

FINANCIAL REPORT 1998



EUROPEAN COMMISSION

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DG II — Financial Operations Service

Wagner Centre — Luxembourg

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Cataloguing data can be found at the end of this publication.

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ECSC

The European Coal and Steel Community was established under the Treaty signed in Paris on 18 April 1951 by Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands. The Treaty entered into force in 1952 for a period of 50 years and will expire on 23 July 2002. Denmark, Ireland and the United Kingdom became members of the ECSC on 1 January 1973, Greece on 1 January 1981, Spain and Portugal on 1 January 1986, and Austria, Finland and Sweden on 1 January 1995. The 15 member countries are referred to hereinafter as the 'Member States'.

Commission

The European Commission exercises the powers and responsibilities devolving upon the former High Authority in accordance with the rules laid down by the ECSC Treaty.

Since 23 January 1995, the Commission has comprised the following Members:

Mr Jacques Santer	President
Sir Leon Brittan	Vice-President
Mr Manuel Marín	Vice-President
Mr Martin Bangemann	Member
Mr Karel Van Miert	Member
Mr Hans van den Broek	Member
Mr João de Deus Pinheiro	Member
Mr Pádraig Flynn	Member
Mr Marcelino Oreja	Member
Mrs Anita Gradin	Member
Mrs Édith Cresson	Member
Mrs Ritt Bjerregaard	Member
Mrs Monika Wulf-Mathies	Member
Mr Neil Kinnock	Member
Mr Mario Monti	Member
Mr Franz Fischler	Member
Mrs Emma Bonino	Member
Mr Yves-Thibault de Silguy	Member
Mr Erkki Liikanen	Member
Mr Christos Papoutsis	Member

The lending/borrowing and ECSC investments sectors are the responsibility of Mr Yves-Thibault de Silguy.

Directorate- General for Economic and Financial Affairs

Directorate-General II — Financial Operations Service (FOS) conducts the ECSC's main financial operations under the authority of Mr Giovanni Ravasio, Director-General of DG II, and Mr Paul Goldschmidt, Director of the FOS.

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ECU

Pursuant to the Commission decision of 19 December 1980 ⁽¹⁾, the ecu replaced the EUA for operations under the ECSC Treaty as from 1 January 1981.

The ecu is a composite monetary unit made up of a basket of Community currencies. Since 1 November 1993, the date on which the Treaty on European Union entered into force, the composition of the ecu basket in terms of national currencies has been as follows:

BEF	3.301	FRF	1.332	ITL	151.8
DEM	0.6242	GBP	0.08784	LUF	0.130
DKK	0.1976	GRD	1.440	NLG	0.2198
ESP	6.885	IEP	0.008552	PTE	1.393

The value of the ecu in any currency is equal to the sum of the values in that currency of the amounts of each of the currencies making up the ecu.

The ecu conversion rates for the various Community currencies and some non-Community countries are given on page 33.

⁽¹⁾ OJ L 349, 23.12.1980.

Euro

Article 109j(4) ⁽²⁾ of the Treaty establishing the European Community laid down 1 January 1999 as the starting date for the third phase of economic and monetary union. On 3 May 1998, a Council meeting of the Heads of State or Government confirmed that Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland met the conditions required for adopting the single currency, the euro, from 1 January 1999. On 31 December 1998 ⁽³⁾, the Council fixed irrevocably the conversion rates between the euro and the currencies of the Member States which were to adopt it:

EUR 1 =	13.7603	Austrian schillings
	40.3399	Belgian francs
	1.95583	German marks
	166.386	Spanish pesetas
	5.94573	Finnish markkaa
	6.55957	French francs
	0.787564	Irish pounds
	1 936.27	Italian lire
	40.3399	Luxembourg francs
	2.20371	Dutch guilders
	200.482	Portuguese escudos

⁽²⁾ Article 121 of the consolidated version of the Treaty following the entry into force of the Treaty of Amsterdam on 1 May 1999.

⁽³⁾ Council Regulation (EC) No 2866/98 (OJ L 359, 31.12.1998).

Activity report

Economic background and developments in ECSC industries

Economic situation in the European Union in 1998

The buoyant economic recovery in the European Union, already observed in 1997, was able to withstand the worsening international environment and restore the optimism of industrialists and consumers. Thus the gross domestic product (GDP) of the EU increased at a rate of 2.9 % in 1998, a very slight improvement of 0.1 % compared with the forecasts. This growth was supported by domestic demand, which took over from exports and thus made up for the declining external contribution, which became negative owing to the worsening international economic situation, the impact of the crisis in South-East Asia being partly offset by lower interest rates and the fall in the prices of raw materials. These compensatory factors were, to some extent, the result of events in that part of the world.

The underlying domestic situation thus remained sound: good supply situation, improvement in the return on investment, and interest rates and inflation at historically low levels. The prospect of the introduction of the euro at the beginning of 1999 was an additional stability factor.

Growth in private consumption rose from 2 % in 1997 for the EU as a whole to 2.8 % in 1998, fuelled by the drop in the savings rate, moderate increases in real wages and the upward trend in job creation.

Private investment was revised upwards in most Member States, but, however, with some exceptions. Growth in capital expenditure on infrastructure was 6.4 % in 1998, and 7.0 % is forecast for 1999.

The situation on the employment market continued to improve: the number of jobs increased by 1.1 %, and unemployment looked set to decrease, although at a lower rate than the increase in jobs owing to the growth in the active population. The average unemployment rate in the Union in 1998 remained at 10 %.

The average rate of inflation in the EU, measured by the deflator of private consumption, fell from 2.1 % in 1997 to 1.5 % in 1998 and is set to remain at a low level in 1999. The rate of inflation for 1999 is expected to be only 1.3 % for the Union as a whole and 1.2 % for the 11 countries of the euro zone.

The average public-sector deficit in the EU in 1998 fell to 1.5 % of GDP following the Member States' consolidation efforts geared to meeting the Maastricht criteria.

Coal industry

In 1998, the European Community's coal industries continued to decline because Community coal was more expensive to produce than imported coal. The low price of coal imported into the Union was mainly the result of lower sea freight charges. Coal consumption also had to compete with other forms of energy, particularly gas and electricity, the markets for which had been liberalised, thus exerting further downward pressure on prices. The market outlook for 1999 was that total coal deliveries would further decline by 3 %. On the other hand, the market for coke, which had shown a slight increase in 1998, was expected to see a reduction of 15 % in deliveries in 1999, mainly as a result of the introduction of new technologies in steel manufacturing.

1. Hard coal production in the Member States fell to about 107 million tonnes in 1998, compared with 122.2 million tonnes in 1997. The forecasts for 1999 show a further drop of 15 million tonnes (– 12.5 %).

The fall in production in 1998 compared with 1997 was particularly marked in the United Kingdom and Germany (8 million and 5.7 million tonnes respectively, or – 17 % and – 11.2 %). It was some 0.9 million tonnes in France (– 15 %) and 0.5 million in Spain (– 2.8 %). In Germany, the fall in production was part of the restructuring plan devised to reduce the high level of aid in the face of the limited scope for reducing production costs.

The annual production forecasts for 1999 show that the decline in Community production is set to continue, with total production hardly reaching 100 million tonnes, which corresponds to a reduction of 6.2 %. The largest reduction is expected in the United Kingdom, where production should fall a further 15 % to about 33 million tonnes. In contrast, German production should increase slightly in 1999 as a result of mining activity in Saarland or in small mines. France and Spain will continue their restructuring measures.

2. Imports from non-member countries were 151.3 million tonnes, which meant that Community dependence was 58 %. In 1998, South Africa overtook the United States as the main exporter of coal to Europe. It was expected to supply nearly a quarter of Community coal imports, with 37 million tonnes (1 million more than previous estimates), of which 8 million were delivered to Germany and 5.5 million to Spain.

Import forecasts for 1999 are 136.1 million tonnes, down by more than 15 million tonnes (– 10 %) on 1998. It is worth noting the increasing importance of other suppliers, including Indonesia and Venezuela, which are beginning to make their presence felt on the international coal market.

3. Internal deliveries of hard coal in the Member States totalled 251.5 million tonnes in 1998 — a drop of 19.3 million (– 7.1 %) compared with the 1997 figure of 270.8 million. Economic growth in 1997 was less marked than in 1998, mainly as a result of the crisis in South-East Asia at the end of 1997, the effects of which did not spare the economies of the EU Member States.

As for the volume of deliveries in 1998 by sector, the greatest reduction was in deliveries to power stations — 15 million tonnes (– 8 %) less than the 187.2 million delivered in 1997.

The breakdown of deliveries by country shows that most of the changes reflect the activity of power stations. This situation is well

illustrated by the case of the United Kingdom, where overall deliveries increased by 2.5 million tonnes while deliveries to power stations rose by 3 million, this being offset by reductions in other sectors.

- Supplies of coal to coke ovens in 1998 were expected to reach 48.8 million tonnes.
- In contrast, supplies of coal to the steel industry were expected to decrease. The steel industry definitely benefited from a renewal of stocks and growth in 1997, whereas growth slowed in 1998.
- Deliveries of coal to the 'other industries' sector decreased, totalling only 16.1 million tonnes. This was 3 million tonnes (– 20 %) less than in 1997.

For 1999, deliveries in the Member States are estimated at about 244.1 million tonnes, 7.4 million tonnes (– 3 %) down on 1998. This drop should mainly affect the electricity-producing sector and, to a lesser extent, coke ovens; slight reductions are also expected in other sectors.

4. State aid

Aid to the coal industry is governed by the provisions of Decision No 3632/93/ECSC (1) establishing Community rules for State aid to the coal industry for the period from 1994 to the expiry of the ECSC Treaty in July 2002.

Aid granted may be regarded as compatible with the proper functioning of the single market if it helps to achieve at least one of the following objectives:

- to make, in the light of coal prices on international markets, further progress towards economic viability with the aim of reducing aid;
- to solve the social and regional problems created by total closure or reductions in the activity of production units;
- to help the coal industry adjust to environmental protection standards.

The decision also contains provisions to increase the transparency of the existing aid system. At the end of a three-year transitional period (which expired on 31 December 1996), aid is to be authorised only if it is entered in Member States' national, regional or local public budgets or channelled through strictly equivalent mechanisms. In addition, since the beginning of 1994, all aid received by companies must be shown in their profit and loss accounts as a separate item of revenue, distinct from turnover.

- On 3 June 1998, the Commission authorised Spain to grant a total of ESP 438 000 million for the financial years 1997 and 1998 and as supplementary aid for 1994, 1995 and 1996. Similarly, on 10 June 1998, the Commission authorised Germany to pay DEM 10 400 million in aid for 1997. On the other hand, the Commission was unable to authorise the aid notified by France for 1997 and 1998.

(1) OJ L 329, 30.12.1993, p. 12.

- Furthermore, a large number of complaints dealing with the European coal market were lodged with the Commission. The Commission adopted a decision addressed to Germany concerning the improper use of State aid following a complaint lodged at the end of 1996 by a UK anthracite producer.
- On 20 July 1998, an appeal against the Commission was lodged with the Court of First Instance of the European Communities with a view to annulling the Commission decision of 10 June 1998 on German aid to the coal industry.

Iron and steel industry

The marked improvement in general economic conditions in the European Union in 1998, initially helped along by an excellent international economic climate, gradually restored confidence among EU steel producers and consumers, resulting in increased orders and improved utilisation of capacities. The motor industry was constantly improving its performance, the mechanical engineering and electrical industries had for some time been expanding at a high rate and even the construction sector showed signs of recovery.

However, EU steel producers, while regarding the situation on the Community steel market as very favourable, nevertheless were primarily concerned by the increasing supply from certain non-member countries, which could upset the balance of the market and adversely affect price stability. Indeed, the first signs of contagion by the Asian crisis were first felt towards the end of the second half of the year, resulting in a gradual deterioration of market conditions and a slowdown in the activity of most steel-consuming sectors.

