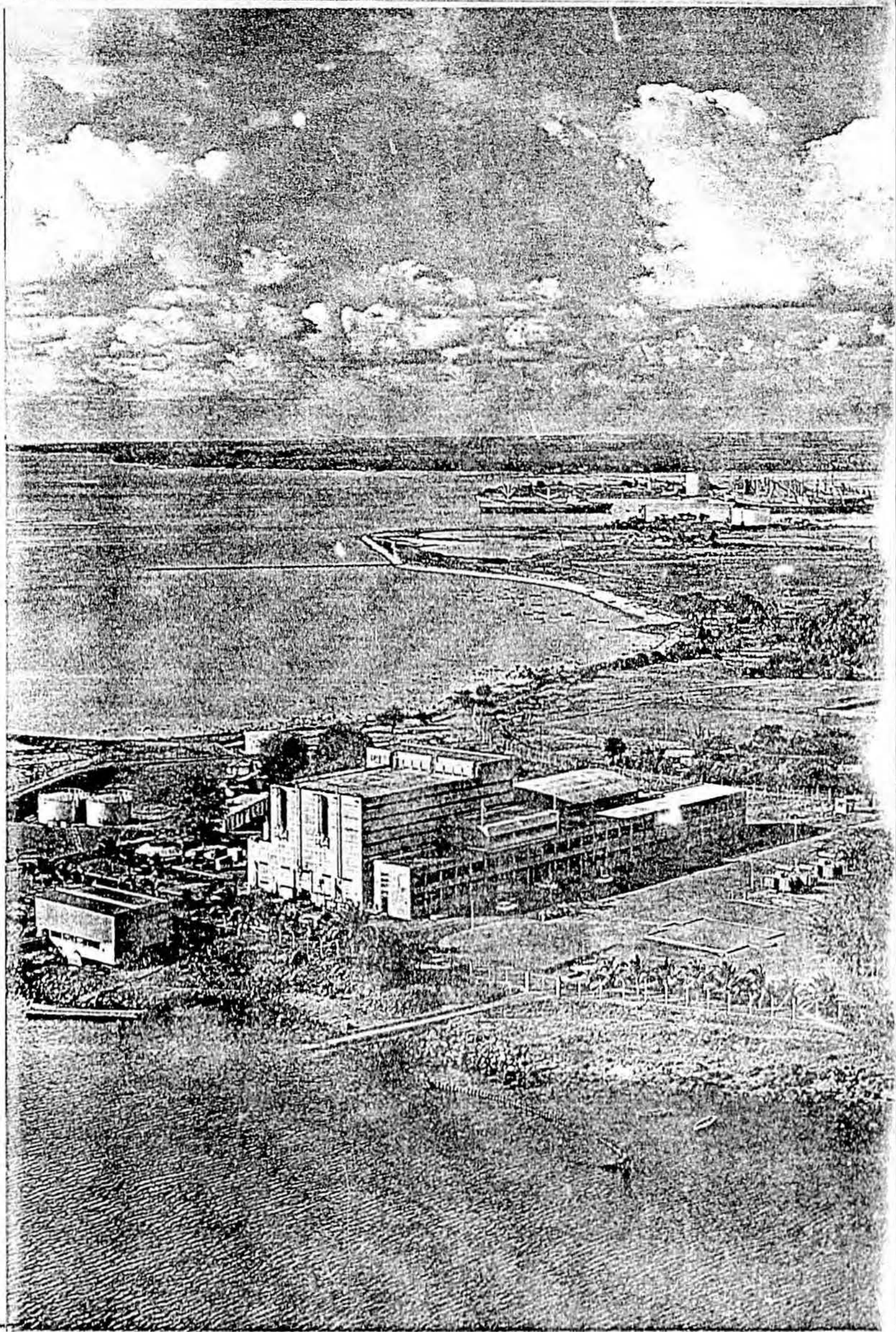


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

167 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78



The Bank's operations in the Associated Countries totalled 89 million units of account, of which 48.9 million were in the form of ordinary loans from the EIB's own resources. In Mauritius, the Bank part-financed the enlargement of a power station. Loans on special conditions, drawn from the resources of the European Development Fund, were granted in the Netherlands Antilles and Guadeloupe.

OPERATIONS OUTSIDE THE COMMUNITY (1)

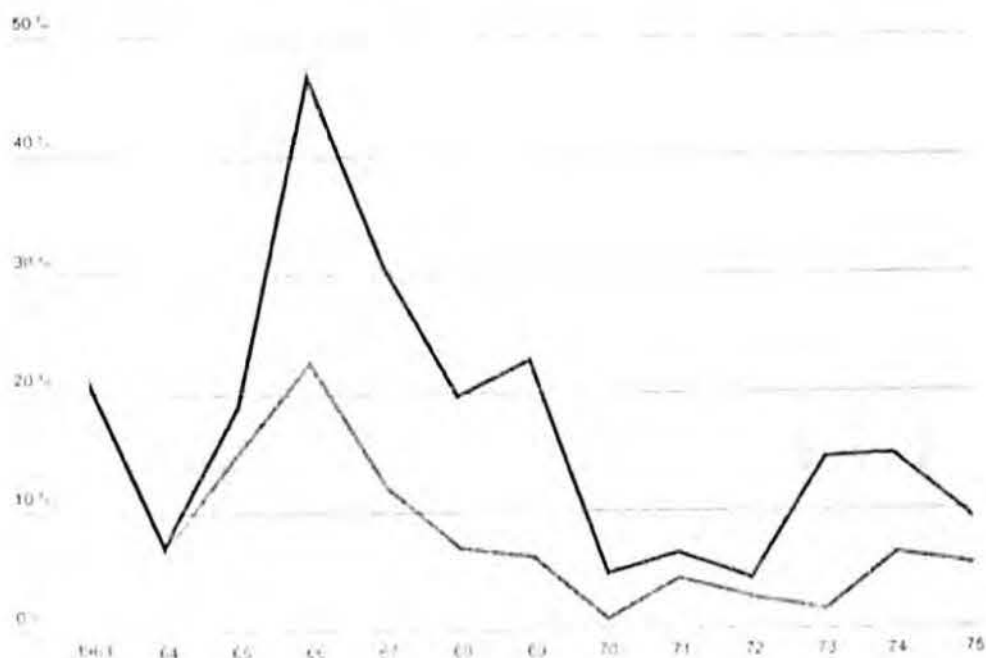
Operations in the Associated Countries began only in 1963 following entry into force of Association Agreements and Financial Protocols signed between the Community, and Greece, Turkey, the Associated African States, Madagascar and Mauritius (AASMM) and the Overseas Countries, Territories and Departments (OCTD). These countries have together received 741.4 million at current prices, of which 276.6 million was provided from the EIB's own resources, and 464.8 million from the resources of Member States and the European Development Fund (2), i.e. 13.6% of total funds made available by the Bank and 5.5% of all finance provided from EIB own resources over the period 1963-1975. The 145 contracts signed in support of projects in the various Associated Countries were distributed between Turkey (382.7 million, or 52% of finance granted outside the Community), the AASMM and OCTD (242.3 million, or 33%) and Greece (116.4 million, or 15%).

