U. S. Steel Košice, s.r.o.

ANNUAL REPORT 2013

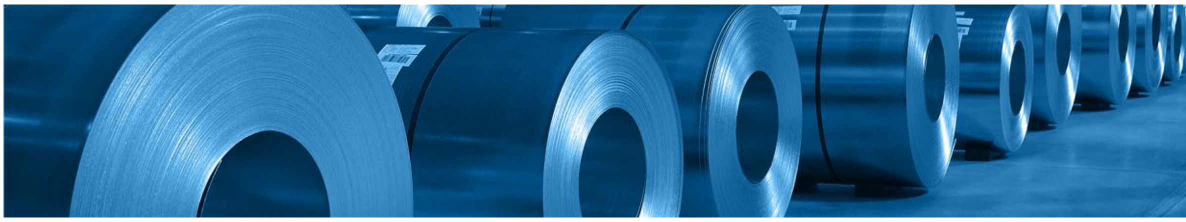


TABLE OF CONTENTS

PRESIDENT'S FOREWORD

For our company 2013 was another significant year. The priority was to raise the company's performance, differentiating ourselves from our competitors and providing our customers with quality products and services. The thorough analysis of our processes and indicators gave us an opportunity for improvement. We concentrated on what we have in our own hands, what we can directly influence ourselves.

Sharing in this aim together with the Operations team was the Commercial division, which continued with the STAR sales transformation process, contributing to the increased satisfaction of our customers. Thanks to the improved quality of our products, the promptness of their delivery and our provision of services, and especially the shortening of the delivery period, we succeeded in raising ourselves in our customers' eyes. At the same time we used feedback from them to identify areas where we have space for further improvement, and we will be systematically focusing on these issues.

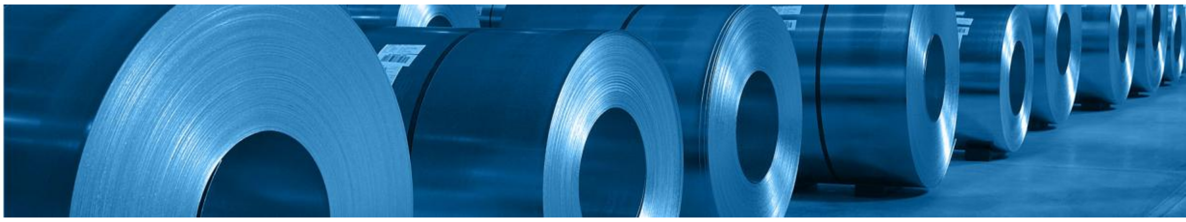
In the field of environmental protection we also achieved outstanding results, and with the confirmation of the validity of our certification we demonstrated the high standard of maintenance of the ISO 14001 norm through our environmental management system. Proof of our well-focused care for protecting all components of the environment lies in the fact that in 2013, for the sixth year running, no external undesirable incident was recorded. Having carried out all of its checks, the Slovak Environmental Inspection Agency found no discrepancies, and our company had not a single fine imposed on it. With the aim of reducing the energy consumption and greenhouse gases emission rates in our steel production, we also focused on improving our energy management and we successfully completed the certification procedure for our energy management system in line with the requirements of the ISO 50001 standard.

Our most important aim, however, remains safety, specifically the zero injury rate. Even though in 2013 we achieved millions of employee-hours worked without injury in several of our divisional plants, there is still room for improvement. Employees and managers alike came up with suggestions for eliminating risks, and their preventative measures have been implemented in practice. Producing steel involves hard work, with employees working in round-the-clock operations with hot metals and gases, using high-performance equipment, so the year-on-year improvements in occupational safety results are all the more valuable and at the same time compelling, so there can be no let-up in our efforts. Nothing is more important than the safe return of each of our employees from work to their family.

The economic conditions in Europe remained complicated in 2013, with the European economy recovering more slowly than that of the USA, for instance. Moreover, changes in the CO2 emissions quota trading system and the European Union's ambitious goals in the environmental field, requiring huge investments from industrial producers, combined to put them at a disadvantage compared with their competitors outside the EU. These conditions led to the emergence of risks for U. S. Steel Košice, s.r.o. business, disadvantaged in turn by the high prices for energy in Slovakia compared with those paid by steel producers in the surrounding countries. We expect our markets, primarily in the V4 countries, to continue being difficult and competitive in 2014, so we will have to fight for every opportunity they provide us. We consider it crucial to integrate climatic objectives as well as EU energy policy with the priorities of industrial policy in such a way that they mutually complement and support each other, rather than coming into contradiction. No less important is the foreseeability of the EU's steps and policies, since we make investment decisions in our sector with time horizons of ten years and longer.

Human capital is one of the most important assets of a successful company. Our company is composed of people, and I am personally convinced that we have here among us some of the best steel-makers in the world. In spite of the complicated economic conditions, we focus our concentration to the implementation of transformational changes throughout the company. An integral part of this transformation has been the launching of the initiative now known as the Carnegie Way as a solution for the creation of sustainable economic values to support our business in the future. We have begun critically and comprehensively reassessing our corporate processes with the aim of increasing values to the benefit of all stakeholding groups.

George F. Babcoke
President, U. S. Steel Košice, s.r.o.



CORPORATE PROFILE

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

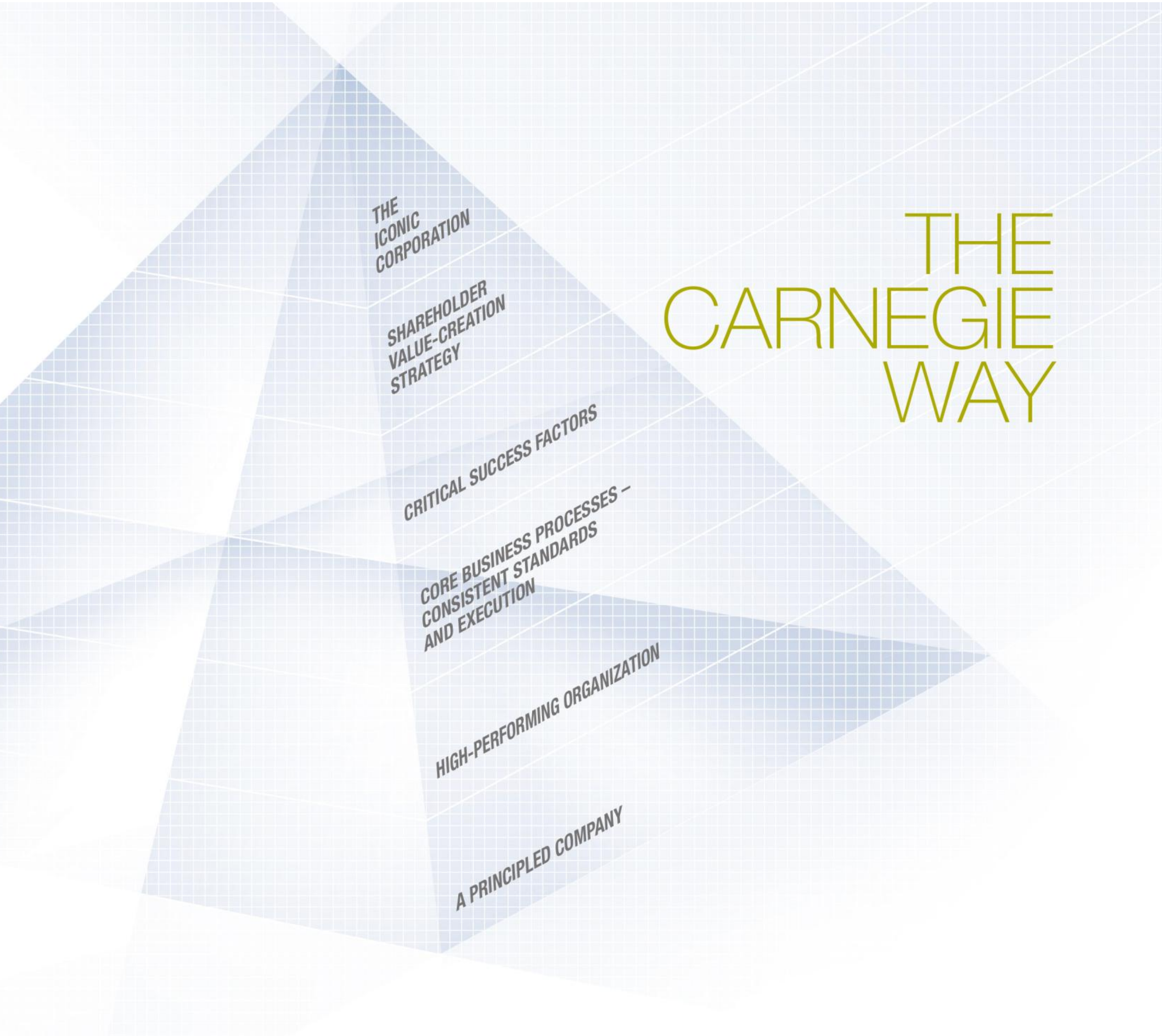
USSK has annual raw steel production capability of 4.5 million metric tons. USSK has two coke batteries, three blast furnaces, four steelmaking vessels, a vacuum degassing unit, two dual strand continuous casters, a hot strip mill, two pickling lines, a cold rolling mill with 4-stand and 5-stand reduction, 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 Company does not have a branch abroad.

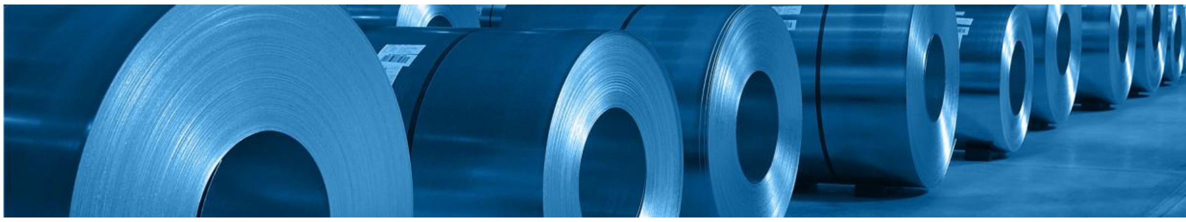
The statutory representatives as of December 31, 2013 were as follows:

George F. Babcoke	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 Subsidiaries and External Services
RNDr. Miroslav Kiraľvarga, MBA	Vice President External Affairs, Administration and Business Development
Charles James Bond	General Counsel
John Patrick Coyne	Vice President BSC Administration for USSE and Director Business Processes and ERP Integration
Ing. Vladimír Jacko PhD., MBA	Vice President Energy, Environment and Technical Inspection
Michael Andrew Fedorenko	Vice President Engineering and Innovation
Ing. Martin Pitorák	Vice President Human Resources

The Carnegie Way

The Company passed through important changes in 2013 and launching the Carnegie Way initiative was a part of the process. The Carnegie Way means transformation of the way we do our business to achieve sustainable profitability and ensure our competitive advantage for the future.
The mission of the Carnegie Way is to critically evaluate the full scope of our business processes to identify and capitalize on sustainable profitability and value enhancement opportunities benefiting all stakeholders in the business.
Employee involvement, continuous communication with them as well as evaluation and implementation of their improvement suggestions will be crucial for the success of the whole process.



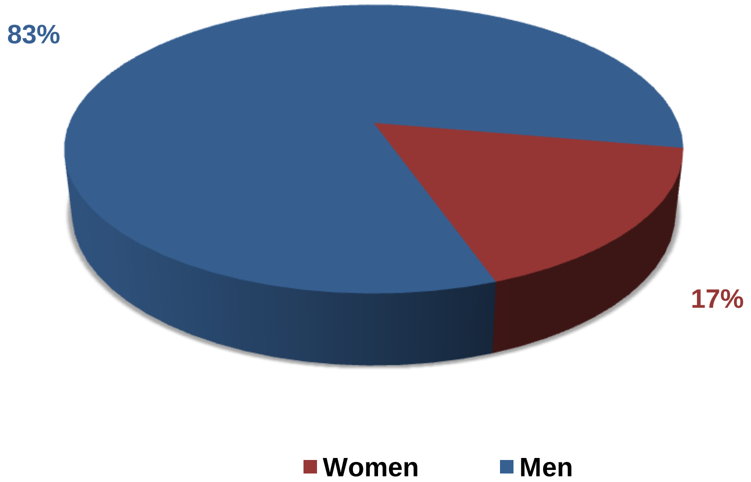


IMPACT OF THE COMPANY IN THE SOCIAL AREA

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, 2013 the workforce was 10,458 people, mainly with technical expertise. The Company supports **equal opportunities** through a special project offering work for about one hundred long-term unemployed Roma.