In view of this, after the significant rise (+ 8 %) in 1997 and a remarkable upward trend throughout the first six months of 1998, EU steel production gradually slowed and levelled off during the third quarter of that year. Following a decrease of 11.6 % during the fourth quarter, Community steel production for the year was 159.6 million tonnes, barely 0.1 % more than in 1997.

At the same time, the maximum production potential (MPP) for crude steel was forecast to bottom out at 198.8 million tonnes before reversing the downward trend of the past four years and rising steadily to 204.2 million tonnes by 2001, which corresponds to an annual growth of 1.8 million tonnes, of which 42 % will be produced by electric-arc furnaces. This upward trend will be observed in all the countries except Luxembourg, where the MPP will remain at the same level, and Sweden and Spain, where it will decline.

Similarly, the MPP for continuous casting was forecast to continue rising until 2001, with continuous-cast steel being more widely used in the manufacture of long products, which until recently were produced by the ingot process. It was expected to total 190 million tonnes, which means that 93 % of all Community steel will be continuous-cast in 2001.

The MPP for hot-rolled products was 182.1 million tonnes in 1998 and was forecast to rise to 186.2 million tonnes in 2001, with hot-rolled wide strip accounting for three quarters of this increase. The forecasts were

thus revised upwards in relation to those in the 1997 report.

The production potential for cold-rolled sheet was expected to remain stable at 56 million tonnes, while the MPP for metal-coated sheet — particularly by the hot-dip process, which is tending to replace uncoated sheet — should continue its upward trend.

Capital expenditure in the steel industry in 1998 totalled about ECU 4 375 million, which was a substantial increase on 1997 (ECU 3 875 million).

ECSC lending and guarantee operations

General trend in 1998

In June 1994 ⁽¹⁾, in view of the expiry of the ECSC Treaty in July 2002, the Commission readjusted its borrowing/lending policy under the Treaty. The granting of new loans out of borrowed funds was gradually reduced and was virtually nil in 1997 (except for certain exceptional cases covered by government guarantees).

The financing of workers' housing is to come to an end with the 12th programme. The payment of the 1998 tranche (ECU 20.5 million) was the last under this programme.

Breakdown by Member State of loans disbursed in 1998

(million ECU)

Member State	I			Total I	II	III	Total I + II + III
	Coal industry (Article 54, paragraph 1)	Iron and steel industry (Article 54, paragraph 1)	Other (Article 54, paragraph 2)		Industrial conversion (Article 56)	Workers' housing (Article 54, paragraph 2)	
Belgium						0.8	0.8
Denmark						0.0	0.0
Germany						5.9	5.9
Greece						0.1	0.1
Spain						4.6	4.6
France						1.9	1.9
Ireland						0.0	0.0
Italy						1.5	1.5
Luxembourg						0.3	0.3
Netherlands						—	—
Austria						3.6	3.6
Portugal						0.2	0.2
Finland						0.8	0.8
Sweden						—	—
United Kingdom						0.8	0.8
Community						20.5	20.5
Non-Community						—	—
Total	0	0	0	0	0	20.5	20.5

Since the start of its financial activity, the ECSC has disbursed loans amounting to ECU 23 480 million, of which ECU 22 980 million was out of borrowed funds and ECU 503.3 million was out of own funds (special reserve and former pension fund).

With the guarantees granted during the same period (ECU 92.1 million), the total of ECSC financial activity was ECU 23 570 million.

⁽¹⁾ OJ C 175, 28.6.1994

Loans to finance industrial investment (Article 54 of the ECSC Treaty)

(million ECU)

Member State	Total loans disbursed at 31 December 1997	New loans in 1998	Total loans disbursed at 31 December 1998	Amount outstanding at 31 December 1998
Belgium	415.5		415.5	22.6
Denmark	498.3		498.3	86.6
Germany	3 849.2		3 849.2	115.5
Greece	103.4		103.4	85.7
Spain	572.7		572.7	53.8
France	2 778.6		2 778.6	133.8
Ireland	29.2		29.2	1.7
Italy	2 416.4		2 416.4	260.2
Luxembourg	351.7		351.7	104.1
Netherlands	498.3		498.3	50.6
Austria	71.9		71.9	72.6
Portugal	233.8		233.8	123.5
Finland	—		—	0.0
Sweden	23.5		23.5	0.0
United Kingdom	3 394.3		3 394.3	66.6
Community	15 236.8		15 236.8	1 177.3
Non-Community	375.4		375.4	—
Total	15 612.2		15 612.2	1 177.3

Industrial conversion loans (Article 56 of the ECSC Treaty)

(million ECU)

Member State	Total loans disbursed at 31 December 1997	New loans in 1998	Total loans disbursed at 31 December 1998	Amount outstanding at 31 December 1998
Belgium	255.0		255.0	46.7
Denmark	9.6		9.6	0.0
Germany	2 470.3		2 470.3	196.9
Greece	—		—	0.0
Spain	115.0		115.0	23.9
France	1 026.6		1 026.6	430.3
Ireland	5.4		5.4	0.0
Italy	711.1		711.1	279.9
Luxembourg	57.3		57.3	11.2
Netherlands	43.2		43.2	0.0
Austria	4.2		4.2	4.2
Portugal	9.9		9.9	10.0
Finland	—		—	0.0
Sweden	—		—	0.0
United Kingdom	2 433.9		2 433.9	344.9
Total	7 141.5		7 141.5	1 348.0

Loans to finance industrial investment in the central and east European countries (CEECs) (Article 95 of the ECSC Treaty)

(million ECU)

Member State	Total loans disbursed at 31 December 1997	New loans in 1998	Total loans disbursed at 31 December 1998	Amount outstanding at 31 December 1998
Poland	40.7		40.7	40.7
Romania	16.7		16.7	16.7
Total	57.4	0	57.4	57.4

Financing of workers' housing (Article 54, paragraph 2, of the ECSC Treaty)

The Commission continued its disbursements under the 12th ECSC workers' housing programme, paying out ECU 20.5 million in 1998.

Loans granted under this scheme are funded from the ECSC's own resources. They are granted on a long-term basis at a rate of 1 % per annum, generally in the currency of the recipient country.

The Commission was thus able to finance 5 258 low-cost housing units in 1998, bringing the number of dwellings financed since the ECSC began its activity in this field to 223 858.

This 12th programme, with funding of ECU 74 million, will be the last to be implemented by the Commission under the ECSC Treaty.

The 1998 tranche was the last under this programme.

Loans for workers' housing

(million ECU)

Member State	Total loans disbursed at 31 December 1997	New loans in 1998	Total loans disbursed at 31 December 1998	Amount outstanding at 31 December 1998
Belgium	53.2	0.8	54.0	8.8
Denmark	2.0	0.0	2.0	0.2
Germany	277.8	5.9	283.7	78.4
Greece	1.0	0.1	1.1	0.7
Spain	13.3	4.6	17.9	14.2
France	72.7	1.9	74.6	21.1
Ireland	1.4	0.0	1.4	0.5
Italy	130.0	1.5	131.5	32.5
Luxembourg	9.2	0.3	9.5	1.5
Netherlands	22.7	—	22.7	1.9
Austria	0.9	3.6	4.5	4.5
Portugal	1.2	0.2	1.4	1.0
Finland	—	0.8	0.8	0.8
Sweden	—	—	—	—
United Kingdom	49.0	0.8	49.8	15.5
Total	634.4	20.5	654.9	181.6

Loans for workers' housing — disbursement history

(million ECU)

Member State	1993	1994	1995	1996	1997	1998
Belgium	—	0.2	1.5	1.1	0.4	0.8
Denmark	—	—	—	0.1	0.0	0.0
Germany	7.4	6.0	7.9	9.7	8.2	5.9
Greece	0.2	0.0	—	0.2	0.0	0.1
Spain	0.7	0.4	0.4	3.6	1.6	4.6
France	0.9	0.5	2.4	1.8	1.9	1.9
Ireland	—	0.1	0.1	0.0	0.0	0.0
Italy	3.3	1.4	—	1.9	1.8	1.5
Luxembourg	0.1	—	—	0.2	0.0	0.3
Netherlands	—	—	—	0.2	0.2	—
Austria	—	—	—	—	0.9	3.6
Portugal	0.3	0.0	—	0.2	—	0.2
Finland	—	—	—	—	—	0.8
Sweden	—	—	—	—	—	—
United Kingdom	—	0.1	1.8	0.4	2.9	0.8
Total	12.9	8.7	14.1	19.4	17.9	20.5

ECSC borrowing operations

In 1998, despite the steep increase in the volume of issues on the bond markets (USD 1 046 000 million, taking all types of borrowing and currencies together, i.e. about 20 % up on 1997), mainly as a result of the expected introduction of the euro, the ECSC did not engage in any borrowing activity owing to the forthcoming expiry of the ECSC Treaty.

Its activity was confined to managing existing borrowings, which amounted to ECU 2 805.7 million at 31 December 1998 (see table below).

Total ECSC borrowings at 31 December 1998

(million ECU)

Borrowing currency	Total borrowings received at 31 December 1997	Total borrowings received 1 January 1998 to 31 December 1998	Total borrowings received at 31 December 1998	Repayments	Amount outstanding at 31 December 1998
ECU	809.6		809.6	809.6	0.0
ATS	3.6		3.6	0.0	3.6
BEF	627.1		627.1	558.0	69.1
DEM	9 132.0		9 132.0	8 358.4	773.6
ESP	297.3		297.3	221.2	76.0
FRF	1 468.7		1 468.7	995.3	473.4
GBP	1 708.3		1 708.3	1 075.6	632.7
ITL	1 603.5		1 603.5	1 340.6	262.9
LUF	711.2		711.2	595.9	115.3
NLG	565.1		565.1	560.3	4.8
PTE	206.5		206.5	73.1	133.4
RE	50.9		50.9	50.9	0.0
ERE	92.6		92.6	92.6	0.0
CAD	99.8		99.8	99.8	0.0
CHF	2 072.5		2 072.5	2 067.4	5.1
YEN	445.8		445.8	361.5	84.3
USD	4 756.2		4 756.2	4 584.7	171.5
Total	24 650.7		24 650.7	21 844.9	2 805.7

Other ECSC activities

Redeployment aid (Article 56(1)(c) and (2)(b) of the ECSC Treaty)

Traditional and supplementary aid

Redeployment aid is an essential social complement to the European Union's industrial policy in the ECSC sectors. When permanent closures, cutbacks or changes in activity or, in the case of the coal industry, the introduction of new technologies or production processes lead to job losses, the European Union endeavours to mitigate the social repercussions for the workers, mainly through redeployment measures. It thus helps to finance aid to limit income losses for the workers affected.

The aid is granted under arrangements set out in bilateral agreements and takes account of the recipients' circumstances (early retirement, unemployment, transfer, or retraining).

The average maximum amount granted per worker is ECU 3 000. However, all ECSC payments are conditional on payment by the Member State concerned of at least an equivalent contribution.

In addition to this 'traditional' system of aid under Article 56(1)(c) and (2)(b) of the Treaty, the ECSC has stepped up its operations in the coal sector.

In application of its decision of 25 June 1997 to launch a programme of supplementary social measures to accompany the restructuring of the coal industry for the period from 1998 to 1999 (possibly, depending on the available funds, to be extended to 2002 if the needs warrant it), the Commission stepped up Community co-financing of schemes to help miners who lose their jobs as a result of restructuring: payments for early retirement, unemployment (including redundancy payments and severance grants) or redeployment (allowances for loss of earnings, mobility allowances, etc.). The supplementary aid thus granted amounts to an average of more than ECU 4 000 per worker taking early retirement and ECU 2 000 for those who become unemployed or are redeployed.