Bank activity outside the Community has shown marked fluctuations as a percentage of total lending, and has declined over the past decade, mainly because of the institutional factors governing this type of operation arranged under agreements concluded for five years and subject to rather lengthy ratifica-

(1) The amounts given below are based on current prices. It was not possible to establish suitable indices for computing lending in each of the countries concerned in real terms.
 (2) Loans on special conditions and contributions to the formation of risk capital made by the Bank acting as agent for, and on mandate from, the Member States and the European Economic Community (European Development Fund), and accounted under its Special Section (see Statement on page 65).

Graph E: EIB activity outside the Community in relation to the Bank's overall activity between 1963 and 1975

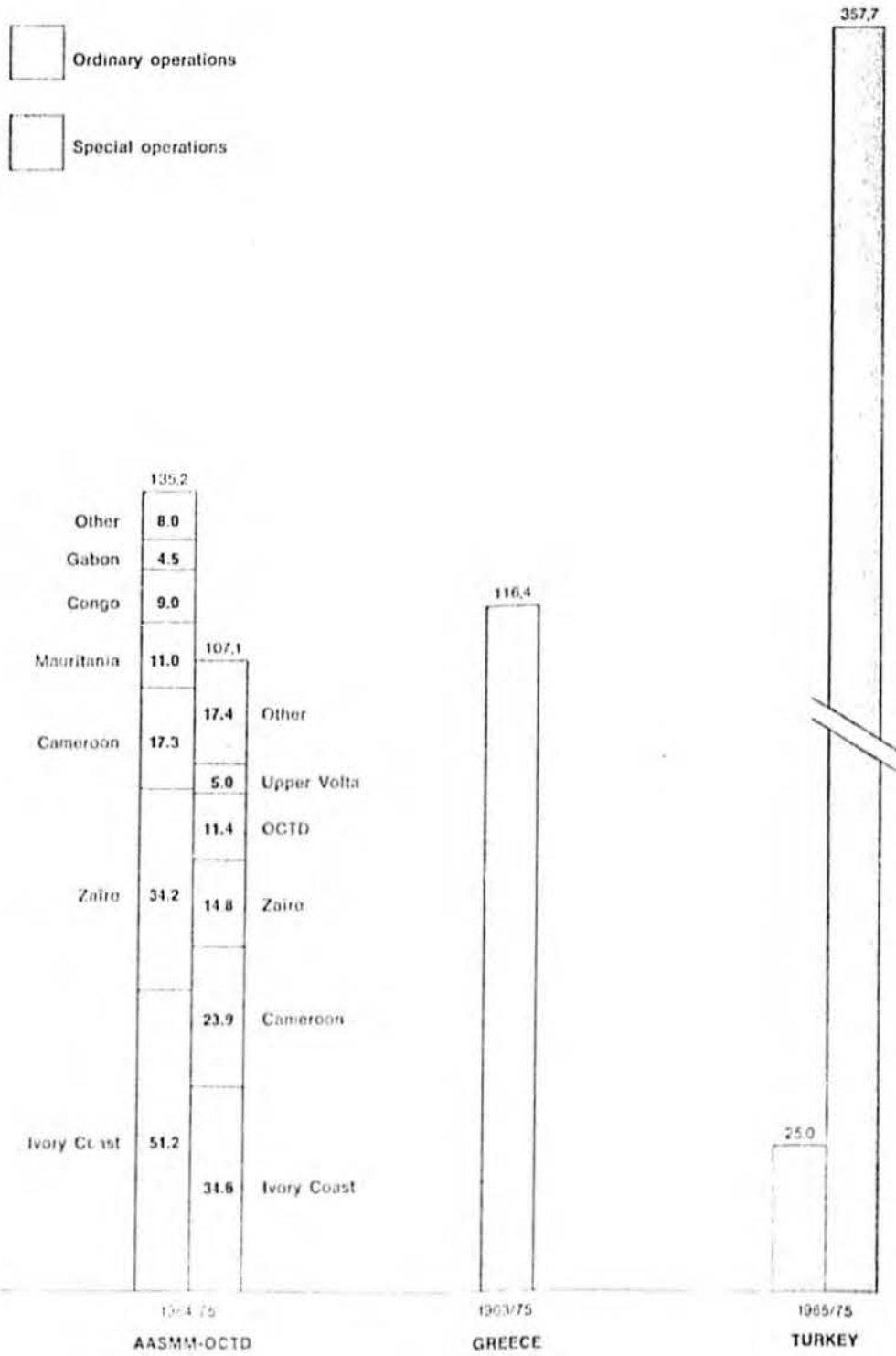
— Operations from own resources
 — Total operations from own resources and special operations from the resources of Member States or the European Development Fund



Graph F

Financing outside the Community

Breakdown by country and type of financing
(million u.s.)



and 1975, the Bank granted 22 loans for a total of 116.4 million (\$ 125 million — the ceiling fixed under the first Financial Protocol) of which 68.1 % went to infrastructure, particularly for agricultural development (56.3 million), roads (17 million) and energy transmission lines. The remaining 37.1 million was channelled into industrial projects mainly in the metals semi-processing and construction materials sectors, and the chemical and textile industries. A global loan was made available to the National Investment Bank for Industrial Development (NIBID) for financing small and medium-scale ventures in agreement with the EIB. These operations will together lead to the direct creation of around 7 000 jobs and help to improve the employment situation in areas covered by irrigation projects (see map, p. 34).