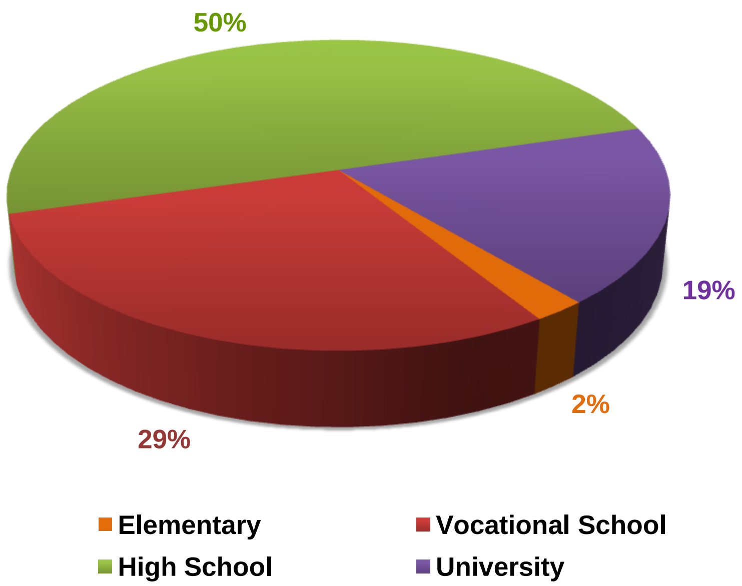
Number of employees by gender as of Dec 31, 2013

USSK ACTIVE EMPLOYEES
TOTAL:
10,458



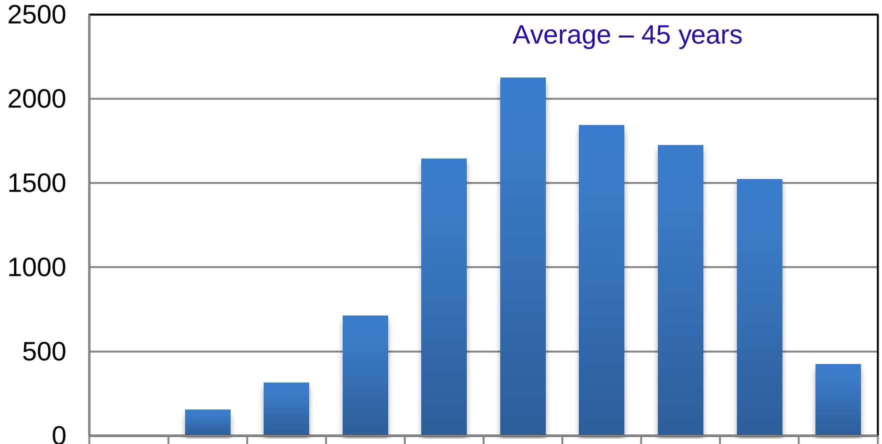
Number of employees by educational background as of Dec 31, 2013

USSK ACTIVE EMPLOYEES
TOTAL:
10,458



Number of employees by age as of Dec 31, 2013

USSK ACTIVE EMPLOYEES
TOTAL:
10,458

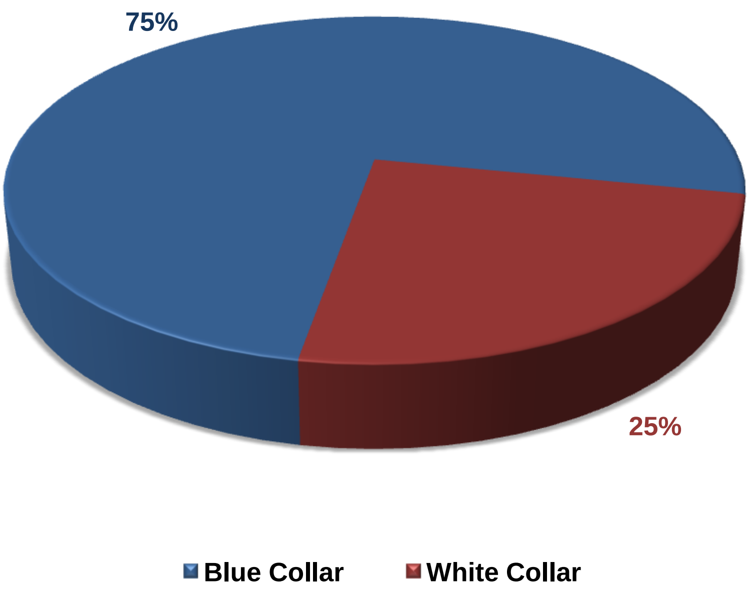


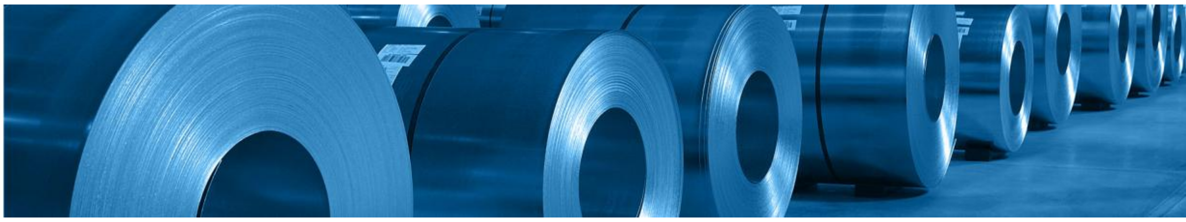
	up 20	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 59	over 60
# of employees	0	153	314	711	1645	2125	1842	1723	1522	423

age

Number of employees by category as of Dec 31, 2013

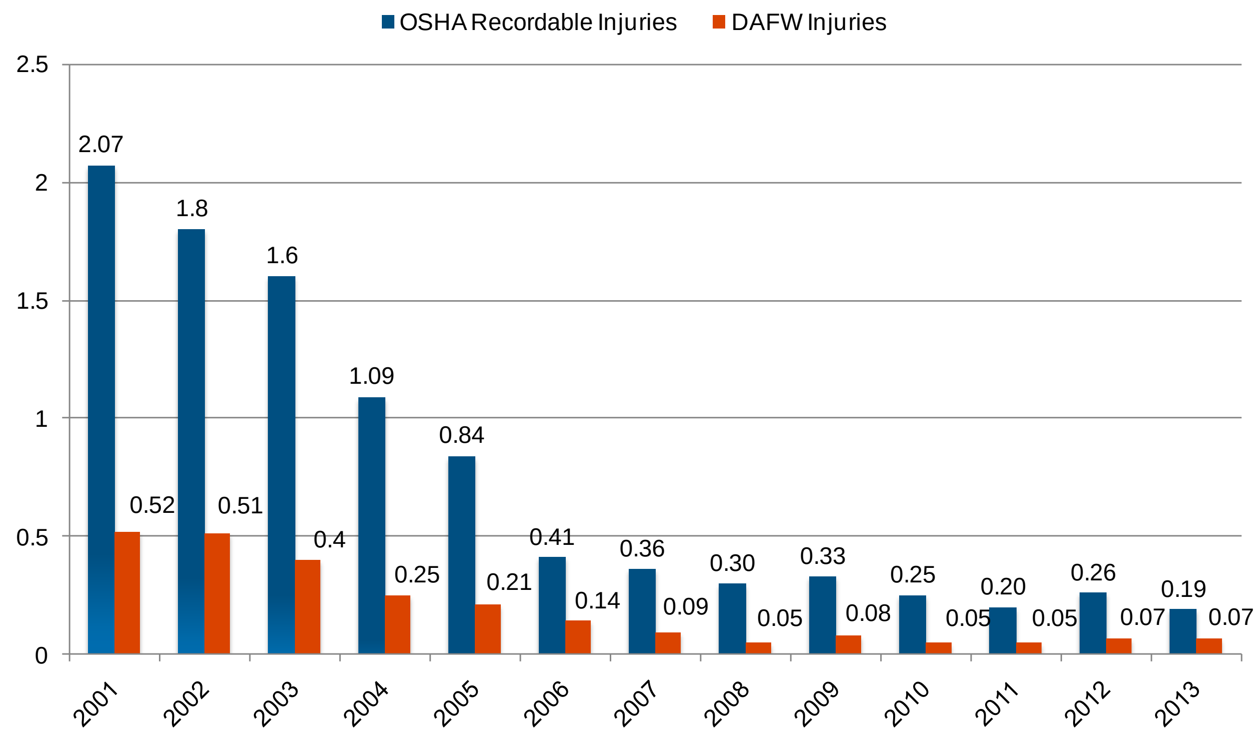
USSK ACTIVE EMPLOYEES
TOTAL:
10,458





Occupational Safety and Health Protection

The health and safety of our employees and contractors working at U. S. Steel Košice, s.r.o. remains a core value and is our number 1 priority day in and day out. Zero injuries is achievable and that remains as our goal. Four divisions, Shipping, Mechanics, Transportation and Maintenance have worked over three millions employee-hours over the year achieving zero injuries. At the end of the year, Transportation achieved more than two million employee-hours without OSHA (Occupational Safety and Health Administration) recordable injury. Mechanics, Cold Roll Mill, Subsidiary Companies, and Shipping posted more than one million employee-hours without an OSHA recordable injury. Operational areas such as Steelshop Mechanical Maintenance, Maintenance Electrical Repairs and Coke Plant By-Products have achieved zero injury frequency for over four consecutive years. The Radiator Division as a whole has gone more than five years without a recordable injury, and internal departments such as Maintenance, Non-Destructive Inspection and Quality more than six consecutive years.
As shown in the chart, **comparing the years 2001 through 2013, U. S. Steel Košice, s.r.o. achieved a 91 percent drop in the total OSHA recordable injury frequency and an 87 percent drop in the Days Away From Work injury frequency as of December 31, 2013** (injury frequency is calculated based on the actual worked employee-hours).



We have been continuously developing our **Hazard Identification and Risk Assessment** (HIRA) process. In total, 578 managers participated in the process identifying more than 6,000 hazards over the course of the year. Fifty seven managers from nine Divisions were identified for their commitment to hazard elimination and achieved an individual safety excellence award.
The hazard identification and risk elimination process is also the focus of the **Union Representatives for Safety** initiative. Out of the total 1,020 opportunities for improvement identified by Union representatives related to Safety, 89 percent were completed. These opportunities included unsafe conditions, working practices, and general safety improvements.
In July 2013, USSK launched an enhanced Confined Space software application. In addition to the confined space inventory, multiple features were implemented that allow users to generate Confined Space Entry Permits using the application, link the specific confined space with applicable safe job procedures and/or energy control procedures, provide rescue assessments, and attach pictures of specific entry points. A major benefit of the application is an interactive plant map providing an online overview of all entries in

progress. The application governs 5,367 confined spaces. A total of 6,312 Confined Space Entry Permits were generated via the application in its first year of use. More than 800 users have been trained on use of the application.

USSK held its second annual **Family Safety Day event entitled "Where does my dad, my mom work?"** on June 1, 2013. This event was organized in cooperation with the Public Affairs, Operations, Maintenance, Administrative and Safety Departments. Over the two sessions 1,411 families participated. In total, there were 5,003 participants including 1,692 children of our employees. The guests participated in either a walking tour of the Continuous Galvanizing Line 3 (CGL3) or a guided comprehensive plant bus tour that stopped at the Hot Rolling Mill Reheat Furnace for a brief look. The main event area consisted of safety exhibits, environmental awareness activities, a commercial product exhibition, live entertainment, and fun and games for the children. Each participant had the opportunity to have their family picture taken and placed in a key ring. Employees were encouraged to use this key ring for their personal safety locks. A participant feedback survey was conducted that showed the day was a positive experience. Constructive comments or proposals are being considered to make the event in 2014 even better.