In the steel sector, the supplementary programme (social measures for steel, 1993-95) having been completed, the Commission did not earmark any additional amounts but paid out aid to which it was already committed.

The tables in the annex show the breakdown of recipients by Member State and amounts granted in 1997 in the form of 'traditional' aid, aid under the supplementary 'coal' programme and the cumulative situation as at 31 December for the past two years (including the supplementary 'steel' programme).

Steel industry research (Article 55 of the ECSC Treaty)

1. Research and technological development

In 1998, the ECSC's steel research and technological development (RDT) programme was granted ECU 56 million for the funding of research and pilot/demonstration projects under Article 55 of the ECSC Treaty (aid for steel research).

The Commission selected and financed 54 research projects from the 174 proposals received and 15 pilot and demonstration projects from the 36 proposals received which were seeking financial support.

Funding for the research projects totalled ECU 38.6 million and for the pilot and demonstration projects ECU 16.6 million.

Financial aid for the research projects breaks down by domain as follows:

- reduction of iron ores: 15.7 %; steelmaking: 22.7 %; rolling: 19.8 %;
- properties and performance: 35.6 %;
- measurement and analyses: 6.2 %.

Financial aid for the pilot and demonstration projects breaks down by domain as follows:

- iron- and steelmaking: 18.8 %; continuous casting: 27.7 %;
- rolling and product treatment: 36 %; on-line control: 15.2 %;
- steel structures: 2.2 %.

The main aims of these projects are to reduce production costs, improve the quality and performance of products, promote the use of steel, extend the areas of application of steel, adapt production conditions to environmental requirements, develop new processes and test innovatory applications.

Six research projects and one pilot/demonstration project, for a total of ECU 6.6 million, will have an environmental impact in terms of recycling and waste monitoring (cooling fluids, dust, fumes, etc.).

The ECSC's steel RDT programme can also finance projects to reduce harmful effects at the workplace and around steel plants. With a view to meeting these requirements, the Commission financed, from the 54 projects selected, four research projects and two pilot/demonstration projects for a total of ECU 4 million.

2. Accompanying and support measures

These measures for supplementing or coordinating the research activities are intended to increase the effectiveness of the programme.

They were allocated ECU 0.8 million in 1998.

In addition to the publication of the results of the ECSC's steel RDT

- programme, the Commission financed a number of international events:
- two conferences — one in Luxembourg on 'Progress in analytical chemistry in the metalworking industry' and the other in Madrid on 'Continuous casting mechanisms';
 - three interprofessional meetings, attended by about 300 scientific experts and researchers working in the sector, on the application of artificial neural network systems in the steel industry, measurement techniques in the production of pig-iron, and on-line inspection of narrow steel strip.

The Commission also promoted an information day on new developments in stainless steels and two symposia on progress and trends in the microalloyed low-carbon and very-low-carbon steels sector.

Furthermore, again with a view to extending contacts among researchers in order to promote and encourage the dissemination of information on the ECSC's steel RDT programme, a homepage is now available on the Internet (<http://www.cordis.lu/ecsc-steel/home.html>), and an information bulletin entitled *Steel RTD Newsletter* was launched in June 1998.

Coal industry research (Article 55 of the ECSC Treaty)

In the field of technical coal research, 23 projects were granted financial support under Article 55 of the ECSC Treaty for a total of ECU 27 367 772, plus ECU 632 228 for the dissemination of research results and associated costs.

The main aims of the projects were effective protection of the environment, raising public awareness of coal as an energy source, improving the competitive position of coal, and the rational use of Community resources. Of the total of ECU 27 367 772 of approved aid, ECU 13 003 225 (47.5 %) was earmarked for research projects having a specific environmental impact and ECU 3 358 458 (12.3 %) for projects relating to health and safety in mines.

The financial aid breaks down by field of research as follows:

	Aid	
	ECU	%
Mining technology		
— Excavation systems	1 638 574	6.0
— Firedamp, ventilation, climate	1 729 884	6.3
— Mine infrastructure	3 492 651	12.8
— Mine management	1 334 988	4.9
Total 'mining technology'	8 196 097	30.0
Coal use		
— Coal preparation	3 017 815	11.0
— Uses of coal in metal production	3 294 456	12.0
— Upgrading of coal	1 499 064	5.5
— Coal combustion and gasification	11 360 340	41.5
Total 'use'	19 171 675	70.0
Total	27 367 772	100.0

Out-turn of the ECSC operating budget

Over the past decade, the ECSC budget rose from ECU 547 million in 1988 to peak at ECU 596 million in 1993 before beginning a downward trend which is set to continue until the expiry of the ECSC Treaty in 2002.

The breakdown of resources and expenditure in the 1998 budget is shown below.

In addition to its borrowing and lending activities, the ECSC finances a number of measures from its operating budget.

Revenue

The High Authority (the Commission) is empowered to raise the funds needed to carry out its mandate by setting a levy on the production of coal and steel.

However, the Commission decided to set the rate of the levy at 0 % in 1998, since the provisions entered in the ECSC balance sheet at 31 December 1997 were deemed sufficient to maintain the ECSC's budgetary activity at the appropriate level until the expiry of the Treaty.

The resources used to finance the ECSC budget in 1998 came from:

1. the 'net balance' of financial operations, particularly interest from the investment of the cash, reserves and other provisions entered in the ECSC balance sheet;
2. the cancellation of commitments which were not implemented;
3. fines;
4. miscellaneous resources.

For 1998, these types of revenue were, respectively, ECU 38 million, ECU 134 million, ECU 7 million and ECU 6 million.

In 1998, the revenue of the ECSC operating budget therefore totalled ECU 185 million.

Expenditure

The revenue of the operating budget is intended to cover the various types of expenditure provided for by the ECSC Treaty.

1. Social aid

Under Article 56(1)(c) and (2)(b) of the ECSC Treaty, ECU 70 million was spent in 1998 on social redeployment aid for ECSC workers (traditional redeployment measures and social measures for the coal industry).

Under the terms of Article 56, when permanent closures, cutbacks or changes of activity lead to job losses, the European Union endeavours, particularly through redeployment measures, to mitigate the social repercussions for the workers concerned. It thus helps to finance aid to provide income support for the workers affected.

The granting of social aid is contingent upon payment by the Member State concerned of a special contribution of at least an equivalent amount.

Social aid is granted under arrangements set out in the bilateral agreements concluded with the Member States (early retirement, unemployment, transfer and retraining).

2. Aid for research

Under Article 55 of the ECSC Treaty, ECU 84 million was committed in 1998 to aid for technical research in the steel and coal sectors.

The main aims of aid for steel research (ECU 56 million) are to reduce production costs, improve the quality and performance of products, promote the use of steel and develop new fields of application, and bring production conditions into line with environmental requirements.

In the field of coal research (ECU 28 million), the main aims are to reduce production costs, increase underground and surface productivity, improve safety and working conditions, maintain new markets and, above all, improve the utilisation of coal with a view to better protecting the environment.

3. Conversion aid

In accordance with the Commission's decision to gear ECSC borrowing/lending policy to the expiry of the Treaty (*), 1997 was the last year in which the ECSC financed interest subsidies on conversion loans.

In addition, since no assent was forthcoming from the Council, it was not possible to use the ECU 30 million provided for in 1998 (Article 95 of the ECSC Treaty) to top up from the ECSC budget the amounts allocated to the Community initiatives Rechar II and Resider II.

4. Provision for the financing of the ECSC operating budget

The resources available and not utilised in 1998, which amount to ECU 26 million, will be set aside to be used as and when required, as from 1999, to offset the fact that the ECSC levy has been set at 0 %.

(*) OJ C 175, 28.6.1994.

Out-turn of the ECSC operating budget for 1998

(million ECU)

Requirements			Resources		
Operations to be financed from current resources (not reimbursable)	Forecast	Out-turn	Resources for the financial year	Forecast	Out-turn
1. Administrative expenditure	5.0	5.0	1. Current resources		
			1.1. Yield from levy at 0.00 %	0.0	0.0
2. Redeployment aid (Article 56)	70.0	43.1	1.2. Net balance	55.0	38.4
			1.3. Fines and surcharges for late payment	p.m.	6.7
3. Aid for research (Article 55)	84.0	84.0	1.4. Miscellaneous	5.0	5.6
3.1. Steel research	56.0	56.0			
3.2. Coal research	28.0	28.0	2. Cancellation of commitments	84.0	134.2
3.3. Social research	p.m.	0.0			
4. Conversion aid (Article 95)	30.0	0.0	3. Unused resources carried over from previous year	p.m.	0.0
5. Social measures, steel (Article 56)	p.m.	0.0	4. Withdrawal from provision for financing the operating budget	75.0	0.0
6. Social measures, coal (Article 56)	30.0	26.8	5. Extraordinary resources	p.m.	0.0
7. Provision for financing future operating budgets	0.0	26.0			
Total	219.0	184.9	Total	219.0	184.9

ECSC financial statements

ECSC financial statements

The ECSC's balance sheet, profit and loss account and statement of the allocation of profit for the year ending 31 December 1998 were submitted to the Commission for approval under written procedure No E/99/823 of 9 June 1999 and are shown in this financial report as approved by the Commission.

Balance sheets at 31 December 1998

(amounts in ecus) — before allocation of surplus

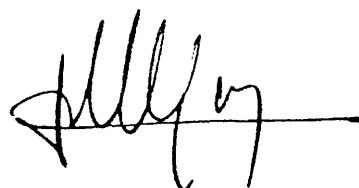
Assets

	31 December 1998	31 December 1997
Balances with central banks (Note 3)	27 373	555 027
Loans and advances:		
— repayable on demand	5 687 189	6 355 643
— with agreed maturity dates or periods of notice (Note 4)	400 672 394	367 368 554
— loans (Note 4.2)	1 249 393 642	1 746 786 240
Total	1 655 753 225	2 120 510 437
Loans and advances to customers (Note 5):		
— loans	1 583 902 933	1 836 139 393
— levy	732 880	2 141 909
— fines	90 001 060	72 785 575
— credit	6 039 382	14 927 351
Total	1 680 676 255	1 925 994 228
Financial assets (Note 6):		
— issued by public bodies	1 133 982 993	1 302 095 776
— issued by other borrowers	390 437 998	321 410 542
Shares and similar securities	34 770 301	—
Total	1 559 191 292	1 623 506 318
Tangible and intangible assets (Note 7)	1 293 461	2 623 844
Other assets (Note 8)	8 083 389	87 399 574
Prepayments and accrued income (Note 9)	121 505 439	169 427 311
Total assets	5 026 530 434	5 930 016 739
Off-balance-sheet commitments (Note 26)	372 924 076	590 786 635