Loans for infrastructure projects, i.e. about two-thirds of the total amount lent, attracted an interest subsidy of three percentage points financed by the Member States which signed the Protocol and which also provide their guarantee for all funds granted.

Resources

Resources increased to nearly 4 700 million

The Bank's total resources at 31 December 1975 (comprising paid-up capital, net income appropriated to the statutory and other reserves and borrowings) amounted to 4 665.8 million compared with 3 804.2 million at 31 December 1974.

This increase was made up of an additional 802.2 million in borrowings, taking into account variations in conversion rates, and 59.4 million in net income appropriated to the statutory and other reserves.

830.7 million raised on capital markets

In 1975, the Bank made calls on the financial markets for a total of 830.7 million, including 17 million from the sale to third parties of participations in loans by the Bank, compared with 825.5 million in 1974 and 612.3 million in 1973.

The return to a more normal relationship between world short and long-term interest rates, coupled with the onset of a general downtrend in rates, enabled the Bank to borrow a variety of currencies on a number of different markets. Twelve issues in five currencies of Member States raised 363.8 million, as against 64.5 million in 1974. Nine of these, totalling 241.3 million (1974 : 41.9 million), were placed on the capital markets of Member States.

As in previous years, subscriptions were in most cases payable in United States dollars (258.9 million), although the exceptionally high proportion attained in 1974 (665 million out of a total of 825.5 million, or more than 75 %), was far from matched in 1975.

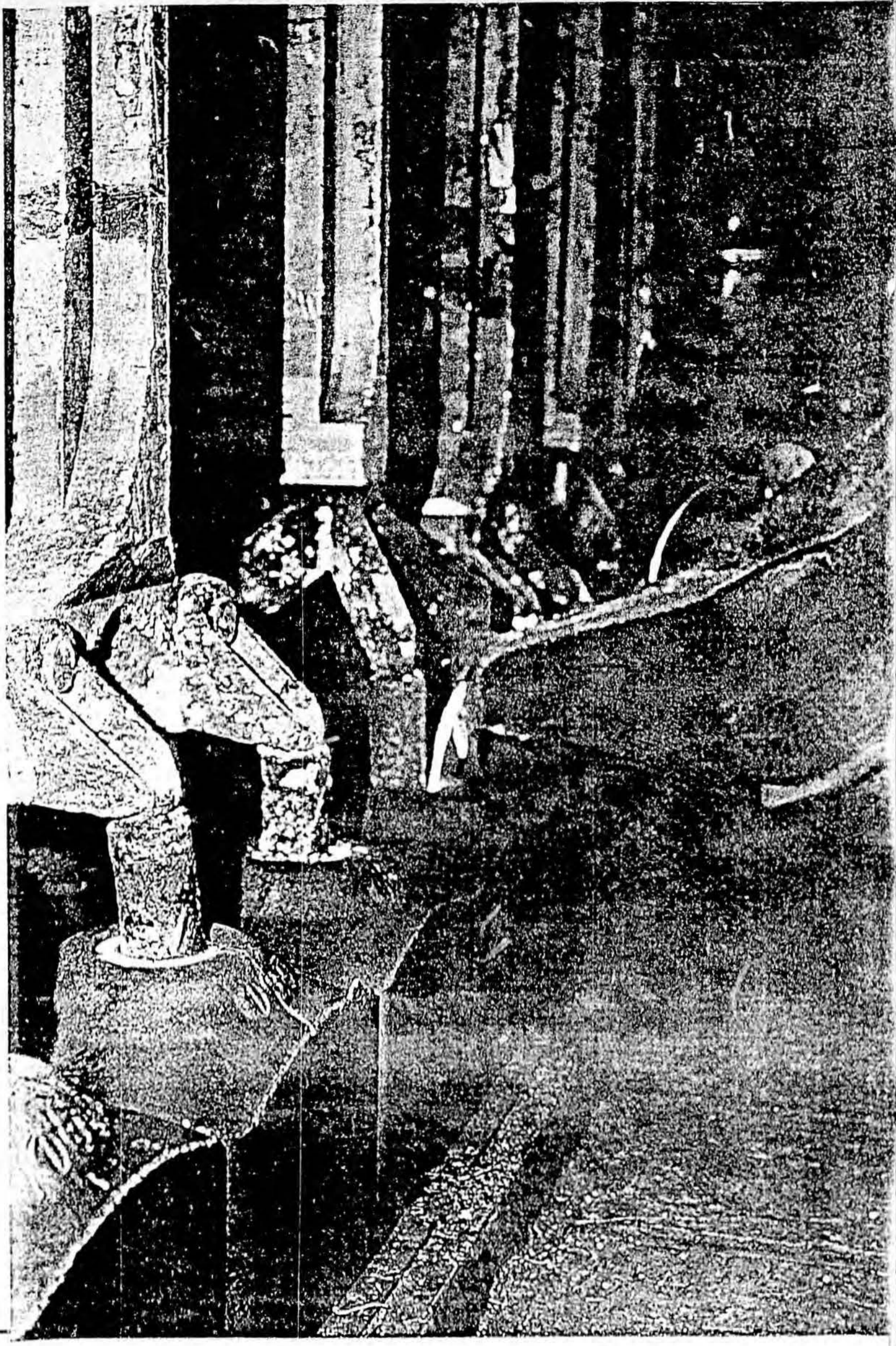
Issue on the United States capital market

For the first time since the abolition in 1974 of the interest equalisation tax, in force since 1963, the Bank was able to make a bond issue on the United States domestic market in November 1975, raising \$ 75 million for 7 years. The Bank's bonds are rated AAA, the highest possible, by the two leading rating agencies in the United States.

