

FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY AT 31 DECEMBER 1999

(2000/C 281/03)

In accordance with undertakings given by the Commission on behalf of the ECSC with regard to its borrowing activities, the following financial statements, drawn up in conformity with Article 45c of the Treaty establishing the ECSC, have been published:

- the balance sheet of the European Coal and Steel Community at 31 December 1999,
- the profit and loss accounts for the year ending 31 December 1999,
- the allocation of the surplus for the year ending 31 December 1999,
- the notes relating to the financial statements at 31 December 1999.

These financial statements are accompanied by the report of the Court of Auditors, as provided for under Article 45c of the ECSC Treaty.

ECSC FINANCIAL STATEMENTS AT 31 DECEMBER 1999

Balance sheets at 31 December 1999

(Amounts in EUR) — before allocation of surplus

ASSETS

| | 31 December 1999 | 31 December 1998 |
|---|----------------------|----------------------|
| Balances with central banks (note 3) | 95 385 | 27 373 |
| Loans and advances | | |
| — repayable on demand | 4 975 072 | 5 687 189 |
| — with agreed maturity dates or periods of notice (note 4.1.) | 71 316 975 | 400 672 394 |
| — loans (note 4.2.) | 931 643 446 | 1 249 393 642 |
| Total | 1 007 935 493 | 1 655 753 225 |
| Loans and advances to customers (note 5) | | |
| — loans | 1 541 269 262 | 1 583 902 933 |
| — levy | 63 217 | 732 880 |
| — fines | 37 195 283 | 90 001 060 |
| — credit | 4 539 978 | 6 039 382 |
| Total | 1 583 067 740 | 1 680 676 255 |
| Financial assets (note 6) | | |
| — issued by public bodies | 1 214 680 318 | 1 133 982 993 |
| — issued by other borrowers | 503 230 250 | 390 437 998 |
| Shares and similar securities | 50 318 525 | 34 770 301 |
| Total | 1 768 229 093 | 1 559 191 292 |
| Tangible and intangible assets (note 7) | 710 287 | 1 293 461 |
| Other assets (note 8) | 21 094 201 | 8 083 389 |
| Prepayments and accrued income (note 9) | 106 529 763 | 121 505 439 |
| TOTAL ASSETS | 4 487 661 962 | 5 026 530 434 |
| Off-balance-sheet commitments (note 26) | 427 969 333 | 372 924 076 |

Balance sheets at 31 December 1999

(Amounts in EUR) before allocation of surplus

LIABILITIES

| | 31 December 1999 | 31 December 1998 |
|--|----------------------|----------------------|
| LIABILITIES VIS-À-VIS THIRD PARTIES | | |
| Amounts owed to credit institutions | | |
| — repayable on demand | — | 244 |
| — with agreed maturity dates or periods of notice | — | — |
| — borrowings (note 10) | 1 404 681 748 | 1 847 546 788 |
| Total | 1 404 681 748 | 1 847 547 032 |
| Debts evidenced by certificates (note 11) | 1 027 547 730 | 958 179 659 |
| Other liabilities by certificates (note 11) | 27 764 503 | 29 591 303 |
| Accruals and deferred income (note 13) | 84 524 667 | 93 919 208 |
| Provisions for liabilities and charges (note 14) | 113 461 382 | 122 906 181 |
| Commitments for the ECSC operating budget (note 15) | 556 154 370 | 695 662 822 |
| Total liabilities vis-à-vis third parties | 3 214 134 400 | 3 747 806 205 |
| NET POSITION | | |
| Provisions for financing the ECSC operating budget (note 16) | 434 735 261 | 476 042 442 |
| Provisions for major exposures (note 17) | 18 000 000 | 23 000 000 |
| Reserves (note 18): | | |
| — Guarantee Fund | 553 000 000 | 530 000 000 |
| — Special Reserve | 176 055 284 | 176 055 284 |
| — Former Pension Fund | 72 959 662 | 71 285 439 |
| Total | 802 014 946 | 777 340 723 |
| Value adjustment reserve | 16 946 242 | — |
| Surplus brought forward | 666 841 | 1 195 230 |
| Surplus for the financial year (note 19) | 1 164 272 | 1 145 834 |
| Net total | 1 273 527 562 | 1 278 724 229 |
| TOTAL LIABILITIES | 4 487 661 962 | 5 026 530 434 |
| Off-balance-sheet commitments (note 26) | 415 913 293 | 497 605 519 |

Profit and loss account for the year ending 31 December 1999

(Amounts in EUR)