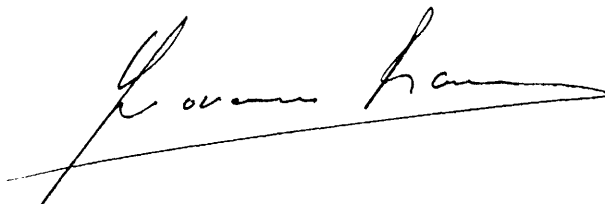
Liabilities

	31 December 1998	31 December 1997
Liabilities vis-à-vis third parties		
Amounts owed to credit institutions:		
— repayable on demand	244	—
— with agreed maturity dates or periods of notice	—	45 239
— borrowings (Note 10)	1 847 546 788	2 277 664 834
Total	1 847 547 032	2 277 710 073
Debts evidenced by certificates (Note 11)	958 179 659	1 359 610 749
Other liabilities (Note 12)	29 591 303	12 788 060
Accruals and deferred income (Note 13)	93 919 208	121 190 289
Provisions for liabilities and charges (Note 14)	122 906 181	87 376 377
Commitments for the ECSC operating budget (Note 15)	695 662 822	853 779 193
Total liabilities vis-à-vis third parties	3 747 806 205	4 712 454 741
Net position		
Provisions for financing the ECSC operating budget (Note 16)	476 042 442	441 712 926
Provisions for major exposures (Note 17)	23 000 000	27 000 000
Reserves (Note 18):		
— Guarantee Fund	530 000 000	500 000 000
— special reserve	176 055 284	176 055 284
— former pension fund	71 285 439	69 622 926
Total	777 340 723	745 678 210
Value adjustment reserve	—	313 119
Surplus brought forward	1 195 230	537 606
Surplus for the financial year (Note 19)	1 145 834	2 320 137
Net total	1 278 724 229	1 217 561 998
Total liabilities	5 026 530 434	5 930 016 739
Off-balance-sheet commitments (Note 26)	497 605 519	712 444 915

European Coal and Steel Community



Y.-T. de SILGUY
Member of the Commission



G. RAVASIO
Director-General
Economic and Financial Affairs

Profit and loss accounts for the year ending 31 December 1998

(amounts in ecus)

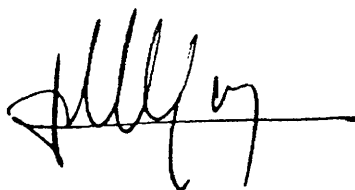
Charges

	1998 financial year	1997 financial year
Interest payable and similar charges (Note 20)	232 061 730	331 419 509
Commissions payable	561 449	844 743
Net losses on financial operations:		
— foreign-exchange losses	171	31 292
— losses on financial assets	17 752 113	1 622 062
— value adjustments in respect of financial assets (Note 6)	55 704 738	14 278 026
Total	73 457 022	15 931 380
Administrative expenditure (Note 21)	5 000 000	5 000 000
Value adjustments in respect of tangible assets (Note 7)	407 994	573 251
Other operating charges (Note 22)	267 708	382 650
Value adjustments: loans, advances, provisions:		
— value adjustments for loans and advances	32 334 370	372 189
— allocation to the provision for liabilities and charges (Note 14)	30 102 913	8 818 500
Total	62 437 283	9 190 689
Total operating charges	374 193 186	363 342 222
Extraordinary charges	137 845	580 380
Conversion difference	2 735 343	746 892
Legal commitments for the financial year (Note 15)	153 992 955	180 869 553
Allocation to the provisions for financing the ECSC operating budget (Note 16)	26 000 000	274 000 000
Allocation to the Guarantee Fund (Note 18)	30 000 000	31 256 356
Total charges	587 059 329	850 795 403
Surplus for the financial year (Note 19)	1 145 834	2 320 137
Total	588 205 163	853 115 540

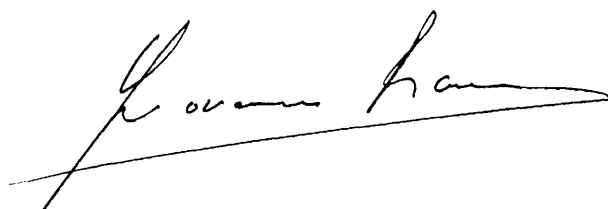
Income

	1998 financial year	1997 financial year
Interest receivable and similar income (Note 23) (including interest on fixed-income securities: 78 459 620 in 1998 and 84 157 839 in 1997)	346 079 959	420 240 962
Net profit on financial operations:		
— foreign-exchange profits	257 775	36 600
— profits on financial assets	12 386 190	10 665 375
— withdrawal of value adjustments in respect of financial assets (Note 6)	11 882 835	2 533 921
Total	24 526 800	13 235 896
Withdrawal of value adjustments in respect of loans and advances and provisions:		
— withdrawal of value adjustments in respect of loans and advances	63 963 378	37 198 844
— withdrawal from the provision for major exposures (Note 17)	4 000 000	9 000 000
Total	67 963 378	46 198 844
Other operating income (Note 24)	2 729 291	22 507 685
Extraordinary income	22 262	—
Total operating income	441 321 690	502 183 387
Withdrawal from the value adjustment reserve	313 119	746 892
Income relating to the ECSC operating budget (Note 25)	146 570 354	301 054 072
Withdrawal from the provision for financing the ECSC operating budget (Note 16)		49 131 189
Total income	588 205 163	853 115 540

European Coal and Steel Community



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Member of the Commission



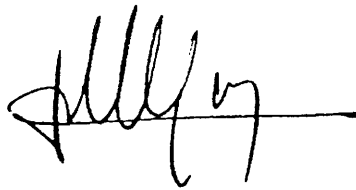
G. RAVASIO
Director-General
Economic and Financial Affairs

Allocation of the surplus for the year ending 31 December 1998

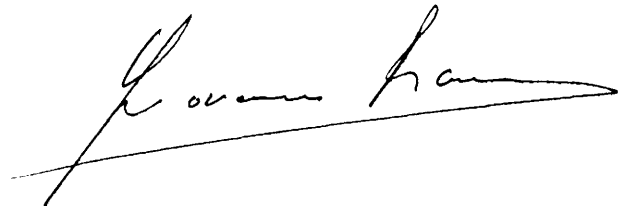
(amounts in ecus)

	1998 financial year	1997 financial year
Surplus not allocated at 1 January	1 195 230	537 606
Surplus for the year to be allocated	1 145 834	2 320 137
Total	2 341 064	2 857 743
Allocation to the former pension fund (Note 18)	1 674 223	1 662 513
Surplus not allocated at 31 December	666 841	1 195 230

European Coal and Steel Community



Y.-T. de SILGUY
Member of the Commission



G. RAVASIO
*Director-General
Economic and Financial Affairs*

Notes relating to the financial statements at 31 December 1998

(amounts in ecus)

1. Presentation of the financial statements

The European Coal and Steel Community (ECSC) was established by the Treaty of 18 April 1951. According to the Treaty, the task of the ECSC is to contribute to the economic expansion of the Member States through the establishment of a common market for coal and steel. Since the ECSC Treaty is due to expire on 23 July 2002, the rate of the ECSC levy was reduced to zero in 1998 (Commission decision of 23 December 1997), and the ECSC lending activity has been virtually discontinued since July 1997 (Commission decision of 22 June 1994). Thus most of the ECSC's funds now come from the net balance achieved in the management of the various reserves and provisions.

The ECSC's financial statements at 31 December 1998 are presented in accordance with Council Directives 78/660/EEC and 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions ^(*).

ECSC accounts are kept in the various currencies used for its financial activity. The financial statements are expressed in ecus.

^(*) OJ L 222, 14.8.1978 and OJ L 372, 31.12.1986.

The following rates have been used for converting year-end balance-sheet amounts expressed in national currency into ecus:

	31 December	
	1998	1997
Austrian schilling	13.76030	13.9020
Belgian and Luxembourg francs	40.3399	40.7675
German mark	1.95583	1.97632
Danish krone	7.44878	7.52797
Spanish peseta	166.386	167.388
Finnish markka	5.94573	5.98726
French franc	6.55957	6.61214
Pound sterling	0.705455	0.666755
Greek drachma	329.689	312.039
Irish pound	0.787564	0.771961
Italian lira	1 936.27	1 942.03
Dutch guilder	2.20371	2.22742
Portuguese escudo	200.482	202.137
Swedish krona	9.48803	8.73234
Canadian dollar	1.80613	1.58256
Swiss franc	1.60778	1.60553
Japanese yen	132.800	143.680
United States dollar	1.16675	1.10421

At 31 December 1998 the various currencies listed above, together with the ecu, made up the ECSC's balance sheet as follows:

(ECU)

Currency	Assets	Liabilities
ECU	1 167 020 649	1 863 091 129
Austrian schilling	44 034 166	3 702 982
Belgian franc	126 164 697	77 171 989
German mark	959 419 309	807 585 927
Spanish peseta	121 479 377	78 212 738
Finnish markka	870 878	0
French franc	800 737 451	574 589 511
Irish pound	966 793	0
Italian lira	300 108 832	264 812 940
Luxembourg franc	129 182 221	120 294 732
Dutch guilder	61 469 282	5 106 708
Portuguese escudo	141 684 725	140 586 054
Subtotal	3 853 138 380	3 935 154 710
Danish krone	696 352	0
Pound sterling	811 867 016	727 005 212
Greek drachma	1 166 651	2 002
Swedish krona	259 227	0
Swiss franc	5 286 193	5 281 416
Japanese yen	84 906 684	84 880 148
United States dollar	269 209 931	274 206 946
Total	5 026 530 434	5 026 530 434

Notes:

The ecu has a much larger place in the ECSC's accounts than suggested by the above table.

This is explained by certain accounting operations, mainly the offsetting of accounts receivable and payable relating to currency swaps.

The offsetting of these items on the assets and liabilities sides is designed to prevent artificial inflation of the balance sheet.

This accounting operation is carried out in ecus and involved a total of ECU 169 388 841 in 1998.

The real weight of the ecu in the ECSC's accounts can therefore be assessed more accurately if this amount is added both to the assets and to the liabilities sides of the balance sheet.

2. Accounting principles and methods

The financial statements are drawn up in accordance with generally recognised accounting principles.

Charges and income for the financial year are converted into ecus at the monthly accounting rate in force on the day of the transaction.

3. Balances with central banks

This item represents the ECSC's balances with the central banks of certain Member States.

4. Loans and advances to credit institutions

4.1. With agreed maturity dates or periods of notice

The breakdown of the remaining time to maturity of these operations is as follows:

(ECU)

	31 December	
	1998	1997
Up to three months	390 192 760	361 076 698
Three months to one year	10 479 634	6 291 856
Total	400 672 394	367 368 554

4.2. Loans

The breakdown of the remaining time to maturity of these operations is as follows:

(ECU)

	31 December	
	1998	1997
Up to three months	54 614 003	172 233 077
Three months to one year	275 119 394	324 131 965
One to five years	827 990 889	1 149 308 488
Over five years	91 669 356	101 112 710
Total	1 249 393 642	1 746 786 240

5. Loans and advances to customers

5.1. Loans

The loans granted to credit institutions are shown under 'Loans and advances to credit institutions' (see Note 4).

The other loans break down as follows:

		(ECU)	
		31 December	
		1998	1997
1. Loans disbursed from borrowed funds			
— Amounts outstanding		1 648 424 166	1 943 860 811
— Value adjustments		– 129 626 942	– 170 220 655
	Subtotal	1 518 797 224	1 773 640 156
2. Loans from the special reserve and other own funds for financing subsidised housing			
		23 693 878	20 235 203
	Interim total	1 542 491 102	1 793 875 359
The breakdown of these loans by time remaining to maturity is as follows at 31 December.			
	1998	1997	
Up to three months	19 462 330	84 129 143	
Three months to one year	90 966 387	55 848 217	
One to five years	1 074 090 693	1 007 507 068	
Over five years	487 598 634	816 611 585	
3. Loans paid from the former pension fund to officials of the European Communities for housing construction		41 160 654	41 539 969
4. Loan repayments overdue and interest on arrears			
— Amounts outstanding		251 177	724 065
	Grand total	1 583 902 933	1 836 139 393

NB: Loans are generally guaranteed by Member States, banks or businesses or by mortgages.

5.2. *Lewy*

The 1998 levy rate was 0 %, so the claims at 31 December 1998 therefore refer to previous years.

Before value adjustment, this item amounted to ECU 7 488 192 at 31 December 1998 (ECU 9 165 606 at 31 December 1997). It comprised, in particular, ECU 5 958 532 subject to legal proceedings (ECU 6 342 867 at 31 December 1997) and ECU 42 261 relating to temporary deferment in respect of coal in stock (ECU 282 491 at 31 December 1997).