Human Resources Development

The Company supports the **training and development** of its employees as well as employees of the Subsidiaries through various programs focusing on language, managerial, professional and vocational skills and knowledge. Lessons were organized to ensure legally required safety and vocational requirements as well as requirements reflecting the company´s strategic goals and employees´ individual development needs. In 2013, we continued with **Coaching and Mentoring** programs that focused on leadership skills of our top and mid-level managers. A specific development of the Sales Department employees was ensured through a number of training sessions focusing on advanced negotiation skills, improvement of communication with customers as well as teamwork within the department.
In order to promote professional metallurgy skills, we organized **Operation Academies** for operators. Sessions were taken by our internal staff from the Research & Development Department as well as

Operations. In 2013, we focused on hot rolling technology and tin mill technologies. A selected group of employees, process technology excellence projects team members, were trained in **Lean Six Sigma.**

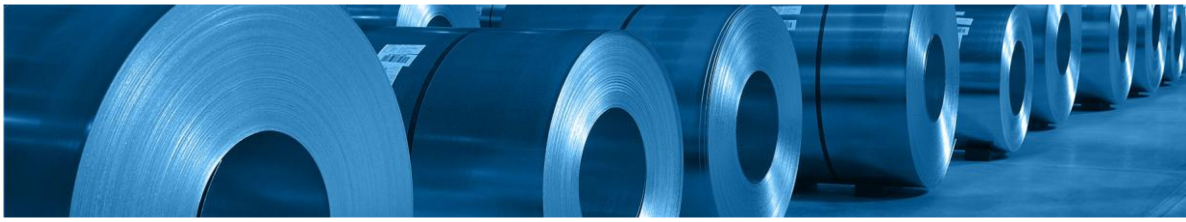
The Company shows its appreciation to those employees who have worked at the steelworks for a long time by organizing gala dinners with entertainment and gifts. It also **rewards employees** who participate in the achievement of excellent results in various areas through the quality of their work. This 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 include 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 has won the national Best Corporate Medium Award several times.

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‘s benefit, protection and correct usage of 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 2013, through USSK’s intranet pages, live presentations to employees, on-line training programs, 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 during **Ethics Week** from September 16 to 20, 2013 emphasized the importance of ethical business conduct in day-to-day work. In the videos entitled “Ethically Speaking” that were distributed to all USSK employees, managers responded to a wide variety of questions related to business ethics, mainly regarding practical implementation of ethical principles during performance of their work, as well as about ethical dilemmas they have personally encountered. All these activities and examples of real ethical situations helped to start further discussions between managers and employees about how to “Do What´s Right” during performance of work for USSK.



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 including hot dip galvanized, color coated, tinplate and non grain-oriented sheets. The Company also produces spiral welded pipes and panel radiators. In 2013 USSK produced 3.6 million metric tons of pig iron and 4.2 million metric tons of steel slabs.

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).

We understand that innovation is the main driver of sustainable and balanced growth. Last year the Company constantly focused on ongoing efforts to improve products, services and processes to strengthen our competitive position. Our continuous improvement system has become the main management tool in our commercial organization to address rapid changes in the market and to increase the effectiveness of our commercial strategy. 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.

The ability of the steelmaking company to break through in tough competition is also associated with continuous development of new value-added products. In 2013, total research costs amounted to EUR 3.1 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.

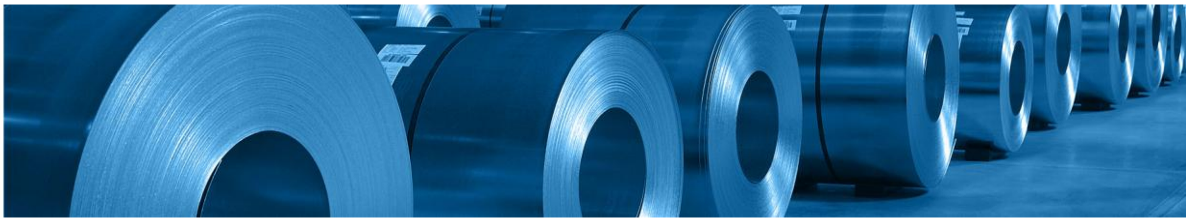
Environmental protection is one of the Company’s principal strategic business drivers, and its main commitments are stated in the Company's Environmental Policy. USSK is a holder of the **Environmental Management System** international certification in line with the ISO 14001 standard covering five finalizing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

Since 2000, the Company has invested more than USD 480 million into dozens of environmental projects. Despite the difficult financial situation, especially in the steel sector, in 2013 USSK implemented the ”Converter gas capture from the steel plant” investment project, which means that the captured gas is further used in the heating plant boilers. Due to this we could reduce our purchasing of other fuels and achieve additional savings. “Reconstruction and modernization of the USSK Waste Water Treatment Plant” is another project in 2013-2014 totaling approx.

USD 10.3 million, which aims to ensure compliance with limit values according to the Decision of the Regional Environmental Office regarding quantity and quality of discharged waste water. 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 has occurred, nor has any penalty been imposed.

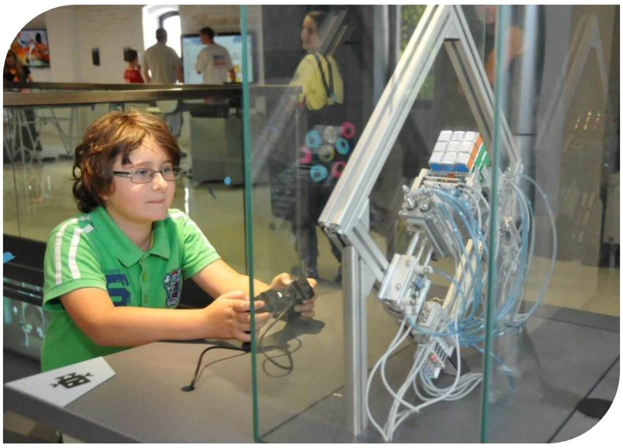
In compliance with legal requirements the Company continuously monitors and regularly informs employees, the professional and general public about its environmental performance in the corporate newspaper Oceľ Východu and on its web site www.usske.sk.

Energy and utilities management is very important for the Company due to both the amount of energy consumed and costs, as well as due to environmental protection. The company decided to enhance its long-term systematic approach by implementing an Energy Management System in accordance with international standard ISO 50001. In March 2013 the Company successfully passed certification in accordance with this standard and obtained a certificate proving that it is on the right track. This makes the Company one of the Energy Management leaders among European steelmakers.



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 active in 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 participated in the successful implementation of the **European Capital of Culture Košice 2013** project, seeing great potential in this for the city's further development. In 2013, a special contribution to this project was opening the Steel Park entertainment and technical center to support creativity and promote modern technologies and science for children and the general public. The Company built it in close cooperation with the City of Košice as well as with Košice universities and 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. In 2013, ten other community projects were supported.

In support of education 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 preparing pupils for employment in the steel-making industry. With the Technical University of Košice and Pavol Jozef Šafárik University in Košice, the Company has also been cooperating in research and development. 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.
For several years U. S. Steel Košice, s.r.o. has also supported the educational programs organized by the Junior Achievement Slovakia non-profit organization. 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. In the academic year 2013/2014 ten new scholarships were granted. Every year, dozens more students increase their theoretical knowledge, practical experience, communication and managerial skills during a summer stay called the Summer Internship Program. In 2013, thirty five university and college students participated in this program.

In support of 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 2013 the traditional pre-Christmas fund-raising focused on the Department of Children's Oncology and Hematology at the Children's Faculty Hospital in Košice. The mutual efforts of employees, the Company and its foundation resulted in a fund of EUR 109,819, which was used for the purchase of infusion pumps and linear feeders for the small patients.
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 2013 the collection among employees raised EUR 4,929.

In support of social care USSK directs its assistance mainly towards supporting 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 buy gifts that will turn the specific wishes of children into reality – in 2013 these were in the St. Klement Hofbauer Foster Home in Podolínec and children from steelmakers’ families in difficult circumstances. The foster home was also supported with proceeds of EUR 9,182 from sales of the dual-language USSK Family Cookbook 2013, and 10 steelmakers’ families in social need were donated EUR 2,000 each.
Steelmakers took care of children from both the foster home and families in difficult circumstances during the whole year. They invited them to various corporate events, Extra League ice-hockey matches, Košice Venice competition of non-conventional watercraft or U. S. Steel Family Run - one tenth of the marathon course during the Košice Peace Marathon event.

In support of culture the Company has been 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 the Višegrad Days international cultural festival, and the Festival of Central European Theaters.

Support for sports has been focused on traditional sports and events in the Košice region: ice-hockey, handball, soccer, basketball and figure-skating. For many years the Company has been the main partner of the Košice Peace Marathon, which is the oldest marathon in Europe and very popular among the Company employees as well. 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 sports people. Our own program called “Your Chance to Play” continued in 2013 as well, and provided equal opportunities for children from socially-disadvantaged families to play ice-hockey, basketball and soccer. USSK contributed to their club membership fees and part of the cost of buying sport equipment.

Voluntary programs are part of the community support. Our largest corporate volunteer event is the Volunteer Days – U. S. Steel for Košice, which were held for the seventh time on May 17-18, 2013. Employees of the Company and its subsidiaries helped ten 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, improving premises and surroundings of the Košice State Theatre, autistic center, and the union for the visually-impaired. They also helped out at the relaxation zone near the Hornád river, the botanical gardens, the zoo and the animal sanctuary. For many years, the employees of the Company have been actively involved in support to their region helping as teachers in educational programs, contributors to public fund-raising and in-kind donations, as well as organizers of community life.

SELECTED FINANCIAL INFORMATION

Statement of Financial Position

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

In million EUR	Dec 31,2013	Dec 31,2012	Dec 31, 2011
Property, plant and equipment, and investment property	373	858	890
Intangible assets	39	115	131
Other non-current assets	120	17	20
Inventories	363	337	442
Short-term receivables	350	317	417
Other current assets	226	172	81
Total Assets	**1,471**	**1,816**	**1,981**
Equity	856	1,226	907
Trade and other payables	324	273	619
Long-term loans and borrowings	196	205	346
Other liabilities	94	112	109
Total Equity and Liabilities	**1,471**	**1,816**	**1,981**

In 2013 the Company recorded an impairment of property, plant and equipment and intangible assets in the amount of EUR 466 million. This expense was partially offset by deferred tax impact in the amount of EUR 103 million included in Other non-current assets line.

The Company received 2013 CO_2 emission allowances after the year end. Entitlement to these emission allowances was recorded in 2013 financial statements as emission allowances receivable from government amounting to EUR 31 million, which caused an increase in Other current assets and together with the lower unit price of emission allowances also a decrease in intangible assets. Increase in inventories was mainly caused by higher volume of steel inventory. Change in other current assets includes primarily an increase in cash in bank accounts. Increase in payables reflects timing of expenditures and increase in unpaid capital expenditures.

Statement of Comprehensive Income

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

In million EUR	2013	2012	2011
Revenues and other income	2,243	2,478	2,605
Operating loss/profit	(462)	47	(18)
Loss/Profit for the Year	**(369)**	**28**	**(25)**

The worse financial results for the year 2013 compared to the year 2012 reflect impacts of impairment and a decrease in sale prices.

Proposal for 2013 Loss Settlement

In million EUR	2013
Loss for 2013	(369)
Loss settlement from retained earnings	343
Loss settlement from legal reserve fund	26

Significant Events after 2013 Reporting Period and Expected Development in 2014

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

While economic growth remained rather slow in the second half of 2013, the forward looking indicators suggest a slightly more pronounced upturn throughout 2014. Expected modest increases of investment in machinery and equipment should overall be supportive to higher levels of end-user demand, but the rate of recovery will depend strongly on the pace of improvements in business conditions. The fragile recovery expected for the construction sector will probably continue to dampen the overall demand for steel. However, in general, the prospects for 2014 are moderately positive.

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

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

We have audited the financial statements of U. S. Steel Košice, s.r.o. ("the Company") as at 31 December 2013, on which we issued Independent Auditor's Report on 25 June 2014 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 2013, 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 as at 31 December 2013 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 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 about whether the accounting information presented in the annual report is consistent, in all material respects, with the Company's audited 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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T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

Opinion

In our opinion, the accounting information presented in the Company's annual report prepared for the year ended on 31 December 2013 is consistent, in all material respects, with the audited financial statements referred to above.

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

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

Mgr. Radoslav Náhlik, FCCA
UDVA licence No. 1078

Bratislava, 25 June 2014

Our report has been prepared in the Slovak and in the 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, 2013

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of U. S. Steel Košice, s.r.o., which comprise the statement of financial position as at 31 December 2013 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 control 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 2013, 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.