At the end of 1975, in pursuance of its policy of extending its borrowing activity to other markets, the Bank became the first non-Asian borrower on the Asian dollar market in signing a US \$ 20 million issue in Singapore. Funds were also raised for the first time on the Japanese market by means of a private placing in yen for the equivalent of 17.2 million.

The Swiss capital market proved to be a most valuable source of funds for the Bank in 1975; investors subscribed to six issues totalling 133.8 million, compared with 34.9 million in the previous year.

Table 17 on page 79 gives details of borrowings during the year. After deduction of repayments and allowing for exchange adjustments, total borrowings outstanding amounted to 3 915.4 million at 31 December 1975, as against 3 113.2 million at 31 December 1974, representing an increase of 802.2 million, of which 40.9 million was received after the end of the financial year.



1975 saw the resumption of EIB lending activities in Greece, with seven loans totalling 47.2 million units of account using up the balance of the funds for which provision was made under the first EEC-Greece Financial Protocol. Sizeable loans were made for a number of irrigation projects which will lead to an improvement in living standards over large areas. About 7,000 jobs should be directly created by industrial projects which the EIB has helped to finance, chief among which was an aluminium production works on the north coast of the Gulf of Corinth.

Table 3: Funds raised up to and including 1975

Year	Number	Issues Amounts (million u.a.)			Participations by third parties in EIB loans (million u.a.)	Funds raised (million u.a.)
		Private issues	Public issues	Total		
1961	3	7.6	13.8	21.4	—	21.4
1962	2	—	32.3	32.3	—	32.3
1963	3	8.0	27.2	35.2	—	35.2
1964	5	13.5	53.3	66.8	—	66.8
1965	4	—	65.0	65.0	—	65.0
1966	6	24.0	114.5	138.5	—	138.5
1967	8	40.0	154.5	194.5	—	194.5
1968	13	112.5	100.0	212.5	—	212.5
1969	9	63.7	82.3	146.0	—	146.0
1970	7	66.6	102.3	168.9	—	168.9
1971	20	208.0	204.9	412.9	—	412.9
1972	19	133.4	328.6	462.0	17.5	479.5
1973	22	207.0	401.0	608.0	4.3	612.3
1974	16	704.2	121.3	825.5	—	825.5
1975	26	318.6	495.1	813.7	17.0	830.7
1961-1975	163	1 907.1	2 296.1	4 203.2	38.8	4 242.0

Reduction in the Bank's lending rates

In contrast to 1974, when persistent increases in interest rates on financial markets forced the Bank to raise its lending rate to 10.5%, the slight easing of conditions on the capital markets in 1975 enabled the Bank to reduce its lending rate to 9.875% in February, 9.5% at the end of April and 9.25% in June. However, the reversal of trends in long-term interest rates obliged the Bank to raise its lending rate again to 9.5% in July 1975 (1).

(1) As of 10 February 1976 the rates were set at 9% for loans not exceeding 8 years and 9.5% for loans over 8 years.



In Turkey finance was provided for a project in the Berdan Valley to improve the country's agricultural potential (similar to a previous operation in the Gediz Valley); it involved the construction of a dam and reservoir to bring irrigation to 14 000 hectares. As in 1974, the Elbistan power station and lignite mine to supply it with fuel attracted the bulk of the Bank's lending. This project is of major significance for the development of Turkey.

Capital increase

Subscribed capital increased from 2 025 to 3 543 million

At its meeting on 10 July 1975, the Board of Governors decided to increase the subscribed capital of the Bank by 75 %, raising it from 2 025 to 3 543.75 million. This increase of 1 518.75 million is subscribed by Member States in proportion to their share in the subscribed capital as follows :

Germany	337 500 000	Netherlands	88 875 000
France	337 500 000	Denmark	45 000 000
United Kingdom	337 500 000	Ireland	11 250 000
Italy	270 000 000	Luxembourg	2 250 000
Belgium	88 875 000		

Each Member State will pay in 10 % of its share of the agreed increase in its own national currency in eight half-yearly instalments, the first on 30 April 1976.