Payment of the levy in respect of coal in stock is temporarily deferred under a general decision taken in 1972.

5.3. *Fines*

This item contains the Commission's claims on companies fined in accordance with the rules set out in the Treaty.

After value adjustment, it amounts to ECU 90 001 060 (ECU 72 785 575 at 31 December 1997).

This item has two main components.

A fine totalling ECU 104 364 350 that the Commission imposed on steel companies for infringing the rules on competition in the marketing of steel beams (Decision 94/215/ECSC (*) of 16 February 1994). ECU 32 151 350 has been paid in fines under this decision, against which appeals have been lodged with the Court of First Instance by virtually all the companies concerned.

A fine totalling ECU 27 380 000 was imposed by the Commission (Decision 98/247/ECSC (**) of 21 January 1998) under Article 65 of the Treaty on steel companies for concerted agreement on the formula for calculating the alloy surcharge. Payments totalling ECU 14 740 000 have been received, while two thirds of the companies affected by the decision have lodged appeals with the Court of First Instance.

5.4. *Interest subsidies to be recovered*

This item comprises claims on companies in receipt of a subsidised loan which the Commission has been obliged to ask to reimburse all or part of the interest subsidy already paid.

(*) OJ L 116, 6.5.1994.
(**) OJ L 100, 1.4.1998

6. Financial assets

The ECSC internal rules imposing the obligation to exercise due caution stipulate that portfolio investments are to be confined to securities issued by first-ranking entities. However, in 1998, by way of exception, the ECSC acquired shares and other variable-income securities from a private-sector company under an agreement to restructure the debt of a defaulting debtor.

6.1. Valuation

Bonds, other fixed-income securities and shares and similar securities are valued at the average purchase price or the market value obtaining at the end of the financial year, whichever is the lower.

This principle is not applied in the case of securities considered as financial

6.2. Composition

Bonds and other fixed-income securities break down as follows:

(ECU)

	Value adjustments on bonds and other fixed-income securities (withdrawal)	31 December	
		1998	1997
(a) Bonds			
Issued by public bodies			
Gross value		1 114 016 464	1 306 255 040
Value adjustments	- 2 195 917	- 1 963 347	- 4 159 264
Net value		1 112 053 117	1 302 095 776
Own-debt securities			
Gross value		22 028 111	89 033 938
Value adjustments	- 9 686 918	- 98 235	- 9 785 153
Net value		21 929 876	79 248 785
Issued by other borrowers			
Gross value		390 861 607	242 495 366
Value adjustments	90 000	- 423 609	- 333 609
Net value		390 437 998	242 161 757
Total bonds			
Gross value		1 526 906 182	1 637 784 344
Value adjustments	- 11 792 835	- 2 485 191	- 14 278 026
Net value		1 524 420 991	1 623 506 318
(b) Shares and similar securities (*)			
Gross value		90 385 039	0
Value adjustments	55 614 738	- 55 614 738	0
Net value		34 770 301	0
Grand total			
Gross value		1 617 291 221	1 637 784 344
Value adjustments	43 821 903	- 58 099 929	- 14 278 026
Net value		1 559 191 292	1 623 506 318

(*) These shares and securities were received by the ECSC on signing a plan to restructure the debt of a defaulting debtor

6.3. Maturities in 1999

Securities in the portfolio reaching final maturity during 1999 represent the following amounts (ECU):

Issued by public bodies	515 733 748
Own-debt securities	1 737 802
Issued by other borrowers	58 014 123
Total	575 485 673

6.4. Listed/unlisted securities

The securities portfolio comprises ECU 1 455 715 767 of securities with a stock-exchange listing, the balance of ECU 103 475 525 being unlisted securities.

6.5. Financial fixed assets

6.5.1. Financial fixed assets are defined as securities that will remain in the portfolio until their final maturity.

They comprise mainly short-term paper and own-debt securities repurchased for servicing ECSC borrowings.

6.5.2. Financial fixed assets are valued at the average purchase price or redemption value, whichever is the lower.

The redemption value of these securities is less than the average purchase price by a total of ECU 911 682.

6.5.3. Financial fixed assets are made up as follows (ECU):

Issued by public bodies	76 276 763
Own-debt securities	19 660 077
Issued by other borrowers	25 672 081
Total	121 608 921

7. Tangible and intangible assets

(ECU)

	Year of acquisition	Acquisition price	31 December 1997 Net value	Operations during the year			31 December 1998 Net value
				Acquisitions	Net book value of disposals	Amortisation	
Tangible assets							
— Lisbon	1986-93	2 670 796	1 040 075	—	—	224 892	815 183
— Canberra	1987	2 511 059	970 935	—	922 389	48 546	0
— Windhoek	1992	802 172	372 862	—	—	74 568	298 294
			2 383 872	—	922 389	348 006	1 113 477
Intangible assets							
— Lease on Milan building	1986	879 882	239 972	—	—	59 988	179 984
Total tangible and intangible assets			2 623 844		922 389	407 994	1 293 461

The various buildings owned by the ECSC were originally leased to the European Community. The rent paid on such leases provided a return on the funds invested by the ECSC.

Under the terms of the leases, in 1994 and 1995, the Commission repaid the outstanding principal due to the ECSC with a view to transferring ownership officially from the ECSC to the European Community.

The transfer of ownership of the building in Canberra was completed in 1998.

For the ECSC, this transaction generated a capital gain of ECU 954 130, this being the difference between the transfer price (ECU 1 876 519) and the net book value (ECU 922 389) at the date of transfer.

As regards the other buildings, pending the completion of the legal formalities for the transfer of ownership that are currently being conducted with the competent authorities, the advances received from the European Community feature on the liabilities side of the balance sheet for a total of ECU 3 191 060 (Note 12).

8. Other assets

(ECU)

	31 December	
	1998	1997
Exchange value in ecus of the difference between currency receivable and payable under currency exchange operations (swaps) ⁽¹⁾	—	79 710 355
Portfolio taxes and VAT to be reclaimed	2 619 620	2 890 676
Loans to officials	5 423 399	4 777 265
Miscellaneous	40 370	21 278
Total	8 083 389	87 399 574

(1) See Note 12.

9. Prepayments and accrued income

(ECU)

	31 December	
	1998	1997
Interest accrued on loans and swaps	78 722 077	88 543 207
Interest accrued on deposits and securities portfolio	39 676 408	45 429 135
Levy declared for current and previous years, but payable after 31 December (Note 25)	—	26 209 470
Issuing costs and redemption premiums	6 897 774	9 245 499
	125 296 259	169 427 311
Cumulative value adjustments	- 3 790 820	—
Total	121 505 439	169 427 311

10. Amounts owed to credit institutions

The remaining time to maturity on these operations is as follows:

(ECU)

	31 December	
	1998	1997
Repayable on demand	244	—
Up to three months	154 270 850	147 072 173
Three months to one year	329 368 744	246 407 737
One to five years	1 326 792 455	1 831 349 202
Over five years	37 114 739	52 880 961
Total	1 847 547 032	2 277 710 073

11. Debts evidenced by certificates

Part of the borrowings outstanding at 31 December 1998 will reach maturity during the 1999 financial year. These borrowings total ECU 5 336 981.

12. Other liabilities

(ECU)

	31 December	
	1998	1997
Exchange value in ecus of the difference between currency receivable and payable under currency exchange operations (swaps) ⁽¹⁾	14 945 315	—
Current account, ECSC operating budget	7 276 488	3 572 400
Advance payments for transfer of buildings ⁽²⁾	3 191 060	5 067 579
Other	4 178 440	4 148 081
Total	29 591 303	12 788 060

⁽¹⁾ See Note 8.

⁽²⁾ In accordance with the possibility offered under the decision of 11 June 1992, in the course of 1994 and 1995 the Commission had made advance payments in respect of the transfer of the buildings leased to it by the ECSC (Note 7).

13. Accruals and deferred income

(ECU)

	31 December	
	1998	1997
Interest on borrowings and credit lines	87 650 053	111 943 954
Commissions on loans	189 976	233 001
Issuing premiums	6 079 179	9 013 334
Total	93 919 208	121 190 289

14. Provision for liabilities and charges

(ECU)

	31 December 1997	Operations in 1998			31 December 1998
		Allocation	Withdrawal	Exchange-rate movement	
Provision for withholding tax to be paid ⁽¹⁾	6 125 674	274 402	—	65 667	6 465 743
Provision for interest rate risk ⁽²⁾	43 254 269	28 278 573	—	- 2 708 775	68 824 067
Provision for special costs relating to banking activities ⁽³⁾	200 000	—	—	—	200 000
Provision for appeal against Decision 94/215/ECSC ⁽⁴⁾	37 796 434	1 332 875	—	—	39 129 309
Provision for appeal against Decision 98/247/ECSC ⁽⁵⁾	—	8 287 062	—	—	8 287 062
Total	87 376 377	38 172 912	—	- 2 643 108	122 906 181

(¹) This provision was created to allow the ECSC to meet its obligations in respect of a securities transaction on which there is a difference of interpretation regarding the applicability of withholding tax.

(²) Following the default of one borrower, long-term securities issued by the ECSC (i.e. with a maturity date after 2002) are no longer paired with asset items bearing an equivalent interest rate. Under the principle of caution and in view of the expiry of the ECSC Treaty in 2002, a provision has been constituted to fully cover interest rate risks.

(³) This provision was created to cover any legal costs and other unforeseen expenditure. The risk in question is primarily in the legal field because the ECSC has less recourse, for its operations, to national agents who bear all expenditure relating to loan operations.

(⁴) This provision was created from the fines paid under Decision 94/215/ECSC of 16 February 1994 to cover the possible reimbursement of the amounts received should the Court of First Instance rule in favour of the companies which have appealed against this Decision (Note 5.3).

(⁵) This provision was created from the fines paid under Decision 98/247/ECSC of 21 January 1998 to cover the possible reimbursement of the amounts received should the Court of First Instance rule in favour of the companies which have appealed against this Decision (Note 5.3).

15. Commitments for the ECSC operating budget

In 1998, commitments for the ECSC operating budget were as follows:

	<i>(ECU)</i>				
	Commitments at 31 December 1997	New legal commitments	Payments	Cancellations	Commitments at 31 December 1998
Redeployment	263 072 660	43 148 955	53 406 909	41 511 742	211 302 964
Research	186 545 883	84 000 000	60 336 616	3 567 314	206 641 953
Interest subsidies (Article 54)	3 521 399	—	909 477	—	2 611 922
Interest subsidies (Article 56)	210 127 154	—	26 389 880	56 127 021	127 610 253
Social measures: steel industry	111 130 244	—	13 183 228	18 021 517	79 925 499
Social measures: coal industry (Rechar)	79 381 853	26 844 000	23 639 478	15 016 144	67 570 231
Total	853 779 193	153 992 955	177 865 588	134 243 738	695 662 822

16. Provision for financing the ECSC operating budget

(ECU)

	Provisions at 31 December 1997	Operations during the year		Provisions at 31 December 1998
		Withdrawal	Allocation	
Budgetary contingency reserve ⁽¹⁾	80 000 000	—		80 000 000
Provision for financing future operating budgets ⁽²⁾	274 000 000	—	26 000 000	300 000 000
Impact on the result		—	26 000 000	
Provision for late-payment fines and surcharges to be paid subsequently ⁽³⁾	72 785 575	—	17 215 485	90 001 060
Provision for subsidies to be recovered ⁽³⁾	14 927 351	8 885 969		6 041 382
Total	441 712 926			476 042 442

⁽¹⁾ This reserve is intended to cover any differences between expenditure committed and income generated by activities during the budget period. The provision has been increased in view of the abolition of the levy and the expiry of the ECSC Treaty in 2002.