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SKAU licence No.: 161

Slovenská komora audítorov
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Bratislava, 25 June 2014

Our report has been prepared in the Slovak and in the 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, 2013

Financial statements for the year ended December 31, 2013, 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 June 25, 2014. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, June 25, 2014

George F. Babcoke President (statutory representative)	M. T. Lewis 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, 2013

Table of Contents

(all amounts are in thousands of EUR)

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2013	December 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment	5	**369,197**	855,248
Investment property	6	**3,490**	3,383
Intangible assets	7	**39,281**	114,768
Investments	8	**13,143**	13,160
Financial assets available-for-sale		**259**	259
Deferred income tax asset	9	**102,307**	-
Restricted cash	10	**3,948**	3,333
Total non-current assets		**531,625**	**990,151**
Current assets			
Inventories	11	**362,681**	336,519
Trade and other receivables	12	**349,877**	317,436
Derivative financial instruments	13	**-**	165
Restricted cash	10	**14**	4,045
Other current assets	15	**32,539**	1,703
Cash and cash equivalents	14	**193,768**	165,809
Total current assets		**938,879**	**825,677**
TOTAL ASSETS		**1,470,504**	**1,815,828**
EQUITY AND LIABILITIES			
Equity			
Base capital	16	**839,357**	839,357
Other reserves	16	**43,728**	43,064
Retained earnings / (losses)		**(26,867)**	343,965
Total equity		**856,218**	**1,226,386**
Liabilities			
Non-current liabilities			
Long-term loans and borrowings	17, 31	**195,875**	204,738
Long-term provisions for liabilities and charges	18	**5,150**	5,658
Post-employments and other long-term employee benefits payable	19	**23,408**	20,971
Deferred income tax liability	9	**-**	2,150
Trade and other payables – long-term	20	**1,978**	-
Total non-current liabilities		**226,411**	**233,517**
Current liabilities			
Trade and other payables	20	**324,196**	273,115
Derivative financial instruments	13	**8,326**	8,753
Deferred income		**3**	4
Short-term borrowings	31	**9,447**	9,060
Short-term provisions for liabilities and charges	18	**44,496**	63,892
Short-term employee benefits payable	19	**1,407**	1,101
Total current liabilities		**387,875**	**355,925**
TOTAL EQUITY AND LIABILITIES		**1,470,504**	**1,815,828**

The accompanying notes on pages F-9 to F-51 are an integral part of these financial statements.

(all amounts are in thousands of EUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2013	2012
Revenue	21	**2,202,972**	2,352,491
Other income	21	**39,707**	125,584
Materials and energy consumed	22	**(1,505,517)**	(1,672,891)
Salaries and other employees benefits	23	**(264,484)**	(257,227)
Depreciation and amortization	5, 6, 7	**(76,381)**	(79,191)
Repairs and maintenance		**(66,874)**	(55,842)
Transportation services		**(121,158)**	(113,361)
Advisory services		**(13,447)**	(14,436)
Foreign exchange gain / (loss)		**11,612**	(7,165)
Impairment loss	5, 7	**(477,547)**	(44,461)
Other operating expenses	24	**(190,403)**	(186,478)
Profit from operations		**(461,520)**	**47,023**
Dividend income		**1,812**	2,183
Finance income	25	**93**	112
Finance cost	25	**(13,699)**	(18,346)
Profit / (loss) before tax		**(473,314)**	**30,972**
Income tax benefit / (expense)	26	**104,427**	**(3,308)**
Profit / (loss) after tax		**(368,887)**	**27,664**
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligations	26	**(562)**	-
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of derivative financial instruments	26	**(719)**	(24,405)
Other comprehensive loss, net of tax		**(1,281)**	**(24,405)**
Total comprehensive (loss) / income for the year		**(370,168)**	**3,259**

The accompanying notes on pages F-9 to F-51 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, 2013	**839,357**	**43,064**	**343,965**	**1,226,386**
Loss for 2013	-	-	(368,887)	(368,887)
Other comprehensive loss	-	(719)	(562)	**(1,281)**
Total comprehensive loss for the year	**-**	**(719)**	**(369,449)**	**(370,168)**
Transactions with owners:				
Contribution to legal reserve fund	-	1,383	(1,383)	**-**
Total transactions with owners	**-**	**1,383**	**(1,383)**	**-**
Balance as of December 31, 2013	**839,357**	**43,728**	**(26,867)**	**856,218**

	Base capital	Other reserves	Retained earnings	Total
Balance as of January 1, 2012	**839,357**	**82,752**	**(15,283)**	**906,826**
Profit for 2012	-	-	27,664	**27,664**
Other comprehensive loss	-	(24,405)	-	**(24,405)**
Total comprehensive loss 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**

The accompanying notes on pages F-9 to F-51 are an integral part of these financial statements.

(all amounts are in thousands of EUR)

STATEMENT OF CASH FLOWS

	Note	Total	
		2013	**2012**
Profit / (loss) before tax		**(473,314)**	**30,972**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**74,291**	77,058
Amortization of intangible assets	7	**2,090**	2,133
Amortization of deferred income from CO_2 emission allowances	21	**(31,055)**	(95,202)
Charge of provision for CO_2 emissions emitted	18, 24	**40,645**	56,578
Impairment of property, plant and equipment	5	**462,518**	-
Impairment of intangible assets	5, 7	**3,704**	16,066
Impairment loss – CO_2 emission allowances	7	**11,325**	28,395
(Reversal of impairment) / impairment of investments		**118**	(130)
Loss / (gain) on disposal of property, plant and equipment and intangible assets	21, 24	**(309)**	1,081
Loss on disposal of financial investments		**-**	334
Loss / (gain) from changes in fair value of derivative financial instruments	21, 24	**9,502**	(26,198)
Dividend income		**(1,812)**	(2,183)
Interest income	25	**(93)**	(112)
Interest expense	25	**13,699**	18,346
Foreign exchange loss / (gain) on operating activities		**(8,863)**	3,109
Changes in working capital			
(Increase) / decrease in inventories	11	**(26,162)**	105,150
Decrease/ (increase) in trade and other receivables and other current assets	12, 15	**(33,258)**	100,866
(Decrease) / Increase in trade and other payables and other current liabilities	20	**43,594**	(36,103)
Cash generated from / (used in) operations		**86,620**	**280,160**
Interest paid		**(12,602)**	(17,230)
Income taxes (paid) / received		**(15)**	(21)
Net (payments) / receipts from derivative financial instruments		**(10,340)**	27,996
Net cash generated from / (used in) operating activities		**63,663**	**290,905**
Cash flows from / (used in) investing activities			
Acquisition of a subsidiary	8	**(100)**	(10)
Purchases of property, plant and equipment	5	**(44,739)**	(42,730)
Proceeds from sale of property, plant and equipment		**181**	179
Proceeds from liquidation of subsidiary		**-**	219
Purchases of intangible assets	7	**(1,940)**	(2,206)
Proceeds from sale of intangible assets (excluding CO_2 emission allowances)		**4,155**	315
Proceeds from sale of CO_2 emission allowances		**-**	7,516
Change in restricted cash, net	10	**3,416**	4,730
Interest received		**93**	118
Dividends received		**2,848**	1,148
Net cash used in investing activities		**(36,086)**	**(30,721)**
Cash flows from / (used in) financing activities			
Intercompany borrowings granted	31	**(88)**	(17,157)
Intercompany borrowings repaid	31	**88**	18,753
Proceeds from borrowings	28	**84,243**	469,891
Repayment of borrowings	28	**(83,861)**	(613,539)
Net cash generated from / (used in) financing activities		**382**	**(142,052)**
Net increase in cash and cash equivalents		**27,959**	**118,132**
Cash and cash equivalents at beginning of year	14	**165,809**	**47,677**
Cash and cash equivalents at end of year	14	**193,768**	**165,809**

The accompanying notes on pages F-9 to F-51 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, 2013 were as follows:

George F. Babcoke	President
Matthew Todd Lewis	Senior Vice President and Chief Financial Officer
Christian Korn	Vice President Commercial
Ing. Vladimír Jacko, PhD., MBA	Vice President Energy, Environment and Technical Inspection
Mgr. Elena Petrášková, LL.M	Vice President Subsidiaries and External Services
Charles James Bond	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 & ERP Integration
Michael Andrew Fedorenko	Vice President Engineering and Innovation
RNDr. Miroslav Kiraľvarga, MBA	Vice President External Affairs, Administration and Business Development

Emoluments of statutory representatives are disclosed in Note 31.

Shareholder of the Company

As of December 31, 2013, 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 May 7, 2013, 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 consolidated subsidiaries is immaterial. Management considers all conditions of the exemption to be met as of December 31, 2013 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, 2013.

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, 2013 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, 2013 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 an insignificant part of a property it owns, the 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. 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 to or from investment property are made 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 contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy (Notes 2.25 and 6).

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.

Research and development costs

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

<u>Software</u>

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.

<u>Emission allowances</u>

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 European Climate Exchange as of the date they are credited to the NRER. Emission allowances that are not yet received from the government, but for which there is reasonable assurance that the emission allowance grant will be received and the Company will comply with the conditions attaching to the grant, are recognized as emission allowances receivable at fair value when the above-mentioned conditions are met.

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 in the period for which the emission allowances have been allocated.

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 released at 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. Revaluations are based on market prices published by European Climate Exchange. The above mentioned fair value valuation falls within Level 1 of the fair value hierarchy (Note 2.25 and 7)

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 the time 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 lease 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 carried 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 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 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 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 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 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 of the amount of the obligation can be made. 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. The current income tax liability is calculated using tax rates (and tax laws) that have been enacted, or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable with respect to previous years. The management of the Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. 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

<u>Defined contribution pension plan</u>

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.

<u>Employee retirement obligation</u>

The Company is committed to make payments to the employees upon retirement in accordance with Slovak legislation and the Collective Labor Agreement.

Upon first termination of labor contract and reaching the entitlement to disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than 40 percent compared to healthy individuals, the employee is entitled to a retirement benefit corresponding to his/her average monthly wage.

Upon first termination of labor contract and reaching the entitlement to old-age retirement, the employee is entitled to a retirement benefit corresponding to a summary of his/her average monthly wage plus an amount up to EUR 1,830 based on years worked for the Company, if the employee terminated the labor contract in the month in which he/she becomes entitled to the old-age retirement. In other cases, the retirement benefit corresponds to his/her average monthly wage.

Upon first termination of labor contract and reaching the entitlement to premature old-age retirement, the employee is entitled to a retirement benefit in the amount of his/her average monthly wage, if premature old-age retirement was conceded to the employee based on application filled prior to termination of the labor contract or within 10 days afterwards.

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.

Remeasurements of the net defined benefit liability arising from changes in actuarial assumptions are charged to other comprehensive income and will not be reclassified to profit or loss in a subsequent period. 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 the 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.

Sale of own production and goods

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

Rendering of services

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

Interest income

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

Dividend income

Dividend income is recognized 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.

<u>Forward physical purchase contracts for commodities</u>

The company utilizes forward physical purchase contracts for certain commodities. These contracts are entered into and continue to be held for the purpose of the receipt or delivery of commodities in accordance with Company's expected usage requirements. These contracts do not meet the definition of financial instruments and are accounted for as normal purchase contracts.

2.25 Fair Value Estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Financial and non-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 classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period in which they occur.

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.

The Company measures or discloses a number of items at fair value:

- Emission allowances (Note 2.7 and 7)
- Derivative financial instruments (Note 2.24, 13 and 29)
- Fair value disclosures for investment properties measured using the cost model (Note 2.6 and 6)
- Fair value disclosures for financial instruments measured at amortised cost (Note 29)

More detailed information in relation to the fair value measurement of the items above is disclosed in the applicable notes.

2.26 Events After the Reporting Period

Events after the reporting period that provide evidence of the condition that existed at the end of the 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 19 years (2012: 18 years). An increase of the average useful life by 1 year would change the annual depreciation charge by EUR 3 million (2012: EUR 2 million). A decrease of the average useful life by 1 year would change the annual depreciation charge by EUR 5 million (2012: EUR 7 million).

Impairment of property, plant and equipment, intangible assets and investment properties

The Company evaluates impairment of its property, plant and equipment, intangible assets and investment properties whenever circumstances indicate that the carrying amount exceeds its recoverable amount.