Called capital increased from 405 to 556.875 million

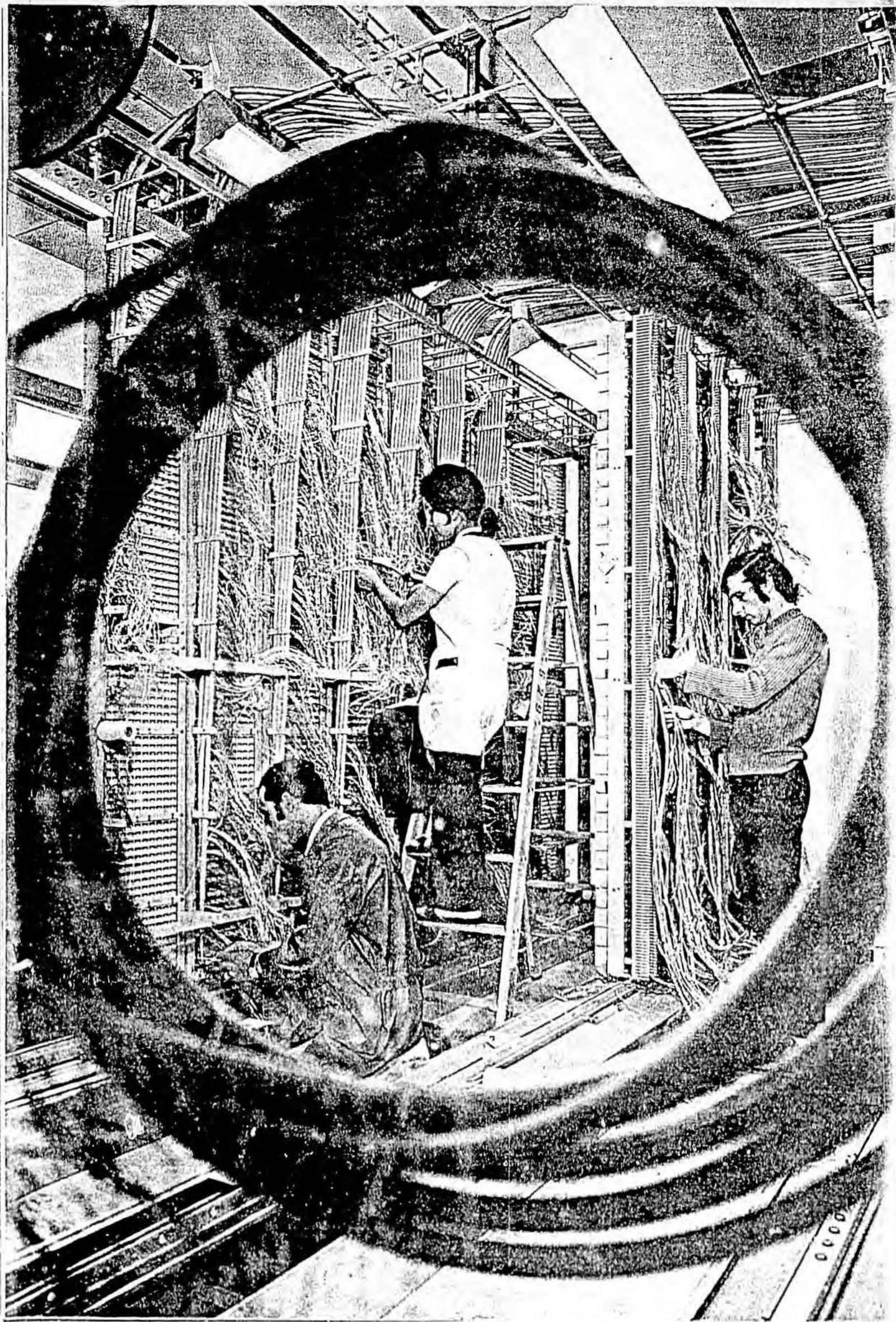
The paid-up capital will thus be increased progressively from 405 to 556.875 million, the called capital (paid up and due to be paid up) amounting to 15.7 % of subscribed capital. Under Article 5 (3) of the Statute of the Bank, the Board of Directors may call for payment of the balance of the subscribed capital to such extent as may be required to meet the Bank's obligations in respect of its borrowings.

Table 4 illustrates the growth in the Bank's capital since its foundation following the increases decided in 1971 and 1975 and the enlargement of the Community in 1973.

Article 18 (5) of the Statute of the Bank stipulates that the total outstanding amount of loans and guarantees granted by the Bank shall not exceed 250 % of its subscribed capital. As a result of the recent capital increase this statutory limit on loans and guarantees outstanding is 8 859 million, compared with 2 500 million in 1958.

Table 4: Statement of subscriptions to the capital of the Bank since 1958

	Initial subscription		Decision of Board of Governors of 26 April 1971		Enlargement of the Community (1 January 1973)		Decision of Board of Governors of 10 July 1975			
	Distribution according to Member States (%)	Subscribed capital	Paid-up capital (million u.a.)	Subscribed capital	Paid-up capital (million u.a.)	Subscribed capital	Paid-up capital (million u.a.)	Subscribed capital	Called capital (paid up and due to be paid up) (million u.a.)	Breakdown according to Member States (rounded %)
	30.0	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	22.22
United Kingdom	30.0	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	22.22
	—	—	—	—	—	450.0	90.0	787.5	123.75	22.22
	24.0	240.0	60.0	360.0	72.0	360.0	72.0	630.0	99.0	17.78
	8.65	86.5	21.625	129.75	25.95	129.75	25.95	207.375	32.5875	5.85
	7.15	71.5	17.875	107.25	21.45	107.25	21.45	207.375	32.5875	5.85
	—	—	—	—	—	60.0	12.0	105.0	16.5	2.96
	—	—	—	—	—	15.0	3.0	26.25	4.125	0.74
	0.2	2.0	0.5	3.0	0.6	3.0	0.6	5.25	0.825	0.15
	100.0	1 000.0	250.0	1 500.0	300.0	2 025.0	405.0	3 543.750	556.875	100.0



The EIB continued to support the extension and modernisation of telecommunications in the Community with seven loans totalling 197.7 million units of account, which went mainly towards installations in inadequately served regions in Ireland, Brittany, Wales, Sicily, Abruzzi, Molise, Trentino-Alto Adige and Veneto.

Results for the year

Net income amounted to 59.4 million

The results for 1975 were greatly influenced by the increase of about 100 million in receipts of interest on loans, whereas the amount of interest and charges on borrowings incurred over the year rose by only 77 million. In contrast to the high level of interest rates on money markets during the previous year, 1975 saw a downturn in rates with the result that income from short-term investments fell from 52 million in 1974 to 34 million in 1975. This drop in investment income was also due in part to the fact that the Bank took steps to channel borrowing proceeds as quickly as possible into long-term lending in order to reduce liquidity.

After allowing for the amortisation of issuing charges and redemption premiums amounting to 9.6 million as against 8.1 million in 1974, the results for the year showed an operating income of 54.9 million as against 49.3 million in 1974. On the basis of conversion rates by reference to the European Unit of Account as of 31 December 1975, an amount of approximately 4.5 million was credited to the profit and loss account resulting from the reevaluation of assets not subject to adjustment under Article 7 of the Statute. The net income available for appropriation to the statutory and other reserves thus amounted to 59.4 million. It will be recalled that in 1974, the net income appropriated to the statutory and other reserves was 36.3 million, resulting from the deduction from the operating income of 49.3 million of a net loss of 6 million arising from the reevaluation of assets not subject to adjustment under Article 7 of the Statute, of a supplementary provision for administrative expenses of 2 million and, finally, of a supplementary amortisation of issuing charges of 5 million.