⁽²⁾ This provision was constituted as a precautionary measure from the 1997 budget period onwards. It was prompted by the reduction of the levy to 0 % from 1998 and the need to plan for the regular financing of future operational budgets until 2002.

⁽³⁾ Fines and interest subsidies whose repayment has been requested are considered as ECSC resources only when they have actually been paid. Fines imposed but not yet paid and interest subsidies whose repayment has been requested are therefore allocated to provisions.

17. Provision for large exposures

Against the background of the expiry of the ECSC Treaty in 2002 and the gradual reduction in outstanding loans, exposure is becoming increasingly concentrated on a limited number of large loans (these large exposures are defined in accordance with Directive 92/121/EEC of 21 December 1992 on the monitoring and control of large exposures).

The provision for large exposures concerns loans exceeding 25 % of the ECSC's own funds which are not covered by first-rate guarantees.

It is intended to provide cover specifically for this concentration of risk and enable the ECSC to weather any major default.

The provision, calculated on the basis of outstanding large exposures at 31 December 1998 and according to a procedure recommended by a firm of international experts, totals ECU 23 million.

18. Reserves

(ECU)

	Reserves at 31 December 1997 after allocation	Allocation (withdrawal)	Reserves at 31 December 1998 before allocation	Allocations at 31 December 1998	Reserves at 31 December 1998 after allocation
Guarantee Fund	500 000 000	30 000 000	530 000 000	—	530 000 000
Special reserve	176 055 284	—	176 055 284	—	176 055 284
Former pension fund	71 285 439	—	71 285 439	1 674 223	72 959 662
Total	747 340 723	30 000 000	777 340 723	1 674 223	779 014 946

The Guarantee Fund is intended to cover lending and borrowing operations. After allocation of ECU 30 million, the Guarantee Fund totalled ECU 530 million at 31 December 1998. This reinforcing of the Guarantee Fund is connected with the forthcoming expiry of the ECSC Treaty.

On 11 September 1996, the Commission confirmed its intention of maintaining reserves to cover 100 % of those loans outstanding after 23 July 2002 which are not guaranteed by the government of a Member State. This means that the reserves (Guarantee Fund and provisions) must be gradually increased to approximately ECU 730 million.

In view of (a) the regular decrease in the amounts outstanding up to and after 23 July 2002 and (b) the increase in the Guarantee Fund, the solvency ratio can be expected to depart from the 14 to 16 % range laid down during the period of continuous operation and move towards 100 %.

The ECSC's solvency ratio thus increased from 28 % at 31 December 1997 to 33 % at 31 December 1998.

The special reserve is used to grant loans from ECSC own funds to finance subsidised housing.

Lastly, the former pension fund originally represented the ECSC's total pension obligations prior to 5 March 1968. Since that date, the Member States have assumed responsibility, via the general budget, for the payment of staff pensions. This fund is used to finance housing loans for officials of the European Communities and has also been used to grant special loans to the coal and steel industries.

19. Analysis of the result for the financial year

Overall ECSC performance is influenced by both the result of non-budgetary operations (lending/borrowing — investment — exchange rate variations) and the out-turn of the ECSC operating budget.

19.1. Non-budgetary operations

(ECU)

Result	31 December	
	1998	1997
Gross operating margin before changes in provisions		
— Lending/borrowing operations	15 129 889	–3 029 327
— Interest on bank accounts	17 797 802	28 622 820
— Transactions concerning portfolio securities	32 845 995	81 422 198
— Miscellaneous	–2 044 464	–1 499 987
Total	63 729 222	105 515 704
Net changes in provisions		
— Provision for liabilities and charges ⁽¹⁾	–30 102 913	–8 818 500
— Provision for major exposures ⁽²⁾	4 000 000	9 000 000
— Reserve for exchange differences ⁽³⁾	313 118	746 892
— Value adjustments in respect of loans and advances	31 629 008	36 826 654
Result of non-budgetary operations	69 568 435	143 270 750
Amount allocated to financing the operating budget ⁽⁴⁾	–38 422 601	–109 694 257
Result after deducting the net balance allocated to the operating budget	31 145 834	33 576 493

⁽¹⁾ Note 14.

⁽²⁾ Note 17.

⁽³⁾ During 1998, changes in exchange rates led to an exchange loss of ECU 2 735 343, which was offset by a withdrawal from the value adjustment reserve (ECU 313 118).

⁽⁴⁾ In accordance with the change of accounting method on 31 December 1992, income received during the 1998 financial year has been allocated to financing the 1998 operating budget (net balance as in Note 19.2).

19.2. Out-turn of the ECSC operating budget

(ECU)

	31 December	
	1998	1997
Out-turn of the budget		
Expenditure		
— Administrative expenditure (Note 21)	5 000 000	5 000 000
— Legal commitments (Note 15)	153 992 955	180 869 553
— Financing of future operating budgets	26 000 000	274 000 000
Total	184 992 955	459 869 553
Revenue (net amounts)		
— Levy (Note 25)	—	101 640 567
— Fines (Note 25)	6 686 169	—
— Interest subsidies (Note 25)	4 808 477	4 168 145
— Miscellaneous (Note 25)	831 970	—
— Cancellations of legal commitments (Note 25)	134 243 738	195 235 395
— Surplus from the previous budget (Note 16)	—	49 131 189
— Net balance for the year (Note 19.1)	38 422 601	109 694 257
Total	184 992 955	459 869 553
Budget out-turn	0	0

19.3. Result for the financial year

(ECU)

	31 December	
	1998	1997
Result from non-budgetary operations after deducting the net balance allocated to the operating budget (Note 19.1)	31 145 834	33 576 493
Out-turn of the budget (Note 19.2)	0	0
Total	31 145 834	33 576 493
Allocation to provisions for financing the operating budget/budgetary contingencies (Note 16)	—	—
Allocation to the Guarantee Fund (Note 18)	—30 000 000	—31 256 356
Result before allocation	1 145 834	2 320 137

20. Interest and similar charges

(ECU)

	31 December	
	1998	1997
Interest on loans and swaps	229 569 814	329 439 704
Bank interest	15 769	36 150
Issuing costs and redemption premiums	2 476 147	1 943 655
Total	232 061 730	331 419 509

21. Administrative expenditure

The ECSC paid a lump sum of ECU 5 million to the general budget of the European Commission to cover its administrative expenditure.

22. Other operating charges

(ECU)

	31 December	
	1998	1997
Borrowing costs	27 159	90 620
SWIFT/Reuters charges	205 013	173 665
Other	35 536	118 365
Total	267 708	382 650

23. Interest received and similar income

(ECU)

	31 December	
	1998	1997
Interest on loans and swaps	242 206 441	305 580 385
Payment and redemption premiums	3 809 968	1 657 860
Bank interest	17 997 505	28 844 878
Interest on financial assets	82 066 045	84 157 839
Total	346 079 959	420 240 962

24. Other operating income

(ECU)

	31 December	
	1998	1997
Lapsed coupons and bonds	27 964	36 351
Other income from lending activities	1 744 517	22 124 702
Miscellaneous	956 810	346 632
Total	2 729 291	22 507 685

25. Income relating to the operating budget

(ECU)

	31 December	
	1998	1997
Levy ⁽¹⁾	0	101 650 532
Fines ⁽²⁾	6 686 169	0
Miscellaneous	831 970	0
Cancellation of legal commitments (Note15)	134 243 738	195 235 395
Repayment of interest subsidies (Notes 5.4 and 16) ⁽³⁾	4 808 477	4 168 145
Total	146 570 354	301 054 072

⁽¹⁾ The ECSC is authorised under the Treaty to impose a levy on coal and steel produced by undertakings in the Community. The levy is calculated on the basis of the average values in the Community of the various products concerned. The levy rate was 0.31 % for the years 1980 to 1990, 0.29 % for 1991, 0.27 % for 1992, 0.25 % for 1993, 0.23 % for 1994, 0.21 % for 1995, 0.19 % for 1996 and 0.17 % for 1997. On 23 December 1997, the European Commission decided to set the levy rate for the 1998 financial year at 0 %.

⁽²⁾ This item comprises the revenue from fines imposed by the Commission in accordance with Articles 58 and 65 of the ECSC Treaty, together with surcharges for late payment.

⁽³⁾ This item comprises the revenue from the repayments of interest subsidies which the Commission was obliged to demand.

26. Off-balance-sheet commitments

26.1. Commitments received

(ECU)

	31 December	
	1998	1997
Commitments arising from swaps		
— Notional capital commitments relating to interest rate swaps	203 535 235	243 048 695
— Capital commitments relating to interest rate and currency swaps	169 388 841	347 737 940
Total	372 924 076	590 786 635

26.2. Commitments given

(ECU)

	31 December	
	1998	1997
(a) Loans granted		
— Loans from borrowed funds signed but not yet disbursed	109 708 164	182 293 126
— Loans from own funds signed but not yet disbursed	—	19 039 158
(b) Commitments arising from swaps		
— Notional capital commitments relating to interest rate swaps	203 535 235	243 048 695
— Capital commitments relating to interest rate and currency swaps	184 334 156	268 027 585
(c) Receipts from lapsed coupons and bonds	27 964	36 351
Total	497 605 519	712 444 915

27. Changes in the financial situation for the year ending 31 December 1997

(million ECU)

	1998	1997
Origin of funds		
Balance of profit and loss account	1.1	2.3
Items not involving a movement of funds		
— Amortisation of issuing costs and redemption premiums	2.3	0.4
— Value adjustments in respect of financial assets	43.8	11.7
— Value adjustments in respect of tangible assets	0.4	0.6
— Value adjustments in respect of loans and advances, net (withdrawal)	- 36.8	23.4
— Decrease in 'Provision for legal commitments'	- 158.1	- 206.1
— Increase in 'Provision for financing the ECSC operating budget'	34.3	234.1
— Increase (decrease) in accruals and deferred payments	- 27.3	- 38.6
— Decrease in accruals and deferred income and issuing costs/redemption premiums	41.8	41.5
— Increase (decrease) in 'Other liabilities'	16.8	- 65.5
— Increase in 'Other assets'	178.5	- 109.0
— Allocation to the provisions for liabilities and charges	35.5	12.2
— Withdrawal from the provision for major exposures	- 4.0	- 9.0
— Withdrawal from the provision for changes in the ecu rate	- 0.3	- 0.7
— Exchange rate adjustments in respect of borrowings and loans	- 17.5	- 26.9
— Allocation to the Guarantee Fund/special reserve	30.0	31.3
Total funds	140.5	- 98.3
Other resources		
— Proceeds from borrowings	—	473.8
— Loan repayments	690.6	1 661.0
— Disposals of buildings	0.9	0.2
— Decreases in bank balances and securities portfolio	—	116.3
Total resources	832.0	2 153.0
Use of funds		
— Loan disbursements	23.2	546.9
— Redemption of borrowings	797.2	1 606.1
— Increase in bank balances and securities portfolio	11.6	—
Total uses	832.0	2 153.0

Report of the European Court of Auditors on the financial statements of the European Coal and Steel Community at 31 December 1998

1. This report concerns the reliability of the accounts drawn up by the Commission in accordance with Article 45c of the Treaty establishing the European Coal and Steel Community.

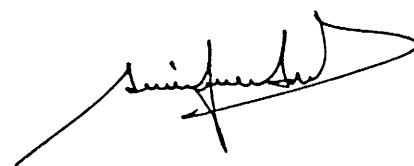
2. The Court has audited the accounts and financial statements of the European Coal and Steel Community at 31 December 1998 in accordance with generally accepted auditing standards and carried out such checks as it considered necessary.