CHARGES

| | Financial year 1999 | Financial year 1998 |
|--|---------------------|---------------------|
| Interest payable and similar charges (note 20) | 179 314 809 | 232 061 730 |
| Commissions payable | 439 353 | 561 449 |
| Net losses on financial operations | | |
| — foreign-exchange losses | 49 625 | 171 |
| — losses on financial assets | 3 940 390 | 17 752 113 |
| — value adjustments in respect of financial assets (note 6) | 29 237 056 | 55 704 738 |
| Total | 33 227 071 | 73 457 022 |
| Administrative expenditure (note 21) | 5 000 000 | 5 000 000 |
| Value adjustments in respect of tangible assets (note 7) | 328 378 | 407 994 |
| Other operating charges (note 22) | 308 312 | 267 708 |
| Provisions and value adjustments for loans and advances: | | |
| — value adjustments for loans and advances | 13 479 465 | 32 334 370 |
| — allocation to the provision for liabilities and charges (note 14) | 2 874 287 | 30 102 913 |
| Total | 16 353 752 | 62 437 283 |
| Total operating charges | 234 971 675 | 374 193 186 |
| Extraordinary charges | 2 984 370 | 137 845 |
| Conversion differences | — | 2 735 343 |
| Allocation to the reserve for value adjustments | 16 946 242 | — |
| Legal commitments for the financial year (note 15) | 145 553 799 | 153 992 955 |
| Allocation to the provisions for financing the ECSC operating budget (note 16) | 34 000 000 | 26 000 000 |
| Allocation to the Guarantee Fund (note 18) | 23 000 000 | 30 000 000 |
| Total charges | 457 456 086 | 587 059 329 |
| Surplus for the financial year (note 19) | 1 164 272 | 1 145 834 |
| TOTAL | 458 620 358 | 588 205 163 |

Profit and loss account for the year ending 31 December 1999

(Amounts in EUR)

INCOME

| | Financial year 1999 | Financial year 1998 |
|--|---------------------|---------------------|
| Interest receivable and similar income (note 23) (including interest on fixed-income securities: EUR 64 332 666 in 1999 and EUR 78 459 620 in 1998) | 254 449 772 | 346 079 959 |
| Net profit on financial operations | | |
| — foreign-exchange profits | 9 942 | 257 775 |
| — profits on financial assets | 17 405 532 | 12 386 190 |
| — withdrawal of value adjustments in respect of financial assets (note 6) | 0 | 11 882 835 |
| Total | 17 415 474 | 24 526 800 |
| Withdrawal of value adjustments in respect of loans and advances and provisions: | | |
| — withdrawal of value adjustments in respect of loans and advances | 13 760 280 | 63 963 378 |
| — withdrawal from the provisions for liabilities and charges (note 14) | 26 131 467 | — |
| Total | 39 891 747 | 63 963 378 |
| Other operating income (note 24) | 455 630 | 2 729 291 |
| Extraordinary income | 14 166 | 22 262 |
| Total operating income | 312 226 789 | 437 321 690 |
| Exchange-rate difference | 15 556 247 | |
| Withdrawal from the value adjustment reserve | — | 313 119 |
| Income relating to the ECSC operating budget (note 25) | 104 837 322 | 146 570 354 |
| Withdrawal from the provisions for major exposures (note 17) | 5 000 000 | 4 000 000 |
| Withdrawal from the provisions for budgetary contingencies | 21 000 000 | — |
| TOTAL INCOME | 458 620 358 | 588 205 163 |

Allocation of the surplus for the year ending 31 December 1999

(Amounts in EUR)

| | Financial year 1999 | Financial year 1998 |
|---|---------------------|---------------------|
| Surplus not allocated at 1 January | 666 841 | 1 195 230 |
| Surplus for the year to be allocated | 1 164 272 | 1 145 834 |
| Total | 1 831 113 | 2 341 064 |
| Allocation to the former pension fund (note 18) | 1 617 659 | 1 674 223 |
| Surplus not allocated at 31 December | 213 454 | 666 841 |

NOTES RELATING TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1999

(Amounts in EUR)

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's 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 obtained in the management of the various reserves and provisions.

The ECSC's financial statements at 31 December 1999 are presented in accordance with Council Directives 78/660/EEC ⁽¹⁾ and 86/635/EEC ⁽²⁾ 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 EUR.

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

| Euro zone | |
|-------------------------------|----------|
| Belgian and Luxembourg francs | 40,3399 |
| German mark | 1,95583 |
| Portuguese escudo | 200,482 |
| French franc | 6,55957 |
| Finnish markka | 5,94573 |
| Dutch guilder | 2,20371 |
| Irish pound | 0,787564 |
| Italian lira | 1 936,27 |
| Austrian schilling | 13,76030 |
| Spanish peseta | 166,386 |

| Non-euro zone | 31 December | |
|----------------------|-------------|----------|
| | 1999 | 1998 |
| Danish krone | 7,44330 | 7,44878 |
| Swedish krona | 8,56250 | 9,48803 |
| Greek drachma | 330,300 | 329,689 |
| Pound sterling | 0,621700 | 0,705455 |
| Canadian dollar | 1,46080 | 1,80613 |
| Swiss franc | 1,60510 | 1,60778 |
| United States dollar | 1,00460 | 1,16675 |
| Japanese yen | 102,730 | 132,800 |

⁽¹⁾ OJ L 222, 14.8.1978, p. 11.