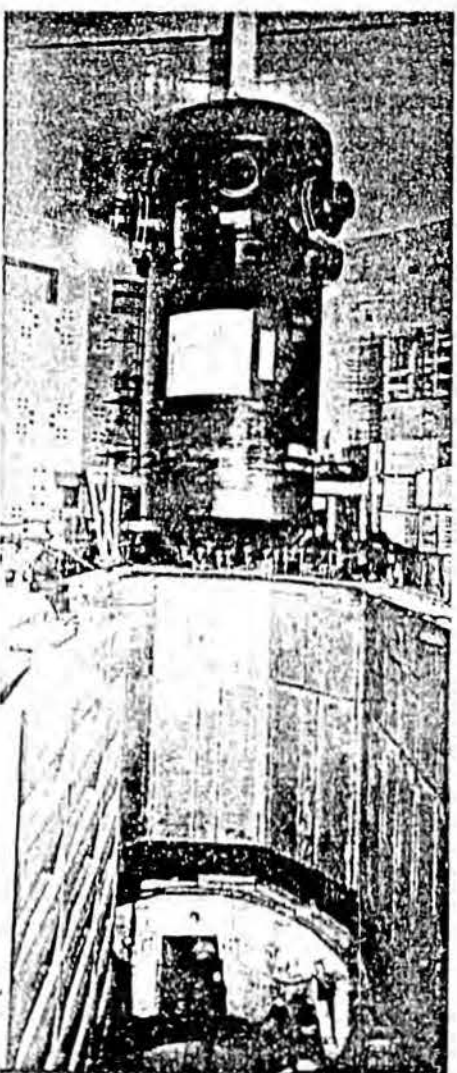
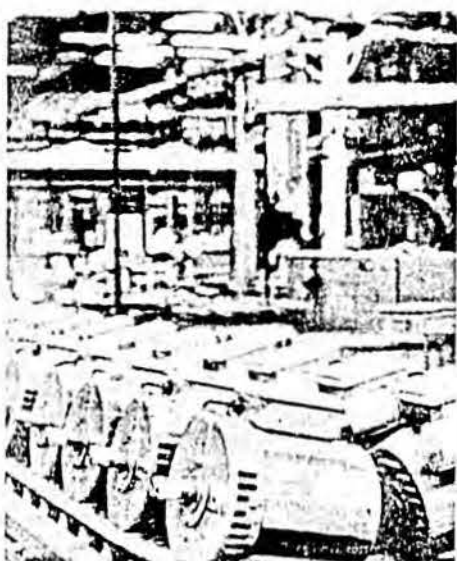
and was appropriated to the statutory and other reserves

Of this balance 20 million was appropriated to the statutory reserve and the remainder to the other reserves. At 31 December 1975 total reserves consequently amounted to 345 million, of which 130 million in the statutory reserve.

Balance sheet total at 31 December 1975 : close on 5 500 million

At the same date, the Bank's balance sheet total stood at 5 469 million, compared with 4 503 million at 31 December 1974, representing an increase of 21.5 %.

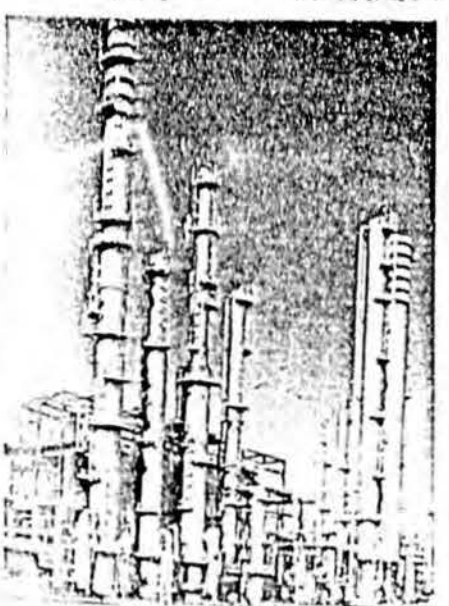
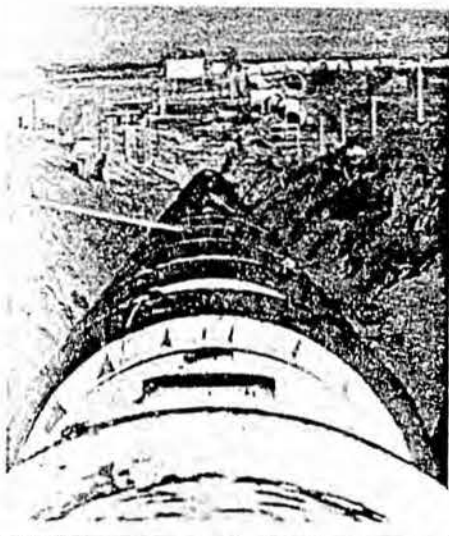
List of projects financed in 1975