3. In the Court's opinion, the attached financial statements (balance sheet at 31 December 1998, profit and loss account, statement of the allocation of surplus and notes to the financial statements), which have been drawn up in accordance with generally accepted accounting principles, give a true and fair view of the assets and financial situation of the European Coal and Steel Community at 31 December 1998 and of the result of its operations for the year then ended.

Luxembourg, 30 June 1999



Bernhard FRIEDMANN
Acting President



Armindo DE SOUSA RIBEIRO
Member of the Court

Annexes

Analysis of loans outstanding by guarantee received

Loans from borrowed funds

Breakdown by country and by guarantee received Amounts outstanding at 31 December 1998

(million ECU)

Member State	Guarantee by public body	Bank guarantee (¹)	Industrial grouping		Charge on property	No guarantee	Total
			public	private			
Belgium	—	69.27	—	—	—	—	69.27
Denmark	86.56	—	—	—	—	—	86.56
Germany	—	214.32	—	—	98.09	—	312.41
Greece	85.71	—	—	—	—	—	85.71
Spain	—	77.74	—	—	—	—	77.74
France	3.05	58.77	133.82	364.35	—	4.12	564.11
Ireland	1.71	—	—	—	—	—	1.71
Italy	—	558.72	2.37	—	—	—	561.09
Luxembourg	11.16	—	—	104.12	—	—	115.28
Netherlands	—	—	—	—	50.56	—	50.56
Austria	—	76.78	—	—	—	—	76.78
Portugal	—	133.43	—	—	—	—	133.43
United Kingdom	—	334.30	—	10.63	—	66.62	411.55
Non-Community	45.97	—	—	—	—	—	45.97
Total	234.16	1 523.33	136.19	479.10	148.65	70.74	2 592.17

(¹) Mainly loans granted to financial institutions for on-lending to final recipients.

Loans from own funds

Breakdown by country and by guarantee received Amounts outstanding at 31 December 1998

(million ECU)

Member State	Guarantee by public body	Bank guarantee (¹)	Industrial grouping		Charge on property	No guarantee	Total
			public	private			
Belgium	—	8.76	—	—	—	—	8.76
Denmark	—	0.20	—	—	—	—	0.20
Germany	—	74.80	—	—	3.57	—	78.37
Greece	—	0.69	—	—	—	—	0.69
Spain	—	14.25	—	—	—	—	14.25
France	0.00	16.06	2.65	—	—	2.37	21.08
Ireland	0.53	0.00	—	—	—	—	0.53
Italy	—	11.37	0.07	—	—	—	11.44
Luxembourg	—	1.53	—	—	—	—	1.53
Netherlands	—	—	—	1.89	—	—	1.89
Austria	—	4.51	—	—	—	—	4.51
Portugal	—	0.96	—	—	—	—	0.96
Finland	—	15.48	—	—	—	—	0.85
United Kingdom	—	0.85	—	—	—	—	15.48
Total	0.53	149.46	2.72	1.89	3.57	2.37	160.54

(¹) Mainly loans granted to financial institutions for on-lending to final recipients.

Statement of consolidated debt at 31 December 1998

(million ECU)

Currency	Debt outstanding at 31 December 1997	Operations for the financial year		Exchange rate adjustments	Debt outstanding at 31 December 1998	Maturity
		Borrowings (1998)	Redemptions (1998)			
ATS	3.6		–	0.0	3.6	2002
BEF	80.1		11.9	0.9	69.1	2002
DEM	1 149.5		388.0	12.0	773.6	2008
ESP	78.9		3.4	0.5	76.0	2002
FRF	504.7		35.3	4.0	473.4	2012
GBP	791.1		115.1	– 43.4	632.6	2019
ITL	322.5		60.6	1.0	262.9	2007
LUF	114.1		–	1.2	115.3	2002
NLG	14.1		9.4	0.1	4.8	2002
PTE	132.3		–	1.1	133.4	2002
CHF	30.7		25.6	0.0	5.1	2002
YEN	78.0		–	6.4	84.4	2001
USD	337.6		148.0	– 18.1	171.5	2008
Total	3 637.3	0	797.3	– 34.3	2 805.7	

Main characteristics of borrowings outstanding at 31 December 1998

Instrument: ECSC

Year of issue	Interest (% p.a.) ⁽¹⁾	Term (years)	Initial amount in borrowing currency		Amount outstanding at 31 December 1998	
					In currency of borrowing	Equivalent in ecus
1997	4.81	5	ATS	49 512 000	49 512 000	
			Total ATS	49 512 000	49 512 000	3 598 177
1994	6.56	5	BEF	437 157 000	437 157 000	
1994	8.19	5		204 200 000	166 700 000	
1994	7.83	5		910 000 000	910 000 000	
1995	6.67	5		280 850 000	248 050 000	
1996	5.67	5		238 630 000	238 630 000	
1997	4.957	5		786 164 000	786 164 000	
			Total BEF	2 857 001 000	2 786 701 000	69 080 513
1985	7.3	15	DEM	12 000 000	2 400 000	
1985	7.43	15		9 540 000	2 120 000	
1986	7	15		17 500 000	5 250 000	
1987	6.73	15		9 100 000	3 640 000	
1987	6.6	15		7 700 000	3 080 000	
1987	6.55	15		11 000 000	4 400 000	
1988	6.85	14		8 200 000	3 280 000	
1988	6.72	13		2 250 000	843 750	
1989	7.25	13		2 400 000	960 000	
1989	7.4	12		5 800 000	1 740 000	
1989	7.28	10		10 800 000	2 160 000	
1989	3.23125	10		25 100 000	3 137 500	
1990	3.52656	10		35 000 000	14 000 000	
1990	3.625	10		51 400 000	20 560 000	
1990	9	15		1 200 000	840 000	
1990	9.16	15		2 700 000	1 890 000	
1991	8.42	8		40 200 000	10 050 000	
1991	3.23625	10		54 000 000	32 400 000	
1991	8.25	10		98 000 000	98 000 000	
1991	3.57422	10		29 600 000	17 760 000	
1991	3.555	10		35 700 000	21 420 000	
1991	8.93	10		7 000 000	2 625 000	
1991	3.56438	8		50 000 000	12 500 000	
1991	3.57	10		18 300 000	10 980 000	
1992	3.625	10		24 400 000	19 520 000	
1992	8.34	15		2 300 000	2 070 000	
1992	3.625	10		39 600 000	31 680 000	
1992	3.53125	15		11 900 000	10 710 000	
1992	3.55078	10		57 400 000	19 920 000	
1992	8.14	8		33 000 000	16 297 014	
1992	3.2475	15		11 000 000	9 900 000	
1992	7.6875	7		75 000 000	75 000 000	
1992	3.2475	10		70 900 000	56 720 000	
1992	7.75	10		100 000 000	100 000 000	
1993	3.24875	8		14 550 000	9 771 353	
1993	6.75	15		1 000 000	1 000 000	
1993	3.5625	10		57 300 000	21 909 000	
1993	7.08	15		1 750 000	1 750 000	
1993	6.39	15		1 355 000	1 355 000	
1993	3.22484	10		18 200 000	18 200 000	
1993	6.09	8		13 900 000	10 425 000	
1993	3.57	10		20 000 000	20 000 000	
1993	6.64	15		1 185 000	1 185 000	
1994	3.52656	7		13 300 000	9 975 000	
1994	3.58547	8		10 080 000	10 080 000	
1994	3.2975	7		3 980 000	2 985 000	
1994	7.4	5		52 250 000	52 250 000	
1994	5.98	5		85 061 557	85 061 557	
1995	5.4175	6		24 600 000	18 450 000	

(¹) Fixed or variable rates depending on the case.

Year of issue	Interest (% p.a.) (1)	Term (years)	Initial amount in borrowing currency	Amount outstanding at 31 December 1998	
				In currency of borrowing	Equivalent in ecus
1995	6.58	5	DEM	69 027 000	69 027 000
1995	3.23125	7		15 600 000	15 600 000
1995	5.22	6		8 000 000	6 000 000
1995	7.42	7		79 700 000	63 760 000
1995	5.78	6		20 100 000	15 075 000
1995	5.43	4		34 000 000	34 000 000
1995	3.6875	7		14 000 000	14 000 000
1995	5.88	5		36 000 000	36 000 000
1996	5.75	5		27 721 000	27 721 000
1996	5.45	6		21 400 000	21 400 000
1996	5.02	5		18 210 000	18 210 000
1996	4.6	5		20 100 000	20 100 000
1996	5	5		16 500 000	16 500 000
1996	5.3	5		21 493 000	21 493 000
1997	3.59375	5		21 270 000	21 270 000
1997	4.895	5		67 000 000	67 000 000
1997	4.5775	5		75 000 000	75 000 000
1997	4.83	5		80 597 000	80 597 000
1997	3.53906	5		8 000 000	8 000 000
			Total DEM	1 942 219 557	1 513 003 174
					773 586 239
1992	12.9	10	ESP	350 000 000	175 000 000
1993	9.75	7		60 000 000	24 000 000
1994	4.29	5		75 000 000	4 687 500
1994	3.75	5		2 118 000 000	2 118 000 000
1994	4.22656	5		2 000 000 000	2 000 000 000
1994	4.21094	7		675 000 000	303 750 000
1995	4.25	5		277 000 000	110 800 000
1995	4.25	5		2 837 000 000	2 837 000 000
1996	3.68	5		110 000 000	55 000 000
1996	8.12	5		2 390 000 000	2 390 000 000
1996	8.12	5		2 000 000 000	2 000 000 000
1996	3.71	5		245 000 000	147 000 000
1997	3.71	5		485 000 000	485 000 000
			Total ESP	13 622 000 000	12 650 237 500
					76 029 459
1989	3.61132	10	FRF	25 000 000	4 000 000
1989	9.45	10		12 000 000	2 000 000
1990	3.52148	10		74 200 000	16 000 000
1992	9.7	10		23 600 000	18 880 000
1992	3.52929	20		300 000 000	300 000 000
1993	5.75	8		890 000 000	890 000 000
1993	7	10		1 500 000 000	1 500 000 000
1994	5.8	5		53 450 000	53 450 000
1994	7.85	5		38 340 000	38 340 000
1995	6.53	5		58 450 000	58 450 000
1995	6.79	5		30 200 000	30 200 000
1996	5.941	5		22 620 000	22 620 000
1996	5.637	5		19 880 000	19 880 000
1997	4.9	5		151 315 000	151 315 000
			Total FRF	3 199 055 000	3 105 135 000
					473 374 779
1990	11.875	19	GBP	60 000 000	60 000 000
1992	9.875	25		30 000 000	30 000 000
1992	9.875	25		50 000 000	17 220 000
1993	7.565	8		9 088 750	5 691 719
1993	9.875	24		20 000 000	20 000 000
1994	6.15	8		12 842 400	12 842 400
1994	8.39	5		3 765 000	3 765 000
1994	7.82422	5		2 945 000	2 945 000
1994	8.84	6		600 000	600 000
1994	5.88	5		9 572 200	9 572 200
1994	8.68	8		7 893 500	7 893 500

(1) Fixed or variable rates depending on the case.