Ongoing challenging economic conditions across Europe, especially in steel consuming sectors such as the construction industry has resulted in a significant overcapacity situation in the European steel market. This overcapacity and the resulting intense competition for tonnage amongst the steel mills still operating continued to put downward pressure on steel pricing in Europe during 2013. From December of 2012 to December 2013, the major hot rolled coil indices dropped an additional 7 percent, while costs on the other hand for major inputs like iron ore and energy remained comparatively high. This further squeezed the Company’s margins in 2013 and the Company considered this to be a possible indicator of impairment.

As part of the impairment evaluation process as of December 31, 2013, the Company was divided into two cash-generating units and their recoverable amounts have been determined. Recoverable amount is the higher of fair value less costs of disposal and value in use. As the fair value less costs of disposal was higher than the value in use, the recoverable amounts of relevant cash-generating units have been determined on the basis of fair value calculation. Due to interdependence between individual Division Plants, the determination of cash-generating units was made based on two main steel product categories from which a sufficient volume of steel production is sold on active markets, specifically hot-rolled products on one side and cold-rolled, coated products and spiral welded pipes and panel radiators on the other side. Thus, the first cash-generating unit is represented by production process from coke-making to hot rolled products. The second cash-generating unit is represented by production process from cold rolled products through further processing into hot dip galvanized, color coated, tinplate and non grain-oriented sheets, pipes and radiators, up to shipments to customers. The fair value calculation uses cash flow projections based on actual operating results, the most recent business plans approved by management and appropriate discount rate which reflects the time value of money and risks associated with future economic and operating conditions. Projected cash flows also reflect assumptions the market participants would use in estimating the fair value.

The following key assumptions and estimates were used by management in the calculation:

- Cash flow projections based on business plans cover a period of 5 years, which assume slow but steady economic recovery across the EU with a corresponding improvement in steel consumption.
- Cash flow projections beyond the five-year period have been extrapolated taking into account a terminal growth rate of 2.9 percent for sales and production costs and reflect the best estimates for stable perpetual growth of the Company. This percentage is in line with long-term average growth rates for countries in which the Company sells the majority of its production.
- Cash flow projections also reflect the recently initiated shareholder value creation strategy: earn the right to grow, and drive and sustain profitable growth. Through a disciplined approach, now referred to as “The Carnegie Way”, the Company is working to strengthen its balance sheet, with more intense focus on cash flow, and has launched a series of initiatives that are believed to enable the Company to add value, get leaner, faster, right-sized, and improve performance in core business process capabilities, including commercial, supply chain, manufacturing, procurement, innovation, and operational and functional support.

- Cash flow projections were prepared in nominal terms.
- Discount rate was estimated in nominal terms based on risk-adjusted post-tax weighted average cost of capital of 20 percent. The discount rate was specifically adjusted in 2013 related to the current geopolitical situation in Ukraine, which could disrupt the normal supply of raw materials and natural gas to European steel makers, including USSK which currently sources many of its raw materials either from the Ukraine or Russia. This situation could also have significant adverse effects on the European economy as a whole, further delaying any meaningful recovery of steel demand across the region and together with the ongoing sluggish recovery of European steel consumption has increased uncertainty inherent in the Company's cash flow projections.

Calculated recoverable amount is sensitive to the above-mentioned assumptions and estimates with key factors being cash flow forecasts, discount rate, terminal growth rate for sales and production costs and the Carnegie Way's economic benefits. Changes in any of the assumptions could result in management reaching a different conclusion regarding the potential impairment, which could be material. Impairment evaluations inherently involve uncertainties from uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions. Sensitivity analysis is disclosed in Note 5.

Impairment loss attributable to each cash-generating unit is allocated to assets in the cash-generating unit on pro rata basis based on carrying amount of each asset. Carrying amount of an individual asset is reduced only to the highest of asset´s individual fair value less cost of disposal or zero. The fair value less cost of disposal for individual assets, comprising of land, office buildings, mobile equipment, is determined using market approach using market multiples derived from comparable transactions. Due to the nature of the assets, the fair value of those assets is largerly based on comparable transactions since in management's view the necessary adjustments to the comparable transactions had insignificant impact..

Intangible assets not yet available for use, representing the allocated part of corporate software, were tested for impairment in 2012 and the Company recorded an impairment loss. The allocated part of corporate software was subsequently sold on March 15, 2013 (Note 7).

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, 2013

The following new standards and interpretations became effective for the Company from January 1, 2013:

IFRS 13 "Fair Value Measurement", (issued in May 2011 and effective for annual periods beginning on or after January 1, 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 standard changed the presentation of disclosures about fair value measurements, but did not have a material impact on the measurement of transactions and balances.

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after January 1, 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 amended standard changed the presentation of financial statements, but did not have a material impact on the measurement of transactions and balances.

Amendments to IAS 1 "Presentation of Financial Statements" – (issued in June 2011, effective for annual periods beginning on or after July 1, 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 amended standard changed the presentation of financial statements, but did not have a material impact on the measurement of transactions and balances.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2013 that would be expected to have a material impact on the Company.

4.2 Standards, amendments and interpretations issued but not effective until the financial year beginning January 1, 2014 and not early adopted

IFRS 9 "Financial Instruments Part 1: Classification and Measurement". Key features of the standard issued in November 2009, amended in October 2010, December 2011 and November 2013 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 amortized 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 amortized 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 recognize unrealized and realized 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.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the

hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Company does not intend to adopt the existing version of IFRS 9. The standard has not yet been adopted by the EU.

IFRS 12 "Disclosure of Interests in Other Entities", (issued in May 2011 and effective for annual periods beginning on or after January 1, 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, summarized 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.

IAS 27 "Separate Financial Statements", (revised in May 2011 and effective for annual periods beginning on or after January 1, 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.

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 2013 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Total
Cost					
January 1, 2013	**427,421**	**1,058,753**	**13,862**	**25,659**	**1,525,695**
Additions	-	-	-	51,870	**51,870**
Disposals	(142)	(32,374)	(644)	(104)	**(33,264)**
Transfers to / from investment property	(195)	-	-	-	**(195)**
Transfers to base	7,354	40,319	8	(47,681)	**-**
December 31, 2013	**434,438**	**1,066,698**	**13,226**	**29,744**	**1,544,106**
Accumulated Depreciation and Impairment Losses					
January 1, 2013	**(101,791)**	**(558,114)**	**(10,542)**	-	**(670,447)**
Depreciation for the year	(11,357)	(62,554)	(268)	-	**(74,179)**
Disposals	28	32,231	-	-	**32,259**
Transfers to / from investment property	(24)	-	-	-	**(24)**
Impairment losses	(156,807)	(283,298)	(2,171)	(20,242)	**(462,518)**
December 31, 2013	**(269,951)**	**(871,735)**	**(12,981)**	**(20,242)**	**(1,174,909)**
Carrying amount	**164,487**	**194,963**	**245**	**9,502**	**369,197**

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 / from 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**

Additions to property, plant and equipment include EUR 1,435 thousand in 2013 (2012: EUR 477 thousand) of interest capitalized at an average borrowing rate of 6.81 percent (2012: 5.77 percent).

No property, plant and equipment was pledged in favor of a creditor or restricted in its use as of December 31, 2013 or December 31, 2012.

Additionally, purchases of plant, property and equipment in the Statement of Cash Flows excludes a non-cash change in accrued capital expenditures and a change in unpaid capital expenditures in the amount of EUR 7 million for the year ended December 31, 2013 and EUR 4 million for the year ended December 31, 2012.

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

The following impairment was recognized for the year ended December 31, 2013:

	Cash-generating unit 1	**Cash-generating unit 2**
Carrying amout of plant, property and equipment, investment properties and intangible assets	**585, 261**	**304,254**
Impairment loss – property, plant and equipment	(462,518)	-
Impairment loss – intangible assets	(3,704)	-
Impairment loss – emission allowances	(7,928)	(3,397)
Revised carrying amount	**111,111**	**300,857**

No impairment of property, plant and equipment, investment properties and intangible assets was recognized in relation to the second cash generating unit as the recoverable amount is higher than then carrying amount of the unit, excluding the annual revaluation of emission allowances.

Impairment in the first cash generating unit is primarily driven by lower margins on hot-rolled coils compared to value added products. This commodity is exposed to imports from other countries, mainly the Ukraine and Russia, and more sensitive to changes in market prices. Fair value less cost of disposal for land, selected buildings and mobile equipment exceed their carrying amounts, therefore no impairment was allocated to these assets. Change in key assumptions used in the measurement of fair value less costs of disposal of the whole cash-generating unit would not lead to material impact to the amount of impairment loss, as in case of reasonable changes in the key assumptions, the fair value less costs of disposal of individual assets would still be higher than the recoverable value of the whole cash generating unit, so there would be no change as to the amount of impairment loss recognized. The fair values less costs of disposal of individual assets were measured using market approach.

Insurance

Property, plant and equipment are insured by KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group. 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 544 million using the exchange rate at the end of reporting period) (2012: USD 750 million (i.e. EUR 568 million using the exchange rate as of December 31, 2012)). Compensation sublimits for individual risks are specified in the insurance contract. Self insurance is USD 25 million (i.e. EUR 18 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 2013 and 2012 are as follows:

	2013	2012
Cost		
Opening balance as of January 1	**4,514**	**4,669**
Transfers to / from property, plant and equipment	195	49
Disposals	-	(204)
Closing balance as of December 31	**4,709**	**4,514**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,131)**	**(1,084)**
Depreciation for the year	(112)	(110)
Transfers to / from property, plant and equipment	24	-
Disposals	-	63
Closing balance as of December 31	**(1,219)**	**(1,131)**
Carrying amount	**3,490**	**3,383**

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 7,709 thousand as of December 31, 2013 (December 31, 2012: EUR 3,749 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 contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy.

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 2013 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2013	**25,325**	**162,217**	**327**	**22,501**	**210,370**
Additions – purchased	-	-	-	2,306	**2,306**
Disposals	(160)	(98,996)	-	(20,162)	**(119,318)**
Transfers to base	3,672	-	49	(3,721)	**-**
December 31, 2013	**28,837**	**63,221**	**376**	**924**	**93,358**
Accumulated Amortization and Impairment Losses					
January 1, 2013	**(19,707)**	**(59,621)**	**(208)**	**(16,066)**	**(95,602)**
Amortization for the year	(2,054)	-	(36)	-	**(2,090)**
Disposals	160	42,418	-	16,066	**58,644**
Impairment losses	(3,628)	(11,325)	(76)	-	**(15,029)**
December 31, 2013	**(25,229)**	**(28,528)**	**(320)**	**-**	**(54,077)**
Carrying amount	**3,608**	**34,693**	**56**	**924**	**39,281**

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**

Additions to intangible assets include EUR 9 thousand of interest capitalized at an average borrowing rate of 6.81 percent in 2013 (in 2012, no capitalized interest was included in additions to intangible assets).

In 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. 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, 2013 or December 31, 2012.

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

Insurance

Intangible assets are not insured.

Emission allowances

The Company was entitled to free of charge allocations of CO_2 emission allowances by the Slovak Government which were not allocated by the end of 2013 (Note 32). The allowances the Company was entitled to receive were recognized as an other current asset as of December 31, 2013 in the amount of EUR 31,055 thousand (EUR 4.84 per allowance). The allowances are initially measured at fair value as of the allocation date (2012: EUR 8.82 per allowance). The allowances are revalued at the end of reporting period. European Climate 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.

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

	December 31, 2013	December 31, 2012
Emission allowances (intangible asset) (Note 7)	**34,693**	102,596
Emission allowances receivable from government (other current asset) (Note 15)	**31,055**	-
Liability for the obligation to deliver allowances (provision) (Note 18)	**40,645**	56,578

Fair value of intangible assets

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

December 31, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Emission allowances	34,693	-	-	**34,693**
Total	**34,693**	**-**	**-**	**34,693**

December 31, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Emission allowances	102,596	-	-	**102,596**
Total	**102,596**	**-**	**-**	**102,596**

During the year 2013 and 2012, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

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, 2013 and December 31, 2012.