⁽²⁾ OJ L 372, 31.12.1986, p. 1.

1.1. **At 31 December 1999, the various currencies listed above, together with the euro, made up the ECSC's balance sheet as follows:**

| (EUR) | | |
|----------------------|----------------------|----------------------|
| CURRENCY | ASSETS | LIABILITIES |
| Euro | 1 489 052 756 | 1 719 607 735 |
| Belgian franc | 81 983 657 | 32 551 821 |
| German mark | 529 865 635 | 563 913 065 |
| Portuguese escudo | 139 129 652 | 138 392 711 |
| French franc | 573 397 236 | 555 979 452 |
| Finnish markka | 707 977 | 0 |
| Dutch guilder | 3 589 318 | 2 076 280 |
| Irish pound | 457 617 | 0 |
| Luxembourg franc | 121 659 139 | 120 295 403 |
| Italian lira | 238 505 038 | 176 763 379 |
| Austrian schilling | 8 179 208 | 3 702 982 |
| Spanish peseta | 55 995 507 | 50 397 421 |
| Subtotal | 3 242 522 740 | 3 363 680 249 |
| Danish krone | 715 243 | 0 |
| Greek drachma | 1 220 008 | 1 998 |
| Swedish krona | 296 315 | 0 |
| Pound sterling | 857 372 107 | 729 899 870 |
| Swiss franc | 591 397 | 589 413 |
| United States dollar | 275 428 560 | 284 009 143 |
| Japanese yen | 109 515 592 | 109 481 289 |
| Total | 4 487 661 962 | 4 487 661 962 |

NOTES:

The euro 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 euro and involved a total of EUR 193 464 564 in 1999.

The real weight of the euro 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 to euro 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:

| | 31 December | |
|--------------------------|-------------------|--------------------|
| | 1999 | 1998 |
| Up to three months | 60 700 922 | 390 192 760 |
| Three months to one year | 10 616 053 | 10 479 634 |
| Total | 71 316 975 | 400 672 394 |

(EUR)

4.2. Loans

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

| | 31 December | |
|--------------------------|--------------------|----------------------|
| | 1999 | 1998 |
| Up to three months | 60 655 213 | 54 614 003 |
| Three months to one year | 250 263 601 | 275 119 394 |
| One to five years | 538 569 222 | 827 990 889 |
| Over five years | 82 155 410 | 91 669 356 |
| Total | 931 643 446 | 1 249 393 642 |

(EUR)

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:

| | | | (EUR) | |
|--|---------------|--|---------------|---------------|
| | | | 31 December | |
| | | | 1999 | 1998 |
| 1. Loans disbursed from borrowed funds | | | | |
| — amounts outstanding | | | 1 622 783 270 | 1 648 424 166 |
| — value adjustments | | | – 143 847 841 | – 129 626 942 |
| | Subtotal | | 1 478 935 429 | 1 518 797 224 |
| 2. Loans from the special reserve and other own funds for financing subsidised housing | | | 21 862 834 | 23 693 878 |
| | Interim total | | 1 500 798 263 | 1 542 491 102 |
| The breakdown of these loans by time remaining to maturity at 31 December is as follows: | | | | |
| | | | 1999 | 1998 |
| — Up to three months | | | 41 007 561 | 19 462 330 |
| — Three months to one year | | | 63 949 913 | 90 966 387 |
| — One to five years | | | 1 015 442 411 | 1 074 090 693 |
| — Over five years | | | 524 246 220 | 487 598 634 |
| 3. Loans paid from the former Pension Fund to officials of the European Communities for housing construction | | | 39 218 203 | 41 160 654 |
| 4. Loan repayments overdue and interest on arrears | | | 1 252 796 | 251 177 |
| | Grand total | | 1 541 269 262 | 1 583 902 933 |

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

5.2. Levy

The 1998 and 1999 levy rate was 0 %, so the claims at 31 December 1999 therefore relate to previous years.

Before value adjustment, this item amounted to EUR 6 061 793 at 31 December 1999 (EUR 7 488 192 at 31 December 1998). It comprises in particular EUR 5 281 288 subject to legal proceedings (EUR 5 958 532 at 31 December 1998) and EUR 40 833 relating to temporary deferment in respect of coal in stock (EUR 42 261 at 31 December 1998).

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 EUR 37 195 283 (EUR 90 001 060 at 31 December 1998).

This item has two main components.

A fine totalling EUR 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 ⁽¹⁾ of 16 February 1994). In its judgment of 11 March 1999, the Court of First Instance reduced the total fines by EUR 24 774 000 to EUR 79 590 350. EUR 50 631 350 had been paid in fines by 31 December 1999. Seven companies have lodged appeals against the judgment of the Court of First Instance.