Ordinary operations

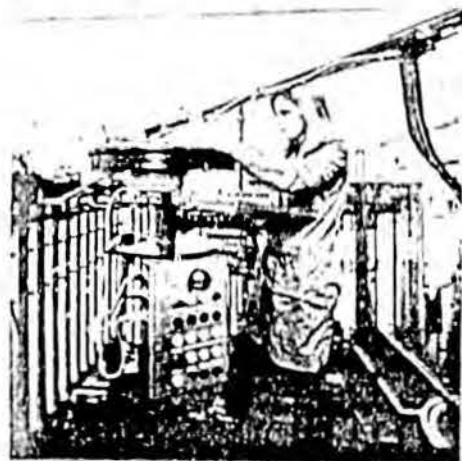
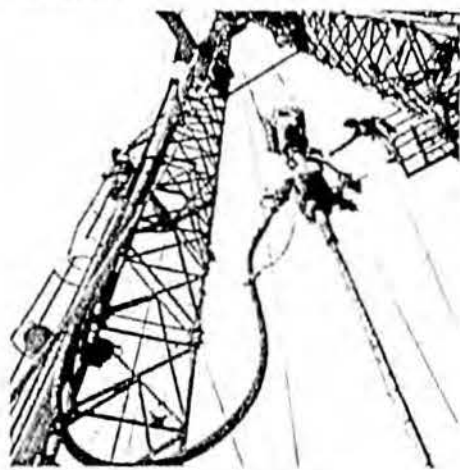
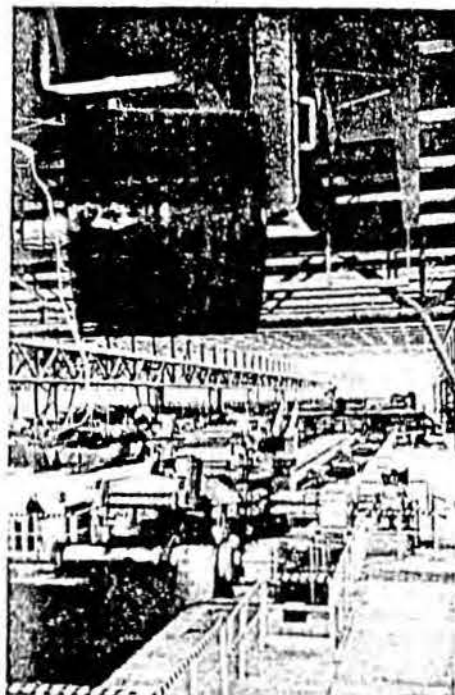
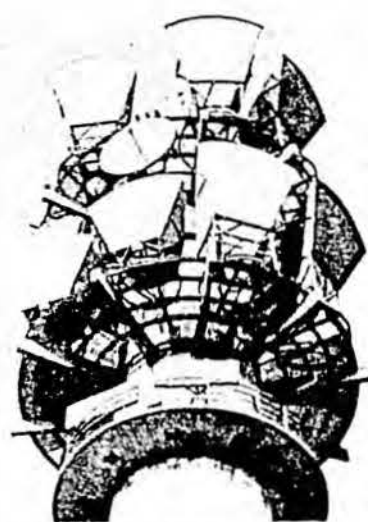
		million u. a.
		million u. a. (1)
BELGIUM		
Bfrs 500 million	10.8	
1. Gasline for conveying natural gas from the North Sea and the Netherlands to southern Belgium and northern France		
Société Européenne du Gazoduc Est-Ouest (SEGEO)		
Bfrs 500 million	10.8	
DENMARK		
Dkr 125.4 million	17.7	
2. Acquisition and installation of oil production platforms for the DAN field in the Danish sector of the North Sea		
Dansk Boreelskab A/S		
Dkr 43 million	6.1	
3. Extension of factory producing electric motors at Aalborg (North Jutland)		
Thrige Titan A/S		
Dkr 10 million	1.4	
4. Pig slaughterhouse near Sønderborg (South Jutland)		
Slagteriregion Syd		
Dkr 25 million	3.6	
5-6. Global loans to the Danish Government (Direktoratet for Egnudvikling) to finance small and medium-scale industrial ventures in less developed areas of Denmark		
First loan:		
Dkr 17.5 million	2.5	5.3
Second loan:		
Dkr 20.0 million	2.8	
7. Global loan to Finansieringsinstituttet for Industri og Håndværk A/S for financing small and medium-scale industrial ventures in less developed areas of Denmark		
Dkr 9.9 million	1.4	
FRANCE		
Ffrs 845.7 million	158.0	
8. Fourth stage of Bugey nuclear power station at St Vulbas (Rhône-Alpes)		
Électricité de France (EDF) — French National Electricity Board		
Ffrs 100 million	19.1	
9. Factory producing pressure vessels and steam generators for light water reactors at Châlon-sur-Saône (Burgundy)		
Société Franco-Américaine de Constructions Industrielles (Framatome)		
Ffrs 25 million	4.6	
10. Apparatus for underwater aligning and butt-welding of pipelines (new technology)		
Compagnie Maritime d'Expertises (COMEX)		
Ffrs 10 million	1.8	
11-13. Improvement and extension of water supply systems in rural areas of Brittany. Three loans to Finistère (Ffrs 14.3 million) Ile-et-Vilaine (Ffrs 20 million) and Morbihan (Ffrs 15.7 million) departments; total Ffrs 50 million		
		9.6
14. Verdun-Rheims section of A4 Paris-Metz motorway (Champagne-Lorraine)		
Société Concessionnaire des Autoroutes Paris-Est-Lorraine (APEL) S.A.		
Ffrs 165 million	31.8	

(1) Finance contracts are denominated in the equivalent of the national currency for operations in Member Countries, in United States dollars for projects in Greece, and in units of account for projects in other Associated Countries; amounts shown in national currencies for operations in Associated Countries and in Greece are thus merely indicative.



	million u. a.		million u. a.
15. Improvement of rail links between Paris and South-West France as far as the Spanish frontier (Poitou-Charentes, Aquitaine)			
Société Nationale des Chemins de Fer Français (SNCF)	27.3	ITALY	
Ffrs 150 million		Lit 289 800 million	358.8
16. Extension and modernisation of the international telecommunications system			
Administration des Postes et Télécommunications through the intermediary of Caisse Nationale des Télécommunications	30.5	21-22. Caorso nuclear power station, near Piacenza (Emilia Romagna)	
Ffrs 170 million		ENEL — Ente Nazionale per l'Energia Elettrica	
		Two loans totalling Lit 36 200 million	44.5
17. Extension and modernisation of the telecommunications system in Brittany			
Administration des Postes et Télécommunications through the intermediary of Caisse Nationale des Télécommunications	29.7	23-24. Development of Malossa natural gas and petroleum deposits in the Po Valley (Lombardy)	
Ffrs 155.7 million		AGIP S.p.A.	
		Two loans totalling Lit 36 200 million	44.5
18. Global loan to Société Lorraine de Développement et d'Expansion (LORDEX) for financing small and medium-scale industrial ventures in Lorraine			
Ffrs 20 million	3.6	25. Four gaslines in Calabria	
		SNAM S.p.A. through the intermediary of ENI — Ente Nazionale Idrocarburi	
		Two loans totalling Lit 7 000 million	8.6
19. Extension and modernisation of the telecommunications system in Ireland			
Department of Posts and Telegraphs through the intermediary of the Ministry for Finance	37.7	26. Sinni aqueduct: dam and 450 million m³ reservoir at Monte Cotugno (Basilicata) and main pipeline to the Alto Metapontino plain	
£Ir 22.0 million		Cassa per il Mezzogiorno (1)	
		Lit 24 000 million	30.3
20. Extension of cement works at Platin, Co. Meath (East Region)			
Cement Limited	7.7	27. Pertusillo aqueduct: pipeline connecting with the Pugliese aqueduct and branch lines supplying several towns (Apulia and Basilicata)	
£Ir 4.5 million		Cassa per il Mezzogiorno	
		Lit 25 000 million	31.5
21. Measures to reduce pollution in the Gulf of Naples: construction of sewers and purification plant for domestic and industrial waste water (Campania)			
		Cassa per il Mezzogiorno	
		Lit 24 000 million	30.3

(1) Cassa per opere straordinarie di pubblico interesse nell'Italia Meridionale



million u. a.

million u. a.