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

Note 8 Investments

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

Entity, Place of incorporation, Principal activities		2013	2012
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)	**446**	234
	Equity	**4,240**	4,016
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit / (loss)	**94**	93
	Equity	**376**	374
RMS, a.s. Košice, Slovakia, Maintenance and vulcanization services, Refractory production			
	Ownership interest (%)	**76.01**	76.01
	Carrying amount	**1,995**	1,995
	Profit / (loss)	**2,471**	985
	Equity	**17,212**	14,741
U. S. Steel Services s.r.o., Slovakia, Various services			
	Ownership interest (%)	**99.96**	99.96
	Carrying amount	**1,804**	1,804
	Profit / (loss)	**352**	420
	Equity	**2,873**	2,919
OBAL-SERVIS, a.s. Košice, Slovakia, Packaging			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**6,055**	6,055
	Profit / (loss)	**262**	523
	Equity	**6,123**	6,332
U. S. Steel Europe – Bohemia a.s. , Czech Republic, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**318**	390
	Profit / (loss)	**61**	60
	Equity	**1,594**	2,113
U. S. Steel Europe – France S.A. [(1)], France, Steel trading			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit / (loss)	**21**	16
	Equity	**189**	184
U. S. Steel Europe – Germany GmbH[(1)], Germany, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**365**	410
	Profit / (loss)	**63**	(3)
	Equity	**1,288**	1,287
U. S. Steel Europe – Italy S.r.l. [(1)], Italy, Steel trading			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**110**	10
	Profit / (loss)	**9**	4
	Equity	**123**	14
Total carrying amount		**13,143**	13,160

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

[(1)] Financial information for the year 2013 is unaudited.

The change in carrying amounts of U. S. Steel Europe – Germany GmbH and U. S. Steel Europe – Bohemia a.s. as of December 31, 2013 relates to adjustments made in the provisions for impairment to the investments.

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

The Company increased base capital in U. S. Steel Europe – Italy S.r.l. by monetary contribution of EUR 100 thousand on June 27, 2013.

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, 2013 or December 31, 2012.

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 tax laws 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 22 percent as of December 31, 2013 (2012: 23 percent) due to amended tax legislation which decreased the corporate income tax rate from 23 percent to 22 percent effective January 1, 2014.

The tax effect of the movements in the temporary differences during year 2013 is as follows:

	January 1, 2013	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2013
Property, plant and equipment	**(15,040)**	90,569	-	**75,529**
Inventories	**4,242**	396	-	**4,638**
Employee benefits	**5,050**	67	158	**5,275**
Deferred charges	**506**	(413)	-	**93**
Provision for impairment to receivables	**3,034**	(184)	-	**2,850**
Unused tax loss 2009 , 2012 and 2013	**8,042**	7,848	-	**15,890**
Emission allowances transactions	**(10,584)**	5,220	-	**(5,364)**
Derivative financial instruments	**1,975**	-	(143)	**1,832**
Other items	**625**	939	-	**1,564**
Total	**(2,150)**	**104,442**	**15**	**102,307**
Deferred tax asset/(liability)	**(2,150)**			**102,307**

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)**

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

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

	December 31, 2013	December 31, 2012
Deferred tax to be realized within 12 months	**9,960**	3,465
Deferred tax to be realized after 12 months	**92,347**	(5,615)

The Company has unrecognized potential deferred tax assets of EUR 892 thousand related to subsidiaries as of December 31, 2013 (December 31, 2012: EUR 917 thousand).

Tax loss carryforward

By the end of 2013, the Company recognized a deferred tax asset for the tax losses in accordance with IAS 12 Income taxes. The 2013 cumulative tax loss amounted to EUR 72,226 thousand (December 31, 2012: EUR 34,965 thousand). The Company believes that it is probable that taxable profits will be available against which the deferred tax asset can be utilized. Furthermore, the Company has available tax planning opportunities which it intends to use.

Effective January 1, 2014, the Slovak Government enacted new tax legislation requiring that the accumulated tax losses for the years 2010 through 2013 be used proportionately in each of the following four years, 2014 through 2017. Also, beginning with 2014, any tax losses generated in one year must be used proportionately over the four years following the year in which they are generated.

Impairment of property, plant and equipment

By the end of 2013, the Company recognized a deferred tax asset for the impairment of property, plant and equipment in accordance with IAS 12 Income taxes. The Company believes that it is probable that taxable profits will be available against which the deferred tax asset can be utilized. Furthermore, the Company has available tax planning opportunities which it intends to use.

Note 10 Restricted Cash

	December 31, 2013	December 31, 2012
Cash restricted in its use - long-term portion	**3,948**	3,333
Cash restricted in its use - short-term portion	**14**	4,045
Total (Notes 28 and 29)	**3,962**	**7,378**

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, 2013	December 31, 2012
Raw materials	**162,897**	177,690
Work-in-progress	**44,123**	39,792
Semi-finished production	**54,922**	34,821
Finished products	**100,739**	84,216
Total	**362,681**	**336,519**

Inventory as of December 31, 2013 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 3,339 thousand (December 31, 2012: EUR 1,572 thousand). No inventories were pledged in favor of a creditor or restricted in use as of December 31, 2013 or December 31, 2012.

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

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

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2013	**1,006**	**208**	**28**	**330**	**1,572**
Allowance made	550	420	635	869	2,474
Allowance used	(289)	(71)	(29)	(354)	**(743)**
Allowance reversed	(2)	13	1	24	36
December 31, 2013	**1,265**	**570**	**635**	**869**	**3,339**

	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**

Note 12 Trade and Other Receivables

	December 31, 2013	December 31, 2012
Trade receivables	**328,285**	296,541
Related party accounts receivable (Note 31)	**2,008**	6,048
Total trade receivables (Note 29)	**330,293**	**302,589**
Advance payments made	**4,005**	6,025
VAT receivable	**34,962**	24,049
Other receivables	**667**	432
Trade and other receivables (gross)	**369,927**	**333,095**
Less provision for impairment to trade receivables	**(19,957)**	(15,552)
Less provision for impairment to other receivables	**(93)**	(107)
Trade and other receivables (net)	**349,877**	**317,436**
Long-term receivables	**-**	-
Short-term receivables	**349,877**	317,436

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2013 or December 31, 2012. 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 Company reclassified short-term receivables to long-term receivables in the amount of 4,711 thousand EUR as of December 31, 2013, due to restructuring process of business partner. Receivables were individually impaired in the full amount.

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

	December 31, 2013	December 31, 2012
EUR	**302,122**	274,014
USD	**14,471**	15,732
Other	**13,699**	12,843
Total	**330,293**	**302,589**

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

The structure of trade receivables is as follows:

	December 31, 2013	December 31, 2012
Receivables not yet due and not impaired	**294,038**	255,895
Receivables past due but not impaired	**14,290**	25,094
Receivables impaired	**19,957**	15,552
Trade receivables	**328,285**	**296,541**
Receivables not yet due and not impaired	**1,392**	2,936
Receivables past due but not impaired	**616**	3,112
Receivables impaired	**-**	-
Related party accounts receivable	**2,008**	**6,048**
Total	**330,293**	**302,589**

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

	December 31, 2013	December 31, 2012
No or low-risk counterparties	**147,114**	141,515
Marginal or high-risk counterparties	**146,924**	114,380
Trade receivables	**294,038**	**255,895**
No or low-risk counterparties	**1,049**	2,507
Marginal or high-risk counterparties	**343**	429
Related party accounts receivable	**1,392**	**2,936**
Total	**295,430**	**258,831**

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

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, 2013	December 31, 2012
Past due 0 – 30 days	**14,169**	21,022
Past due 30 – 90 days	**71**	4,060
Past due 90 – 180 days	**50**	12
Past due more than 180 days	**-**	-
Trade receivables	**14,290**	**25,094**
Past due 0 – 30 days	**-**	92
Past due 30 – 90 days	**-**	-
Past due 90 – 180 days	**-**	-
Past due more than 180 days	**616**	3,020
Related party accounts receivable	**616**	**3,112**
Total	**14,906**	**28,206**

Discounted present value of receivables past due is not materially different from their book values as of December 31, 2013 and 2012.

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

Ageing structure of trade receivables individually impaired is as follows:

	December 31, 2013	December 31, 2012
Not yet due	**1**	70
Past due 0 – 30 days	**1**	1,011
Past due 30 – 90 days	**1**	4
Past due 90 – 180 days	**79**	30
Past due 180 – 365 days	**313**	214
Past due over 365 days	**19,562**	14,223
Trade receivables	**19,957**	**15,552**
Not yet due	**-**	-
Past due 0 – 30 days	**-**	-
Past due 30 – 90 days	**-**	-
Past due 90 – 180 days	**-**	-
Past due 180 – 365 days	**-**	-
Past due over 365 days	**-**	-
Related party accounts receivable	**-**	**-**
Total	**19,957**	**15,552**

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, 2013	**15,552**	**-**	**106**	**-**	**15,658**
Provision made	4,579	-	2	-	**4,581**
Receivables written-off	(77)	-	-	-	**(77)**
Provision reversed	(97)	-	(15)	-	**(112)**
December 31, 2013	**19,957**	**-**	**93**	**-**	**20,050**

	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**

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

Accounts receivable totaling EUR 77 thousand were written off in 2013 (2012: EUR 11,008 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, 2013 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.

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

The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time. Fair value of hedging derivatives is determined using valuation techniques that utilize observable market data. Fair value of these forward foreign exchange contracts is determined using market forward exchange rates at the end of reporting period calculated from data obtained from Bloomberg and European Central Bank. The table below sets out fair values, at the end of the reporting period, of the Company's forward foreign exchange contracts:

	December 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards – cash flow hedges	-	8,326	165	8,753
Total	**-**	**8,326**	**165**	**8,753**

Balances as of December 31, 2013 and December 31, 2012 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, 2013 and with ING Bank N.V., Citibank Europe plc, PNC Bank, Commerzbank and The Bank of Nova Scotia as of December 31, 2012. Financial asset for each counterparty represents less than 30 percent of total financial assets. The ratings of the banks are A- and higher (according to Standard & Poor's) as of December 31, 2013 (December 31, 2012: A- and higher). Information about the fair value hierarchy as of December 31, 2013 is disclosed in Note 29.

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, 2013	December 31, 2012
Payable on settlement in EUR thousand	(239,965)	(317,362)
Receivable on settlement in USD thousand	319,500	408,000

Note 14 Cash and Cash Equivalents

	December 31, 2013	December 31, 2012
Cash on hand	**33**	33
Cash at bank	**193,735**	165,776
Total (Note 29)	**193,768**	**165,809**

Cash at bank earned approximately 0.08 percent per annum for EUR deposits, 0.09 percent per annum for USD deposits and 0.01 percent per annum for CZK deposits as of December 31, 2013 (December 31, 2012: 0.15 percent per annum for EUR deposits, 0.10 percent per annum for USD deposits and 0.19 percent per annum 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 1,484 thousand as of December 31, 2013 (December 31, 2012: EUR 1,703 thousand) and emission allowances receivable from the government the Company was entitled to as of December 31, 2013 in the amount of EUR 31,055 thousand. The emission allowances receivable was recognized at fair value based on the market price on the European Climate Exchange (EUR 4.84 per allowance) as of December 31, 2013.

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, 2013.

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

Other reserves

The movement in other reserves is as follows:

	Other capital funds	Legal reserve fund	Revaluation reserves	Total
January 1, 2013	**44**	**49,020**	**(6,000)**	**43,064**
Changes in fair value of derivative financial instruments	-	-	(719)	**(719)**
Contribution to legal reserve fund	-	1,383	-	**1,383**
December 31, 2013	**44**	**50,403**	**(6,719)**	**43,728**

	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**

As of December 31, 2013 and 2012, the closing balance of revaluation reserves consisted of revaluation reserve for derivative financial instruments. Remeasurements of post employment benefit obligations in 2013 are recognized in Retained Earnings.

Dividends

In 2012, 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, 2013 (December 31, 2012: no declared but unpaid dividends) (Notes 20 and 31).

Note 17 Long-Term Loans and Borrowings

	December 31, 2013	December 31, 2012
USD 500 million credit facility	195,875	204,738
EUR 200 million credit facility	-	-
	195,875	**204,738**
Current portion of the borrowings	-	-
Non-current portion of the borrowings	195,875	204,738

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 per annum 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, 2013, borrowings totaling USD 270 million (i.e. EUR 196 million using the exchange rate at the end of reporting period) were drawn against this facility (December 31, 2012: USD 270 million, i.e. EUR 205 million).