A fine totalling EUR 27 380 000 was imposed by the Commission (Decision 98/247/ECSC ⁽²⁾ of 21 January 1998) under Article 65 of the ECSC Treaty on steel companies for concerted agreement on the formula for calculating the alloy surcharge. Payments totalling EUR 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 subsidised loans which the Commission has been obliged to ask to reimburse all or part of the interest subsidy already paid.

6. **FINANCIAL ASSETS**

The ECSC's 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, exceptionally, 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 fixed assets (see note 6.5.).

⁽¹⁾ OJ L 116, 6.5.1994, p. 1.

⁽²⁾ OJ L 100, 1.4.1998, p. 55.

6.2. Composition

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

| (EUR) | | | |
|---|---|---------------|---------------|
| | Value adjustments on bonds/shares and similar securities Allocation (withdrawal) | 31 December | |
| | | 1999 | 1998 |
| (a) Bonds | | | |
| ISSUED BY PUBLIC BODIES | | | |
| — Gross value | | 1 223 352 880 | 1 114 016 464 |
| — Value adjustments | 29 957 417 | – 31 920 764 | – 1 963 347 |
| — Net value | | 1 191 432 116 | 1 112 053 117 |
| OWN-DEBT SECURITIES | | | |
| — Gross value | | 23 359 671 | 22 028 111 |
| — Value adjustments | 13 234 | – 111 469 | – 98 235 |
| — Net value | | 23 248 202 | 21 929 876 |
| ISSUED BY OTHER BORROWERS | | | |
| — Gross value | | 510 404 016 | 390 861 607 |
| — Value adjustments | 6 750 157 | – 7 173 766 | – 423 609 |
| — Net value | | 503 230 250 | 390 437 998 |
| TOTAL BONDS | | | |
| — Gross value | | 1 757 116 567 | 1 526 906 182 |
| — Value adjustments | 36 720 808 | – 39 205 999 | – 2 485 191 |
| — Net value | | 1 717 910 568 | 1 524 420 991 |
| (b) Shares and similar securities ⁽¹⁾ | | | |
| — Gross value | | 98 449 511 | 90 385 039 |
| — Value adjustments | – 7 483 752 | – 48 130 986 | – 55 614 738 |
| — Net value | | 50 318 525 | 34 770 301 |
| GRAND TOTAL | | | |
| — Gross value | | 1 855 566 078 | 1 617 291 221 |
| — Value adjustments | 29 237 056 | – 87 336 985 | – 58 099 929 |
| — Net value | | 1 768 229 093 | 1 559 191 292 |

⁽¹⁾ These shares and securities were received by the ECSC on signing a plan to restructure the debt of a defaulting debtor.

6.3. Marturities in 2000

Securities in the portfolio reaching final maturity during 2000 represent the following amounts (in EUR):

| | |
|------------------------------|--------------------|
| — Issued by public bodies: | 189 167 611 |
| — Own-debt securities | 14 076 656 |
| — Issued by other borrowers: | 167 500 363 |
| Total: | 370 744 630 |

6.4. Listed/unlisted securities

The securities portfolio comprises 1 690 290 303 of securities with a stock-exchange listing, the balance of 77 938 790 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 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 1 651 618.

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

| | |
|------------------------------|-------------------|
| — Issued by public bodies: | 50 068 146 |
| — Own-debt securities: | 23 359 671 |
| — Issued by other borrowers: | 0 |
| Total | 73 427 817 |

7. TANGIBLE AND INTANGIBLE ASSETS

| | Date of acquisition | Acquisition price | 31.12.1998 Net value | Operations during the year | | | 31.12.1999 Net value |
|---|---------------------|-------------------|----------------------|----------------------------|-----------------------------|----------------|----------------------|
| | | | | Acquisitions | Net book value of disposals | Amortisation | |
| Tangible assets | | | | | | | |
| — Lisbon | 1986 to 1993 | 2 670 796 | 815 183 | — | — | 224 882 | 590 301 |
| — Windhoek | 1992 | 802 172 | 298 294 | — | 254 796 | 43 498 | 0 |
| | | | 1 113 477 | — | 254 796 | 268 380 | 590 301 |
| Intangible assets | | | | | | | |
| — Lease on Milan building | 1986 | 879 882 | 179 984 | — | — | 59 998 | 119 986 |
| Total tangible and intangible assets | | | 1 293 461 | — | 254 796 | 328 378 | 710 287 |

(EUR)

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 Windhoek was completed in 1999.

For the ECSC, this transaction generated a capital gain of EUR 405 036, this being the difference between the transfer price (EUR 659 832) and the net book value (EUR 254 796) 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 EUR 2 531 228 (note 12).