Year of issue	Interest (% p.a.) (1)	Term (years)	Initial amount in borrowing currency	Amount outstanding at 31 December 1998	
				In currency of borrowing	Equivalent in ecus
1994	7.85156	5	GBP	4 030 000	4 030 000
1994	6.875	25		50 000 000	35 261 000
1994	6.05828	5		1 500 000	1 500 000
1994	8.9375	25		47 000 000	47 000 000
1994	8.62	5		13 400 000	13 400 000
1994	8.98	8		2 668 000	2 668 000
1995	7.574	5		8 400 000	8 400 000
1995	8.035	5		10 700 000	10 700 000
1995	7.5	6		16 000 000	16 000 000
1995	7.875	5		1 465 000	1 465 000
1995	8.9	5		11 400 000	11 400 000
1995	7.51	5		6 900 000	6 900 000
1995	7.75	5		20 500 000	20 500 000
1995	7.21175	5		8 000 000	8 000 000
1996	7.16	5		5 800 000	5 800 000
1996	7.86	5		5 400 000	5 400 000
1996	7.75	5		1 790 000	1 790 000
1996	7.49	5		10 000 000	10 000 000
1996	6.66469	5		1 600 000	1 600 000
1996	7.30859	5		1 600 000	1 600 000
1996	7.71484	5		3 000 000	3 000 000
1996	7.47	5		8 000 000	8 000 000
1997	7.215	5		13 972 500	13 972 500
1997	6.71188	5		4 180 000	4 180 000
1997	7.54	5		32 536 290	32 536 290
1997	7.75	5		675 000	675 000
			Total GBP	497 223 640	446 307 609
					632 652 131
1989	3.5	10	ITL	3 440 000 000	514 000 000
1989	3.5	10		11 970 000 000	396 250 000
1989	4	10		7 480 000 000	1 496 000 000
1990	3.0375	10		19 500 000 000	7 570 000 000
1990	3.875	10		15 600 000 000	6 240 000 000
1990	4.5	10		24 600 000 000	9 490 000 000
1991	3.875	10		23 250 000 000	11 150 000 000
1991	3.5	10		5 850 000 000	3 410 000 000
1991	4.1	10		17 500 000 000	10 125 000 000
1991	3.21	10		39 100 000 000	22 800 000 000
1992	3.27125	10		45 950 000 000	36 760 000 000
1992	4.0625	10		34 800 000 000	8 240 000 000
1992	4.5	10		20 800 000 000	15 840 000 000
1992	4.625	10		18 500 000 000	14 800 000 000
1992	4.375	15		9 000 000 000	8 100 000 000
1993	3.6225	10		15 600 000 000	15 600 000 000
1993	3.245	10		19 700 000 000	19 700 000 000
1993	4.3125	10		52 600 000 000	52 600 000 000
1993	3.29	8		11 600 000 000	7 575 000 000
1993	4.92844	8		12 840 000 000	9 630 000 000
1994	3.31125	7		4 000 000 000	3 000 000 000
1994	3.92844	7		13 090 000 000	9 817 500 000
1994	3.6375	8		9 930 000 000	9 930 000 000
1995	4.71875	7		16 440 000 000	16 440 000 000
1995	3.31125	6		42 540 000 000	31 905 000 000
1995	3.29	7		14 800 000 000	14 800 000 000
1995	3.92844	6		21 000 000 000	15 750 000 000
1996	3.8475	5		23 280 000 000	23 280 000 000
1996	3.6225	5		10 000 000 000	10 000 000 000
1996	4.46094	6		31 520 000 000	31 520 000 000
1996	4.60547	5		12 500 000 000	12 500 000 000
1996	3.31125	5		23 700 000 000	23 700 000 000
1997	3.8475	5		44 370 000 000	44 370 000 000
			Total ITL	676 850 000 000	509 048 750 000
					262 901 739

(1) Fixed or variable rates depending on the case.

Year of issue	Interest (% p.a.) ⁽¹⁾	Term (years)	Initial amount in borrowing currency	Amount outstanding at 31 December 1998	
				In currency of borrowing	Equivalent in ecus
1995	6.3	5	LUF	363 000 000	175 000 000
1996	5.375	6		1 400 000 000	1 400 000 000
1997	4.75	5		2 800 000 000	2 800 000 000
1997	4.75	5		275 000 000	275 000 000
			Total LUF	4 838 000 000	4 650 000 000
					115 270 489
1984	8.75	15	NLG	22 000 000	2 200 000
1984	7.875	15		7 930 000	793 000
1984	9.25	15		12 700 000	1 200 000
1986	7.375	15		15 000 000	3 000 000
1986	7.375	15		3 000 000	600 000
1987	6.71	14		13 400 000	2 873 000
			Total NLG	74 030 000	10 666 000
					4 840 020
1995	4.21875	7	PTE	2 000 000 000	2 000 000 000
1997	0	5		8 450 000 000	8 450 000 000
1997	3.3925	5		16 300 000 000	16 300 000 000
			Total PTE	26 750 000 000	26 750 000 000
					133 428 437
1989	6.25	13	CHF	3 000 000	1 200 000
1989	1.6875	10		18 405 000	3 000 000
1989	6.25	10		20 200 000	4 040 000
			Total CHF	41 605 000	8 240 000
					5 125 079
1994	0.67578	7	YEN	11 200 000 000	11 200 000 000
			Total YEN	11 200 000 000	11 200 000 000
					84 337 349
1991	5.19	10	USD	55 500 000	55 500 000
1993	6.375	15		100 000 000	100 000 000
1994	5.33	5		35 000 000	29 000 000
1996	6.2	6		19 500 000	15 600 000
			Total USD	210 000 000	200 100 000
					171 502 036
			Grand total in ECU		2 805 726 448

(1) Fixed or variable rates depending on the case.

Operations under the ECSC operating budget

Traditional redeployment aid (Article 56 (1)(c) and (2)(b))

(amounts covered by provisions)

Member State and sector		31 December 1997 (ECU)	31 December 1998 (ECU)	% per Member State (1998)
Belgium	Steel	19 186 348	15 873 394	
	Coal	2 876 694	2 424 000	
	Total	22 063 042	18 297 394	8.66
Denmark	Steel	0	0	
	Coal	0	0	
	Total	0	0	0.00
Germany	Steel	66 284 618	41 402 558	
	Coal	65 860 432	57 063 355	
	Total	132 145 050	98 465 913	46.60
Greece	Steel	1 617 788	1 294 539	
	Coal	0	0	
	Total	1 617 788	1 294 539	0.61
Spain	Steel	18 529 965	13 690 177	
	Coal	10 173 561	16 760 900	
	Total	28 703 526	30 451 077	14.41
France	Steel (*)	19 542 914	12 936 740	
	Coal	7 297 569	7 368 000	
	Total	26 840 483	20 304 740	9.61
Ireland	Steel	57 000	3 000	
	Coal	0	0	
	Total	57 000	3 000	0.00
Italy	Steel	37 755 292	33 213 597	
	Coal	1 907 927	45 094	
	Total	39 663 219	33 258 691	15.74
Luxembourg	Steel	4 254 634	2 967 000	
	Coal	0	0	
	Total	4 254 634	2 967 000	1.40
Netherlands	Steel	0	0	
	Coal	0	0	
	Total	0	0	0.00
Austria	Steel	147 000	147 000	
	Coal	0	0	
	Total	147 000	147 000	0.07
Portugal	Steel	4 378 746	4 004 768	
	Coal	1 130 323	245 841	
	Total	5 509 069	4 250 610	2.01
Finland	Steel	0	0	
	Coal	0	0	
	Total	0	0	0.00
Sweden	Steel	0	0	
	Coal	0	0	
	Total	0	0	0.00
United Kingdom	Steel	653 848	15 000	
	Coal	1 418 000	1 848 000	
	Total	2 071 848	1 863 000	0.88
Community	Steel (*)	172 408 154	125 547 773	
	Coal	90 664 506	85 755 191	
	Total	263 072 660	211 302 964	100.00

(*) Including iron-ore mines.

Traditional redeployment aid (Article 56 (1)(c) and (2)(b))

(new allocations and number of workers receiving aid in 1998)

Member State and sector		Number of workers	Allocations in 1998 (ECU)
Belgium	Steel	991	2 973 000
	Coal	0	0
Total		991	2 973 000
Denmark	Steel	0	0
	Coal	0	0
Total		0	0
Germany	Steel	2 113	6 339 000
	Coal	6 019	16 207 345
Total		8 132	22 546 345
Greece	Steel	1	3 000
	Coal	0	0
Total		1	3 000
Spain	Steel	847	1 967 610
	Coal	2 655	7 965 000
Total		3 502	9 932 610
France	Steel (*)	0	0
	Coal	1 248	3 744 000
Total		1 248	3 744 000
Ireland	Steel	0	0
	Coal	0	0
Total		0	0
Italy	Steel	390	1 170 000
	Coal	0	0
Total		390	1 170 000
Luxembourg	Steel	260	780 000
	Coal	0	0
Total		260	780 000
Netherlands	Steel	0	0
	Coal	0	0
Total		0	0
Austria	Steel	0	0
	Coal	0	0
Total		0	0
Portugal	Steel	245	735 000
	Coal	0	0
Total		245	735 000
Finland	Steel	0	0
	Coal	0	0
Total		0	0
Sweden	Steel	0	0
	Coal	0	0
Total		0	0
United Kingdom	Steel	5	15 000
	Coal	500	1 250 000
Total		505	1 265 000
Community	Steel (*)	4 852	13 982 610
	Coal	10 422	29 166 345
Total		15 274	43 148 955

(*) Including iron-ore mines.

Redeployment aid — social measures (steel)

(amounts covered by provisions)

Member State	31 December 1997 (ECU)	31 December 1998 (ECU)	% per Member State (1998)
Belgium	11 147 692	9 498 514	11.88
Denmark	0	0	0.00
Germany	43 392 557	40 420 738	50.57
Greece	0	0	0.00
Spain	23 184 723	5 103 570	6.39
France	9 784 843	4 424 134	5.54
Ireland	0	0	0.00
Italy	17 775 112	16 914 236	21.16
Luxembourg	1 795 000	1 795 000	2.25
Netherlands	0	0	0.00
Austria	0	0	0.00
Portugal	2 664 460	1 721 308	2.15
Finland	0	0	0.00
Sweden	0	0	0.00
United Kingdom	1 385 858	48 000	0.06
Community	111 130 244	79 925 499	100.00

Redeployment aid — Rechar programme and social measures (coal)

(amounts covered by provisions)

Member State	31 December 1997 (ECU)	31 December 1998 (ECU)	% per Member State (1998)
Belgium	5 915 387	4 119 571	6.10
Denmark	0	0	0.00
Germany	36 557 042	32 863 775	48.64
Greece	0	0	0.00
Spain	10 355 520	16 687 256	24.70
France	16 895 810	9 988 000	14.78
Ireland	0	0	0.00
Italy	0	0	0.00
Luxembourg	0	0	0.00
Netherlands	0	0	0.00
Austria	0	0	0.00
Portugal	726 909	681 629	1.01
Finland	0	0	0.00
Sweden	0	0	0.00
United Kingdom	8 931 185	3 230 000	4.78
Community	79 381 853	67 570 231	100.00

Redeployment aid — social measures (coal)

(new allocations and number of workers receiving aid in 1998)

Member State	Number of workers	Allocations in 1998 (ECU)
Belgium	0	0
Denmark	0	0
Germany	2 770	11 080 000
Greece	0	0
Spain	2 655	10 552 000
France	1 162	3 962 000
Ireland	0	0
Italy	0	0
Luxembourg	0	0
Netherlands	0	0
Austria	0	0
Portugal	0	0
Finland	0	0
Sweden	0	0
United Kingdom	500	1 250 000
Community	7 087	26 844 000

Technological and social research

(ECU)

Research sector	Amounts covered by provisions at 31 December 1997	Amounts covered by provisions at 31 December 1998
Steel	111 918 295	126 768 828
Coal	71 764 761	78 428 391
Health, safety and industrial medicine	2 861 827	1 444 734
Total	186 545 883	206 641 953

New allocations by sector (1998 financial year)

(ECU)

Sector	New contracts		Associated costs for dissemination of research results	Total
	Number	Allocation		
Steel	68	55 171 849	828 151	56 000 000
Coal	23	27 367 772	632 228	28 000 000
Total	91	82 539 621	1 460 379	84 000 000

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