On July 15, 2013, the Company entered into a EUR 200 million three-year revolving unsecured credit facility that replaced a EUR 200 million three-year revolving unsecured credit facility which was set to expire in August 2013. 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, 2013, there were no borrowings against this credit facility (December 31, 2012: no borrowings against the replaced facility).

Carrying amounts of the borrowings as of December 31, 2013 and December 31, 2012 are measured at amortized costs. Fair values of the borrowings as of December 31, 2013 and December 31, 2012 approximate their carrying amounts.

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

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, 2013	**9,071**	**3,816**	**56,578**	**85**	**69,550**
Provision made	157	101	40,645	224	**41,127**
Provision used / reversed	(4,064)	(123)	(56,578)	(266)	**(61,031)**
December 31, 2013	**5,164**	**3,794**	**40,645**	**43**	**49,646**
Long-term provisions	5,150	-	-	-	**5,150**
Short-term provisions	14	3,794	40,645	43	**44,496**

	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**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2013 and 2012 was considered to be immaterial.

Provision reversals for the year 2013 and 2012 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 2013, the Company has four operating landfills; two for non-hazardous waste and two for hazardous waste. Reclamation of one non-hazardous and one hazardous landfill was completed and landfills were closed in 2012 and 2013. 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 2013. 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 Climate 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.

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

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.

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

	2013	2012
January 1	**22,072**	**20,100**
Total expense charged in profit or loss – pension	**2,762**	1,517
Total expense charged in profit or loss – jubilee	**252**	1,638
Total expense charged in profit or loss – termination	**-**	1,752
Remeasurements of post employment benefit obligations	**720**	-
Benefits paid	**(991)**	(2,935)
December 31	**24,815**	**22,072**
Long-term employee benefits payable	**23,408**	20,971
Short-term employee benefits payable	**1,407**	1,101

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

	December 31, 2013	December 31, 2012
Present value of the obligation – pension	**16,176**	17,561
Present value of the obligation – jubilee	**7,544**	7,972
Unrecognized actuarial gains	**-**	(2,910)
Remeasurements of post employment benefit obligations	**720**	-
Unrecognized past service costs	**375**	(551)
Total liability in the statement of financial position	**24,815**	**22,072**

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

	2013	2012
Current service costs – pension	**1,744**	575
Current service costs – jubilee	**355**	98
Current service costs – termination	**-**	1,752
Interest costs	**935**	978
Net actuarial losses / (gains) recognized	**(20)**	1,504
Remeasurements of post employment benefit obligations	**720**	-
Total	**3,734**	**4,907**

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:

	2013	2012
Discount rate	**4.50%**	3.75%
Annual wage and salary increases	**3.00%**	3.00%
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.

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

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 representing 24.9 percent (2012: 24.3 percent) of total salaries and other employee benefits up to a monthly salary ceiling of 3,930 EUR (2012: between EUR 1,154 to EUR 3,076). 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 2013 (2012: 1.7 percent).

Note 20 Trade and Other Payables

	December 31, 2013	December 31, 2012
Trade payables	**147,291**	116,720
Related party accounts payable (Note 31)	**26,026**	31,924
Assigned trade payables	**29,355**	17,503
Uninvoiced deliveries and other accrued expenses	**88,245**	70,463
Trade payables and accruals (Note 29)	**290,917**	**236,610**
Advance payments received	**2,164**	1,852
Liability to employees and social security institutions	**22,829**	22,510
VAT and other taxes and fees	**5,887**	8,406
Other payables	**4,377**	3,737
Total	**326,174**	**273,115**

Trade payables also include liability for discounts and rebates the Company will provide to the customers which fulfilled all requirements stated in sale contracts as of December 31, 2013.

	December 31, 2013	December 31, 2012
Short-term trade and other payables	**324,196**	273,115
Long-term trade and other payables	**1,978**	-
Total	**326,174**	**273,115**

Long-term trade and other payables represents retention portion of capital expenditures for which different due dates were agreed upon in trade contracts, longer than 12 months.

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

	December 31, 2013	December 31, 2012
Trade and other payables not yet due	**323,003**	268,575
Trade and other payables past due	**3,171**	4,540
Total	**326,174**	**273,115**

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

	December 31, 2013	December 31, 2012
EUR	**219,646**	157,745
USD	**61,467**	62,401
Other	**9,804**	16,464
Total	**290,917**	**236,610**

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

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

	2013	2012
Opening balance as of January 1	**(1)**	**59**
Company contribution (company costs)	**1,441**	1,389
Employees contribution (repayments)	**262**	273
Withdrawals	**(1,607)**	(1,722)
Closing balance as of December 31	**95**	**(1)**

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:

	2013	2012
Sales of own production	**2,179,601**	2,331,026
Sales of merchandise	**5,972**	7,041
Rendering of services	**17,399**	14,424
Total	**2,202,972**	**2,352,491**

In 2013 and 2012, sales of merchandise represent primarily sales of electricity.

<u>Other income</u>

Other income consists of the following:

	2013	2012
Amortization of deferred income - CO_2 emission allowances	**31,055**	95,202
Gain on disposal of property, plant and equipment and intangible assets	**309**	-
Gain on derivative financial instruments	**-**	26,198
Rental income	**1,959**	1,933
Income from contractual penalties	**440**	600
Other income	**5,944**	1,651
Total	**39,707**	**125,584**

Note 22 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2013	2012
Materials consumed	**(1,394,217)**	(1,506,947)
Energy consumed	**(145,817)**	(132,162)
Costs of merchandise sold	**(5,985)**	(7,044)
Changes in internal inventory	**43,012**	(25,120)
Inventory write-down allowance (Note 11)	**(2,510)**	(1,618)
Total	**(1,505,517)**	**(1,672,891)**

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

Note 23 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2013	2012
Wages and salaries	**(182,588)**	(176,817)
Profit sharing expense	**(1,512)**	(1,892)
Termination benefits (Note 19)	**-**	(1,752)
Social insurance – defined contribution plan (Note 19)	**(65,943)**	(62,592)
Other social expenses	**(12,362)**	(11,997)
Pension expenses – retirement and work and life jubilees (Note 19)	**(2,079)**	(2,177)
Total	**(264,484)**	**(257,227)**

The average number of the Company's employees for 2013 was 10,538 (2012: 10,850), out of which 255 were key management employees (2012: 253).

Note 24 Other Operating Expenses

Other operating expenses during 2013 are as follows:

	2013	2012
Packaging	**(15,707)**	(15,734)
Cleaning and waste disposal	**(8,941)**	(6,722)
Rent	**(2,092)**	(2,549)
Advertising and promotion	**(3,097)**	(2,818)
Intermediary fees	**(4,069)**	(4,582)
Training	**(1,789)**	(1,397)
Charge for provision for CO_2 emissions (Note 18)	**(40,645)**	(56,578)
Impairment of receivables – (loss) and receivables written-off (Note 12)	**(4,471)**	(667)
Loss on disposal of property, plant and equipment and intangible assets	**-**	(1,081)
Loss from derivative financial instruments	**(9,502)**	-
Real estate tax and other taxes	**(5,854)**	(3,637)
Laboratory and heat tests	**(6,098)**	(5,767)
Audit fees	**(668)**	(670)
Other services provided by the auditor	**(37)**	(20)
Other operating expenses [(1)]	**(87,433)**	(84,256)
Total	**(190,403)**	**(186,478)**

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

Note 25 Finance Income and Finance Cost

Finance income and finance cost during 2013 are as follows:

	2013	2012
Interest income	**93**	112
Interest expense	**(13,699)**	(18,346)
Total	**(13,606)**	**(18,234)**

Note 26 Income Taxes

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

	2013	2012
Current tax	**(15)**	(20)
Deferred tax (Note 9)	**104,442**	(3,288)
Total	**104,427**	**(3,308)**

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

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:

	2013	2012
Profit / (loss) before tax	**(473,314)**	**30,972**
Tax calculated at 23% tax rate	**108,862**	(5,885)
Non-deductible expenses	**(206)**	788
Impact of income tax change from 23% to 22%	**(4,560)**	717
Other	**331**	1,072
Tax credit / (charge)	**104,427**	**(3,308)**

The effective tax rate was 22 percent (2012: 11 percent).

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

	2013			2012		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative financial instruments	**(576)**	**(143)**	**(719)**	(30,975)	6,570	(24,405)
Remeasurement of post employment benefit obligations	(720)	158	(562)	-	-	-
Other comprehensive income	**(1,296)**	**15**	**(1,281)**	**(30,975)**	**6,570**	**(24,405)**
Current tax	-	-	-	-	-	-
Deferred tax (Note 9)	-	**15**	-	-	6,570	-
	-	**15**	-	-	**6,570**	-

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 2012.

The capital structure of the Company consists of debt (Note 17 and Note 31) totaling EUR 205,322 thousand as of December 31, 2013 (December 31, 2012: EUR 213,798 thousand) and equity (Note 16) totaling EUR 856,218 thousand as of December 31, 2013 (December 31, 2012: EUR 1,226,386 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, 2013 and December 31, 2012.

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). Overall financial risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the company's financial performance.

<u>Credit risk</u>

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 amounts are in thousands of EUR if not stated otherwise)

Credit risk is managed by the Credit and Collections Department. 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. Company management carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and related credit limits accordingly. Trade receivables are monitored on a daily basis for individual customers and groups of customers under common control. Overdue receivables are handled in accordance with established collection management practices such as reminders, phone contact, suspension of orders and shipments, customers visits and likewise.

Credit risk resulting from financial market transactions is minimized through diversification of financial activities between various financial institutions and determination of maximum limits for individual counterparties. Internal policy establishes a minimum acceptable credit rating for financial institutions. Ratings of banks are monitored on a monthly basis or if circumstances change. Ratings of the banks are A- and higher (according to Standard & Poor's or equivalent per Moody's).

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

December 31, 2013

	Derivative financial instruments	Loans and receivables
Trade receivables (Note 12)		
Trade receivables (net)	-	308,328
Related party accounts receivables (net)	-	2,008
Cash and cash equivalents (Note 14)		
ING Bank N.V.	-	72,932
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	26,225
Citibank (Slovakia) a.s.	-	45,338
Slovenská sporiteľňa, a.s.	-	49,187
Other banks	-	53
Cash on hand	-	33
Cash restricted in its use (Note 10)		
Slovenská sporiteľňa, a.s.	-	839
Všeobecná úverová banka, a.s.	-	2,797
COMMERZBANK Aktiengesellschaft, pobočka zahraničnej banky	-	326
Total	**-**	**508,066**

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
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**

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

Maximum exposure to credit risk at the reporting date is the carrying value of the above mentioned financial assets before consideration of collateral and other credit enhancements. The Company mitigates credit risk for approximately 85 percent (2012: 81 percent) of its revenues by requiring credit insurance, letters of credit, bank guarantees, prepayments or other collateral. Information about collateral or other credit enhancements is as follows:

	2013	2012
Credit insurance	**63 %**	60 %
Letters of credit and documentary collection	**8 %**	6 %
Bank guarantees	**4 %**	4 %
Other credit enhancements	**10 %**	11 %
Credit enhanced sales	**85 %**	81 %
Unsecured sales	**15 %**	19 %
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's 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. Company management monitors expected and actual cash flows and the cash position of the Company on a daily basis in accordance with approved internal policies and procedures. Excess funds are sometimes invested to liquid financial assets and time deposits not to exceed USD 125 million or equivalent in other currency for sole obligor. The investment exposure by country is also closely monitored.

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, and issuing of bank guarantees and letters of credit. As of December 31, 2013, the credit facility has been used in the amount of EUR 1,288 thousand for bank guarantees (December 31, 2012: EUR 1,464).

On July 15, 2013, the Company entered into a EUR 200 million three-year revolving unsecured credit facility, that replaced a EUR 200 million three-year revolving unsecured credit facility, which was scheduled to expire in August 2013. The EUR 200 million credit facility may be used until July 2016. As of December 31, 2013, there were no borrowings against this credit facility (December 31, 2012: no borrowings against the replaced credit facility).

On December 6, 2013, the Company entered into a EUR 10 million three-year credit facility. This credit facility may be used for drawing short-term loans, issuing of bank guarantees and letters of credit. As of December 31, 2013, the credit facility has been used in the amount of EUR 747 thousand for bank guarantees.