8. OTHER ASSETS

| | (EUR) | |
|---|-------------------|------------------|
| | 31 December | |
| | 1999 | 1998 |
| Exchange value in EUR of the difference between currency receivable and payable under currency exchange operations (swaps) ⁽¹⁾ | 12 068 721 | — |
| — Portfolio taxes and VAT to be reclaimed | 2 530 182 | 2 619 620 |
| — Loans to officials | 6 467 479 | 5 423 399 |
| — Miscellaneous | 27 819 | 40 370 |
| Total | 21 094 201 | 8 083 389 |

(¹) See note 12.

9. PREPAYMENTS AND ACCRUED INCOME

| | (EUR) | |
|---|--------------------|--------------------|
| | 31 December | |
| | 1999 | 1998 |
| — Interest on loans and swaps | 76 126 468 | 78 722 077 |
| — Interest on deposits and securities portfolio | 30 998 437 | 39 676 408 |
| — Issuing costs and redemption premiums | 4 743 361 | 6 897 774 |
| | 111 868 266 | 125 296 259 |
| — Cumulative value adjustments | – 5 338 503 | – 3 790 820 |
| Total | 106 529 763 | 121 505 439 |

10. AMOUNTS OWED TO CREDIT INSTITUTIONS

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

| | 31 December | |
|--------------------------|----------------------|----------------------|
| | 1999 | 1998 |
| Repayable on demand | — | 244 |
| Up to three months | 96 254 541 | 154 270 850 |
| Three months to one year | 293 297 086 | 329 368 744 |
| One to five years | 976 419 166 | 1 326 792 455 |
| Over five years | 38 710 955 | 37 114 739 |
| Total | 1 404 681 748 | 1 847 547 032 |

11. DEBTS EVIDENCED BY CERTIFICATES

No such borrowings are due to reach maturity in 2000.

12. OTHER LIABILITIES

| | 31 December | |
|---|-------------------|-------------------|
| | 1999 | 1998 |
| Exchange value in EUR of the difference between currency receivable and payable under currency exchange operations (swaps) ⁽¹⁾ | — | 14 945 315 |
| Current account, ECSC operating budget | 20 542 964 | 7 276 488 |
| Advance payments for transfer of buildings ⁽²⁾ | 2 531 228 | 3 191 060 |
| Other | 4 690 311 | 4 178 440 |
| Total | 27 764 503 | 29 591 303 |

⁽¹⁾ See note 8.

⁽²⁾ In accordance with the possibility offered under 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

| | 31 December | |
|---|-------------------|-------------------|
| | 1999 | 1998 |
| Interest on borrowings and credit lines | 79 638 283 | 87 650 053 |
| Commissions on loans | 146 412 | 189 976 |
| Issuing premiums | 4 739 972 | 6 079 179 |
| Total | 84 524 667 | 93 919 208 |

14. PROVISION FOR LIABILITIES AND CHARGES

(EUR)

| | 31 December 1998 | Operations in 1999 | | | 31 December 1999 |
|---|--------------------|--------------------|-------------------|------------------------|--------------------|
| | | Allocation | Withdrawal | Exchange-rate movement | |
| Provisions for withholding tax to be paid | 6 465 743 | — | 6 465 743 | — | 0 |
| Provision for interest-rate risk ⁽¹⁾ | 68 824 067 | — | 24 938 502 | 9 271 930 | 53 157 495 |
| Provision for special costs relating to banking activities ⁽²⁾ | 200 000 | — | — | — | 200 000 |
| Provision for appeal against Decision 94/215/ECSC ⁽³⁾ | 39 129 309 | 12 468 954 | — | — | 51 598 263 |
| Provision for appeal against Decision 98/247/ECSC ⁽⁴⁾ | 8 287 062 | 218 562 | — | — | 8 505 624 |
| Total | 122 906 181 | 12 687 516 | 31 404 245 | 9 271 930 | 113 461 382 |

⁽¹⁾ Following the default of one borrower, long-term fixed rate securities issued by the ECSC (i.e. with a maturity date after 2002) are no longer paired with assets 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.

⁽²⁾ 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.

⁽³⁾ 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 Justice rule in favour of the companies which have appealed against the judgment of the Court of First Instance of 11 March 1999 (note 5.3).

