of the statutory representatives

a) Slovak and foreign statutory representatives of the Company did not receive any cash or non-cash benefits from the Company in 2012 and 2011 that arise from their positions of statutory representatives. They are employed and paid only based on their employment contracts with the Company and USS International Services, LLC, respectively. Compensation of foreign statutory representatives of the Company for the year 2012 is included in the charges of EUR 7,112 thousand (2011: EUR 9,028 thousand) paid for salaries and other benefits of all foreign key management employees to USS International Services, LLC. Compensation of Slovak statutory representatives is included in the salaries and other employee benefits (Note 23) of the Company's key management employees at amounts shown in the following table:

	2012	2011
Wages and salaries	**11,095**	10,070
Profit sharing expense	**27**	22
Social security – defined contribution plan	**2,668**	2,567
Total	**13,790**	**12,659**

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

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

Note 32 Events After the Reporting Period

Effective March 15, 2013 the Company sold to U. S. Steel intangible assets not yet available for use related to ERP project modules that will not be deployed in Slovakia for EUR 4,155 thousand (Note 7).

A Memorandum of Understanding was signed in March of 2013 between U. S. Steel and the government of Slovakia. The Memorandum of Understanding outlines areas in which the government and U. S. Steel will work together to help create a more competitive environment and conditions for USSK. Some of the incentives the government of Slovakia agreed to provide, as an effort to reduce USSK's cost structure include participation in a renewable energy program that provides the opportunity to reduce electricity costs as well as the potential for government grants and other support concerning investments in environmental control technology that may be required under the recently implemented BAT requirements. The ultimate economic value of these actions is subject to many developments and uncertainties but based on current electricity tariffs, management estimates annual energy savings of

€15 million, which are expected to begin in 2016. There are many conditions and uncertainties regarding the grants, including matters controlled by the EU, but the value could be as much as €75 million. In return, U. S. Steel agreed to achieve employment level reduction goals at USSK only through the use of natural attrition, except in cases of extreme economic conditions, as outlined in the current Collective Labor Agreement. Additionally, U. S. Steel agreed to pay the government of Slovakia specified declining amounts should U. S. Steel sell USSK within five years of signing the Memorandum of Understanding. Signing of Memorandum of Understanding had no impact on the financial statements as of December 31, 2012.

On April 12, 2013, the Company delivered 8,812,732 tons of CO_2 emission allowances for 2012 to the Slovak Government fulfilling its obligation for the last year of the NAP II period.

With effect from April 30, 2013 Joseph Anthony Napoli terminated his function as statutory representative and General Counsel. With effect from May 1, 2013 Charles James Bond was appointed as a statutory representative and General Counsel.

After December 31, 2012, no other significant events have occurred that would require recognition or disclosure in the 2012 financial statements.