Within credit facilities, the Company draws loans with terms of not more than six months with interest fixed for each 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 2013, the Company did not draw any loans against these credit facilities (2012: EUR 401 million were drawn and EUR 501 million repaid). During 2012, individual loans were up to EUR 100 million with terms up to 8 days. Average daily borrowed amount was EUR 10 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 per annum, 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, 2013, borrowings totaling USD 270 million (i.e. EUR 196 million using the exchange rate at the end of reporting period) were drawn against this facility (December 31, 2012: USD 270, i.e. EUR 205 million). No amount was drawn in 2013 and in 2012 during which a USD 59, i.e. EUR 45 million was repaid.

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

During 2013, the Company drew short-term borrowings as a part of the Company's cash pooling strategy of EUR 84 million and repaid EUR 84 million. During 2012, the Company under these borrowings drew amount of EUR 68 million from which EUR 67 million was repaid. Borrowings drawn within the 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, 2014 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, 2013

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	193,768	-	-	**193,768**
Restricted cash	14	3,948	-	**3,962**
Trade receivables (net)	310,336	-	-	**310,336**
Derivative financial instruments	231,673	-	-	**231,673**
Total	**735,791**	**3,948**	**-**	**739,739**
Liabilities				
Trade payables and accruals	288,939	1,978	-	**290,917**
Derivative financial instruments	239,965	-	-	**239,965**
Loans and borrowings	22,855	222,950	-	**245,805**
Total	**551,759**	**224,928**	**-**	**776,687**

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**
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**

<u>Market risk</u>

a) Interest rate risk

The Company is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facility (Note 17). As the Company did not draw any variable interest rate borrowings in 2013, operating cash flow was not affected by changes in market interest rates. If the interest rate had been 1 percent higher/lower during 2012, it would have resulted in EUR 0.1 million higher/lower interest expense.

The Company's income is substantially independent of changes in market interest rates. The Company had no significant interest income other than that arising from short term bank deposits and cash at bank accounts as of December 31, 2013 and December 31, 2012.

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 fluctuation of exchange rates represents significant risk as the majority of sales are denominated in EUR, while purchases of strategic raw materials are mainly in USD.

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

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

December 31, 2013

	Cash and cash equivalents	Cash restricted in its use
EUR	170,505	3,962
USD	16,557	-
CZK	6,256	-
Other	450	-
Total	**193,768**	**3,962**

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**

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. Derivative hedging instruments are carried out in compliance with an approved hedging strategy and internal policy. Financial instruments are used exclusively for hedging of financial risk. Trading for speculative purposes is prohibited. The risk exposure, as determined by the analysis of income and expense structured by foreign currency, is hedged on the basis of highly probable cash flow forecast transactions. These cash flows are planned in the form of the annual business plan for the next 12 months and updated in line with quarterly short range forecasts or whenever new business circumstances occur. Management monitors the open positions on a monthly basis.

As of December 31, 2013, the Company had open USD forward purchase contracts for Euros (total notional value of approximately EUR 240 million; December 31, 2012: EUR 317 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, 2013, borrowings totaling USD 270 million (i.e. EUR 196 million using the exchange rate at the end of reporting period) were drawn against this facility (Note 17).

As of December 31, 2013, 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 26 million credit / EUR 21 million charge to total comprehensive income, mainly as a result of gains/losses from fair value of forward foreign exchange contracts, partially offset by foreign exchange losses/gains on translation on USD denominated borrowings

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.

c) Other price risk

In the normal course of its business, the Company is exposed to price fluctuations related to the production and sale of steel products. The Company is also exposed to price risk related to the purchase, production 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 London Metal Exchange 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.

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

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, 2013 or December 31, 2012.

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 *IAS 39 Financial Instruments: Recognition of Measurement*:

December 31, 2013

	Loans and receivables	Hedging derivatives	Financial assets available-for-sale	Total
Assets				
Shares at acquisition cost	-	-	259	**259**
Trade receivables (net)	308,328	-	-	**308,328**
Related party accounts receivables (net)	2,008	-	-	**2,008**
Cash and cash equivalents	193,768	-	-	**193,768**
Restricted cash	3,962	-	-	**3,962**
Total	**508,066**	**-**	**259**	**508,325**

	Hedging derivatives	Other financial liabilities	Total
Liabilities			
Non-current loans	-	195,875	**195,875**
Trade payables and accruals	-	290,917	**290,917**
Short-term borrowings	-	9,447	**9,447**
Derivative financial instruments	8,326	-	**8,326**
Total	**8,326**	**496,239**	**504,565**

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**
Short-term borrowings	-	9,060	**9,060**
Derivative financial instruments	8,753	-	**8,753**
Total	**8,753**	**450,408**	**459,161**

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

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

December 31, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Hedging derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**
Liabilities				
Hedging derivatives	-	8,326	-	**8,326**
Total	-	**8,326**	**-**	**8,326**

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**

During the year 2013 and 2012, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

All other financial instruments, with the exception of hedging derivatives, are measured at amortised cost as of December 31, 2013 and December 31, 2012. Fair values of these instruments as of December 31, 2013 and December 31, 2012 approximate their carrying amounts.

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:

	2013	2012
Not later than 1 year	**6,552**	5,922
Later than 1 year and not later than 5 years	**12,172**	22,475
Later than 5 years	**236**	15
Total	**18,960**	**28,412**

Capital Commitments

Capital expenditures of EUR 10 million had been committed under contractual arrangements as of December 31, 2013 (December 31, 2012: EUR 9 million).

Environmental Commitments

The Company is in compliance with environmental legislation. In 2013, the environmental expenses represented by air, water and solid waste pollution fees totaled approximately EUR 13 million (2012: EUR 12 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). Starting in 2013, the ETS began to employ centralized allocation, rather than national allocation plans, that are more stringent than the previous requirements.

The EU has imposed limitations under the ETS for the period 2013-2020 (Phase III) that are more stringent than those in NAP II, reducing the number of free allowances granted to campanies to cover their CO_2 emissions.

Best Available Techniques

The EU's Industry Emission Directive will require implementation of EU determined best available techniques (BAT's) to reduce environmental impacts as well as compliance with BAT associated emission levels. This directive includes operational requirements for air emissions, wastewater discharges, solid waste disposal and energy conservation, dictates certain operating practices and imposes stricter emission limits. Producers will be required to be in compliance with the iron and steel BAT by March 8, 2016, unless specific extensions are granted by the Slovak environmental authority. The Company is currently evaluating the costs of complying with BAT, but our most recent broad estimate of likely capital expenditures is EUR 154 million to EUR 193 million over the 2014 to 2016 period. This amount has been reduced from prior estimates due to the exclusion of a project to upgrade boilers at the power plant, which is discussed separately below, and because the Company now believes that can comply with certain of the BAT parameters without capital investments due to improved maintenance and operating practices. The Company is currently investigating the possibility of obtaining EU grants to fund a portion for these capital expenditures. The Company also believes there will be increased operating costs, such as increased energy and maintenance costs, but it is currently unable to reliably estimate them.

Due to other EU legislation, the Company will be required to make changes to the boilers at the steam and power generation plant in order to comply with stricter air emission limits. In January of 2014, the operation of the Company's boilers was approved by the European Commission as part of Slovakia's Transitional National Plan (TNP) for bringing all boilers in Slovakia into BAT compliance no later than 2020. The TNP establishes parameters for determining the date by which specific boilers are required to reach compliance with the new air standards, which has been determined to be October 2017 for Company's boilers. This gives the Company the flexibility of delaying the completion of the project to upgrade boilers to no later than that date, although the Company may choose to accelerate the implementation of this project in order to qualify for supplementary support payments as part of Slovakia's renewable energy program. This will result in a reduction in electricity costs once the project is completed. The current projected cost to reconstruct one existing boiler and build one new boiler to achieve compliance is broadly estimated at EUR 115 million.

Memorandum of Understanding

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 the Company. Some of the incentives the government of Slovakia agreed to provide include potential 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. There are many conditions and uncertainties regarding the grants, including matters controlled by the EU, but the value could be as much as EUR 75 million. In return, U. S. Steel agreed to achieve employment level reduction goals in the Company only through the use of natural attrition, except in cases of extreme economic conditions, as outlined in the current Collective Labor Agreement. U. S. Steel also agreed to pay the government of Slovakia specified declining amounts should U. S. Steel sell the Company within five years of signing the Memorandum of Understanding.

(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:

		2013	2012
U. S. Steel Global Holdings I B.V., Parent company			
	Expenses	**13,833**	17,176
	Borrowings	**195,875**	204,738
United States Steel Corporation, Ultimate parent company			
	Revenues	**2,288**	113,348
	Expenses	**82,855**	83,762
	Receivables	**639**	941
	Payables	**15,617**	22,021
U. S. Steel Serbia d.o.o., Company under common control of U. S. Steel			
	Revenues	**-**	7,068
	Expenses	**-**	969
USS International Services, LLC, Company under common control of U. S. Steel			
	Revenues	**3**	3
	Expenses	**6,233**	7,353
	Receivables	**259**	219
	Payables	**1,038**	1,229
U. S. Steel Canada Inc, Company under common control of U. S. Steel			
	Revenues	**29**	111
	Expenses	**30**	-
	Receivables	**50**	71
United States Steel International Inc, Company under common control of U. S. Steel			
	Revenues	**103**	123
	Receivables	**6**	5
Subsidiaries under control of the Company (Note 8)			
	Revenues	**5,613**	7,740
	Expenses	**83,812**	81,751
	Receivables	**1,054**	4,812
	Payables	**9,371**	8,674
	Borrowings	**9,447**	9,060
Total			
	Revenues	**8,036**	128,393
	Expenses	**186,763**	191,011
	Receivables	**2,008**	6,048
	Payables	**26,026**	31,924
	Borrowings	**205,322**	213,798

The balances of borrowings received from U. S. Steel Global Holdings I B.V. represent outstanding amounts under the long-term revolving unsecured credit facility (Note 17) as of December 31, 2013 and 2012. Expenses represent related interest costs only.

Transactions with United States Steel Corporation relate mainly to sales of slabs (2013: EUR 0; 2012: EUR 110,654 thousand), rendering of services (2013: EUR 2,288 thousand; 2012: EUR 2,694 thousand) and purchases of raw material. In January 2013, management decided to remove the Company from the scope of global implementation enterprise resource planning ("ERP") project and sold ERP modules to U. S. Steel Corporation in March 2013. The Company received proceeds in the amount of EUR 4,155 thousand.

Transactions with U. S. Steel Serbia d.o.o. represented 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).

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

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

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

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, 2014 with the option to be prolonged. During 2013, the Company under these borrowings credited its subsidiaries with amount of EUR 88 thousand and subsidiaries repaid amount of EUR 88 thousand. The Company also drew amount of EUR 84,243 thousand and repaid amount of EUR 83,861 thousand. During 2012, the Company under these borrowings credited its subsidiaries with amount of EUR 17,157 thousand from which amount of EUR 18,753 thousand was repaid as well as drew amount of EUR 68,195 thousand from which amount of EUR 67,113 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 2013 and 2012 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 2013 is included in the charges of EUR 6,419 thousand (2012: EUR 7,112 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:

	2013	**2012**
Wages and salaries	**11,857**	11,095
Profit sharing expense	**22**	27
Social security – defined contribution plan	**3,265**	2,668
Total	**15,144**	**13,790**

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

On January 29, 2014, the European Commission allocated 6,416,358 tons of CO_2 emission allowances for 2013 to the Company account in the National Registry of Emission Rights. The 2014 CO_2 emission allowances were credited to the Company account on February 28, 2014 in the volume of 6,304,029 tons.

On April 24, 2014, the Company delivered 8,397,752 CO_2 emission allowances for 2013 to the Slovak Government fulfilling its obligation for the first year of the Phase III period.

On May 23, 2014, Ministry of Environment of the Slovak Republic approved the Company's application for EU grants from Operational program Environment for the purpose of Casthouse Emissions Efficiency improvement project at Blast Furnaces No. 2 and 3 in the amount of EUR 8.8 million. The actual amount of the grant received will be based on 35 percent of the identified eligible costs actually incurred to complete the projects, up to the maximum approved funding level of EUR 8.8 million.

After December 31, 2013, no other significant events have occurred that would require recognition or disclosure in the 2013 financial statements.