⁽⁴⁾ 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 1999, commitments for the ECSC operating budget were as follows:

(EUR)

| | Commitments at 31.12.1998 | New legal commitments | Payments | Cancellations | Commitments at 31.12.1999 |
|--|---------------------------|-----------------------|--------------------|-------------------|---------------------------|
| Redeployment | 211 302 964 | 37 717 849 | 68 209 325 | 29 292 604 | 151 518 884 |
| Research | 206 641 953 | 83 999 950 | 88 413 465 | 7 922 086 | 194 306 352 |
| Interest subsidies Article 54 | 2 611 922 | — | 439 425 | 49 | 2 172 448 |
| Interest subsidies Article 56 | 127 610 253 | — | 10 339 497 | 32 095 651 | 85 175 105 |
| Social measures steel industry | 79 925 499 | — | 15 237 878 | 14 829 583 | 49 858 038 |
| Social measures coal industry (Rechar) | 67 570 231 | 23 836 000 | 17 068 232 | 1 214 456 | 73 123 543 |
| Total | 695 662 822 | 145 553 799 | 199 707 822 | 85 354 429 | 556 154 370 |

16. PROVISION FOR FINANCING THE ECSC OPERATING BUDGET

(EUR)

| | Provision at 31.12.1998 | Operations during the year | | Provisions at 31.12.1999 |
|--|-------------------------|----------------------------|-------------------|--------------------------|
| | | Withdrawal | Allocation | |
| Provision for budgetary contingencies ⁽¹⁾ | 80 000 000 | 21 000 000 | — | 59 000 000 |
| Provision for financing future operating budgets ⁽²⁾ | 300 000 000 | — | 34 000 000 | 334 000 000 |
| Impact on the result | | 21 000 000 | 34 000 000 | |
| Provision for late-payment fines and surcharges to be paid subsequently ⁽³⁾ | 90 001 060 | 52 805 777 | — | 37 195 283 |
| Provision for subsidies to be recovered ⁽³⁾ | 6 041 382 | 1 501 404 | — | 4 539 978 |
| Total | 476 042 442 | | | 434 735 261 |

⁽¹⁾ This reserve is intended to cover any differences between expenditure committed and income generated by activities during the budget period.

⁽²⁾ This provision was constituted as a precautionary measure with effect from the 1999 financial year. 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. PROVISIONS FOR MAJOR 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 major 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 to enable the ECSC to weather any major default.

The provision, calculated on the basis of outstanding major exposures at 31 December 1999 according to a procedure recommended by a firm of international experts, totals EUR 18 million.

18. RESERVES

(EUR)

| | Reserves at 31.12.1998 after allocation | Allocation (withdrawal) | Reserves at 31.12.1999 before allocation | Allocations at 31.12.1999 | Reserves at 31.12.1999 after allocation |
|---------------------|--|-------------------------|---|------------------------------|--|
| Guarantee Fund | 530 000 000 | 23 000 000 | 553 000 000 | — | 553 000 000 |
| Special Reserve | 176 055 284 | — | 176 055 284 | — | 176 055 284 |
| Former Pension Fund | 72 959 662 | — | 72 959 662 | 1 617 659 | 74 577 321 |
| Total | 779 014 946 | 23 000 000 | 802 014 946 | 1 617 659 | 803 632 605 |

The Guarantee Fund is intended to cover lending and borrowing operations. After allocation of EUR 23 million, the Guarantee Fund totalled EUR 553 million at 31 December 1999. 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 a Member State. This means that the reserves (Guarantee Fund and provisions) must be gradually increased to approximately EUR 720 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 33 % at 31 December 1998 to 38 % at 31 December 1999.

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 outturn of the ECSC operating budget.

19.1. Non-budgetary operations

| Result | 31 December | |
|--|-------------------|-------------------|
| | 1999 | 1998 |
| GROSS OPERATING MARGIN BEFORE CHANGES IN PROVISIONS | | |
| — Lending/borrowing operations | 2 065 277 | 15 129 889 |
| — Interest on bank accounts | 6 319 306 | 17 797 802 |
| — Transactions concerning portfolio securities | 50 243 418 | 32 845 995 |
| — Miscellaneous | 12 660 996 | – 2 044 464 |
| Total | 71 288 997 | 63 729 222 |
| NET CHANGES IN PROVISIONS | | |
| — Provision for liabilities and charges ⁽¹⁾ | 23 257 179 | – 30 102 913 |
| — Provision for major exposures ⁽²⁾ | 5 000 000 | 4 000 000 |
| — Reserve for exchange differences ⁽³⁾ | – 16 946 242 | 313 118 |
| — Value adjustments in respect of loans and advances | 280 815 | 31 629 008 |
| Result of non-budgetary operations | 82 880 749 | 69 568 435 |
| Amount allocated to financing the operating budget ⁽⁴⁾ | – 79 716 477 | – 38 422 601 |
| Result after deducting the net balance allocated to the operating budget | 3 164 272 | 31 145 834 |

⁽¹⁾ note 14.

⁽²⁾ note 17.

⁽³⁾ During 1999, changes in exchange rates produced profits on the Danish Krone, pound sterling, Swedish krona and Japanese yen totalling EUR 16 946 242, which were offset by an allocation to the reserve for exchange differences.

⁽⁴⁾ In accordance with the change of accounting method on 31 December 1992, income received during the 1999 financial year has been allocated to financing the 1999 operating budget (net balance as in note 19.2).

19.2. Out-turn of the ECSC operating budget

| (EUR) | | |
|--|--------------------|--------------------|
| | 31. December | |
| | 1999 | 1998 |
| OUT-TURN OF THE BUDGET | | |
| Expenditure | | |
| — Administrative expenditure (note 21) | 5 000 000 | 5 000 000 |
| — Legal commitments (note 15) | 145 553 799 | 153 992 955 |
| — Financing of future operating budgets | 34 000 000 | 26 000 000 |
| Total | 184 553 799 | 184 992 955 |
| Revenue (net amounts) | | |
| — Levy (note 25) | — | — |
| — Fines (note 25) | 16 605 836 | 6 686 169 |
| — Interest subsidies (note 25) | 2 557 049 | 4 808 477 |
| — Miscellaneous (note 25) | 320 008 | 831 970 |
| — Cancellations of legal commitments (note 25) | 85 354 429 | 134 243 738 |
| — Net balance for the year (note 19.1) | 79 716 477 | 38 422 601 |
| Total | 184 553 799 | 184 992 955 |
| Budget outturn | 0 | 0 |

19.3. Result for the financial year

| (EUR) | | |
|---|------------------|-------------------|
| | 31. December | |
| | 1999 | 1998 |
| Result from no-budgetary operations after deducting the net balance allocated to the operating budget (note 19.1) | 3 164 272 | 31 145 834 |
| Outturn of the budget (note 19.2) | 0 | 0 |
| Total | 3 164 272 | 31 145 834 |
| Withdrawal from provisions for financing the operating budget/ budgetary contingencies (note 16) | 21 000 000 | — |
| Allocation to the Guarantee Fund (note 18) | – 23 000 000 | – 30 000 000 |
| Result before allocation | 1 164 272 | 1 145 834 |

20. INTEREST AND SIMILAR CHARGES

| (EUR) | | |
|---------------------------------------|--------------------|--------------------|
| | 31. December | |
| | 1999 | 1998 |
| Interest on loans and swaps | 177 112 390 | 229 569 814 |
| Bank interest | 44 317 | 15 769 |
| Issuing costs and redemption premiums | 2 158 102 | 2 476 147 |
| Total | 179 314 809 | 232 061 730 |

21. ADMINISTRATIVE EXPENDITURE

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

22. OTHER OPERATING CHARGES

| | 31 December | |
|-----------------------|----------------|----------------|
| | 1999 | 1998 |
| Borrowing costs | 98 417 | 27 159 |
| Swift/Reuters charges | 192 031 | 205 013 |
| Other | 17 864 | 35 536 |
| Total | 308 312 | 267 708 |

23. INTEREST RECEIVED AND OTHER INCOME

| | 31 December | |
|---------------------------------|--------------------|--------------------|
| | 1999 | 1998 |
| Interest on loans and swaps | 179 588 983 | 242 206 441 |
| Payment and redemption premiums | 2 208 051 | 3 809 968 |
| Bank interest | 6 637 370 | 17 997 505 |
| Interest on financial assets | 66 015 368 | 82 066 045 |
| Total | 254 449 772 | 346 079 959 |

24. OTHER OPERATING INCOME

| | 31 December | |
|--------------------------------------|----------------|------------------|
| | 1999 | 1998 |
| Lapsed coupons and bonds | 12 681 | 27 964 |
| Other income from lending activities | — | 1 744 517 |
| Miscellaneous | 442 949 | 956 810 |
| Total | 455 630 | 2 729 291 |

25. INCOME RELATING TO THE OPERATING BUDGET

| | 31 December | |
|--|--------------------|--------------------|
| | 1999 | 1998 |
| Levy ⁽¹⁾ | — | — |
| Fines ⁽²⁾ | 16 605 836 | 6 686 169 |
| Miscellaneous | 320 008 | 831 970 |
| Cancellation of legal commitments (note 15) | 85 354 429 | 134 243 738 |
| Repayment of interest subsidies notes 5.4 and 16) ⁽³⁾ | 2 557 049 | 4 808 477 |
| Total | 104 837 322 | 146 570 354 |

⁽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 for 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. The European Commission decided to set the levy rate for the 1998 and 1999 financial years 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

| | 31 December | |
|--|--------------------|--------------------|
| | 1999 | 1998 |
| Commitments arising from swaps | | |
| — Notional capital commitments relating to interest-rate swaps | 222 436 108 | 203 535 235 |
| — Capital commitments relating to interest-rate and currency swaps | 205 533 225 | 169 388 841 |
| Total | 427 969 333 | 372 924 076 |

26.2. Commitments given

| | 31 December | |
|--|--------------------|--------------------|
| | 1999 | 1998 |
| (a) Loans granted | | |
| — Loans from borrowed funds signed but not yet disbursed | — | 109 708 164 |
| — Loans from own funds signed but not yet disbursed | — | — |
| (b) Commitments arising from swaps | | |
| — Notional capital commitments relating to interest-rate swaps | 222 436 108 | 203 535 235 |
| — Capital commitments relating to interest-rate and currency swaps | 193 464 504 | 184 334 156 |
| c) Receipts from lapsed coupons and bonds | 12 681 | 27 964 |
| Total | 415 913 293 | 497 605 519 |

27. CHANGES IN THE FINANCIAL SITUATION FOR THE YEAR ENDING 31 DECEMBER 1999

| | (EUR million) | |
|--|---------------|--------------|
| | 1999 | 1998 |
| ORIGIN OF FUND | | |
| Balance of profit and loss account | 1,2 | 1,1 |
| Items not involving a movement of funds | | |
| — Amortisation of issuing costs and redemption premiums | 2,2 | 2,3 |
| — Value adjustments in respect of financial assets | 29,2 | 43,8 |
| — Value adjustments in respect of tangible assets | 0,3 | 0,4 |
| — Value adjustments in respect of loans and advances, net | 15,7 | – 36,8 |
| — Decrease in 'Provision for legal commitments' | – 139,5 | – 158,1 |
| — Increase (decrease) in 'Provision for financing the ECSC operating budget' | – 41,3 | 34,3 |
| — Increase (decrease) in accruals and deferred payments | – 9,4 | – 27,3 |
| — Decrease in accruals and deferred income and issuing costs/redemption premiums | 11,3 | 41,8 |
| — Increase (decrease) in 'Other liabilities' | – 1,8 | 16,8 |
| — Increase in 'Other assets' | 41,3 | 178,5 |
| — Allocation to (withdrawal from) the provisions for liabilities and charges | – 9,4 | 35,5 |
| — Allocation to (withdrawal from) the provisions for major exposures | – 5,0 | – 4,0 |
| — Withdrawal from the provision for changes in the euro rate | 16,9 | – 0,3 |
| — Exchange-rate adjustments in respects of borrowings and loans | 20,8 | – 17,5 |
| — Allocation to the Guarantee Fund/Special Reserve | 23,0 | 30,0 |
| Total funds | – 44,5 | 140,5 |
| OTHER RESOURCES | | |
| — Proceeds from borrowings | — | — |
| — Loan repayments | 463,5 | 690,6 |
| — Disposals of buildings | 0,3 | 0,9 |
| — Decreases in bank balances and securities portfolio | 91,8 | — |
| Total resources | 511,1 | 832,0 |
| USE OF FUNDS | | |
| — Loan disbursements | — | 23,2 |
| — Redemption of borrowings | 511,1 | 797,2 |
| — Increase in bank balances and securities portfolio | — | 11,6 |
| Total uses | 511,1 | 832,0 |

OUTTURN OF THE ECSC OPERATING BUDGET FOR FINANCIAL YEAR 1999

(EUR million)

| Requirements | | | Resources | | |
|---|--------------|--------------|--|--------------|--------------|
| Operations to be financed from current resources (not reimbursable) | Forecast | Outturn | Resources for the financial year | Forecast | Outturn |
| 1. Administrative expenditure | 5,0 | 5,0 | 1. Current resources | | |
| 2. Aid for redeployment (Article 56) | 75,0 | 37,7 | 1.1. Yield from levy at 0,00 % | 0,0 | 0,0 |
| 3. Aid for research (Article 55) | 84,0 | 84,0 | 1.2. Net balance | 80,0 | 79,7 |
| 3.1. Steel research | 56,0 | 56,0 | 1.3. Fines and surcharges for late payment | p.m. | 16,6 |
| 3.2. Coal research | 28,0 | 28,0 | 1.4. Miscellaneous | 5,0 | 2,9 |
| 4. Social measures (coal) (Article 56) | 32,0 | 23,9 | 2. Cancellation for commitments | 57,0 | 85,4 |
| 5. Provisions for financing future budgets | 0,0 | 34,0 | 3. Unused resources carried over from 1998 | p.m. | 0,0 |
| | | | 4. Withdrawal from the provision for financing the ECSC operating budget | 54 | 0,0 |
| | | | 5. Extraordinary resources | p.m. | 0,0 |
| Total | 196,0 | 184,6 | Total | 196,0 | 184,6 |

REPORT OF THE EUROPEAN COURT OF AUDITORS

on the financial statements of the European Coal and Steel Community at 31 December 1999

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 1999 in accordance with generally accepted auditing standards and carried out such checks as it considered necessary. By means of this audit the Court obtained a reasonable basis for the opinion expressed below.
3. In the Court's opinion, the attached financial statements (balance sheet at 31 December 1999, profit and loss account, statement of the allocation of the surplus for the financial year 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 1999 and of the result of its operations for the year then ended.

Luxembourg, 30 June 2000.

Jan O. KARLSSON
President of the Court

Vítor CALDEIRA
Member of the Court