29. Alessandria (Alessandria province) - Santhià (Vercelli province) section, Piedmont, of the "Tunnels Motorway"

Autostrade — Concessioni e Costruzioni Autostrade S.p.A.
Lit 24 000 million

29.2

30. Fréjus transalpine road tunnel between Italy and France
Società Italiana Traforo Autostradale del Fréjus p.A. (SITAF)
Lit 7 600 million

9.3

31. Extension and modernisation of telephone installations in Veneto and Trentino-Alto Adige

SIP — Società Italiana per l'Esercizio Telefonico p.A.
Lit 24 500 million

29.8

32. Extension and modernisation of telecommunications in Sicily

SIP — Società Italiana per l'Esercizio Telefonico p.A., through the intermediary of IMI — Istituto Mobiliare Italiano
Lit 24 000 million

29.4

33. Extension and modernisation of telecommunications in Abruzzi and Molise

SIP — Società Italiana per l'Esercizio Telefonico p.A., through the intermediary of IMI — Istituto Mobiliare Italiano
Lit 15 000 million

18.4

34-35. Extension and modernisation of works producing welded steel tubes at Taranto (Apulia)

Tubificio Dalmine Italsider S.p.A.
First loan through the intermediary of the Cassa per il Mezzogiorno
Lit 900 million 1.1
Second loan through the intermediary of ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale
Lit 900 million 1.1

2.3

36-37. Extension and modernisation of plant producing welded steel tubes at Torre Annunziata (Campania)

Dalmine S.p.A.

First loan through the intermediary of the Cassa per il Mezzogiorno
Lit 3 600 million 4.5

Second loan through the intermediary of ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale
Lit 3 600 million 4.5

9.1

38-39. Extension and modernisation of Gela petrochemicals complex (Sicily) by increasing chlorine, caustic soda, ethylene oxide and ethylene glycol production capacities
ANIC S.p.A.

First loan through the intermediary of ENI — Ente Nazionale Idrocarburi
Lit 8 000 million 9.9

Second loan through the intermediary of IMI — Istituto Mobiliare Italiano
Lit 2 500 million 3.1

13.0

40-41. Plant producing MDI, an intermediate product used in the manufacture of rigid polyurethanes, at Brindisi (Apulia)

Montedison S.p.A.

First loan through the intermediary of the Cassa per il Mezzogiorno
Lit 6 000 million 7.6

Second loan through the intermediary of ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale
Lit 6 000 million 7.6

15.2

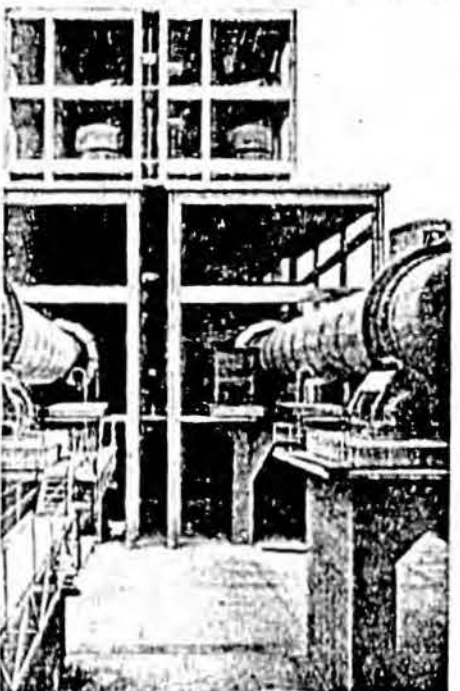
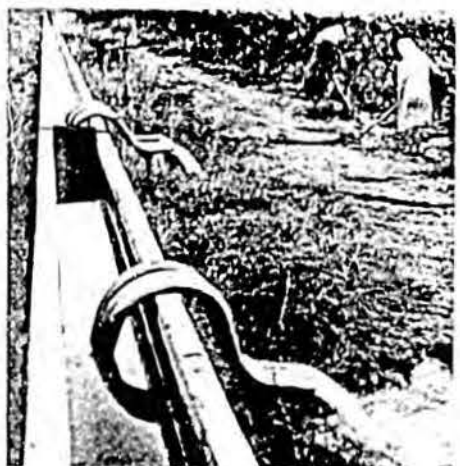
42. Extension of industrial chemicals factory (sodium metasilicate and chlorofluoro-hydrocarbon derivatives) at Bussi (Abruzzi)

Montedison S.p.A. through the intermediary of the Cassa per il Mezzogiorno
Lit 1 800 million 2.2

2.2



	million u. a.	million u. a.
43. Extension of pharmaceuticals factory at Anagni (Latium) Gruppo Lepelit S.p.A. through the intermediary of the Cassa per il Mezzogiorno Lit 1 500 million	1.8	
44. Extension of factory producing fluorescent tubes and vapour lamps at Bari (Apulia) Osram Sud S.p.A. through the intermediary of IMI — Istituto Mobiliare Italiano Lit 2 200 million	2.8	
45. Extension of graphite electrodes factory at Caserta (Campania) Elettrografite Meridionale S.p.A. through the intermediary of IMI — Istituto Mobiliare Italiano Lit 4 000 million	5.0	
46. New equipment for metallurgical research centre at Castel Romano, near Rome (Latium) Centro Sperimentale Metallurgico S.p.A. through the intermediary of IMI — Istituto Mobiliare Italiano Lit 1 300 million	1.6	
UNITED KINGDOM £ 186.5 million	334.5	
47. Hartlepool nuclear power station (North-East England) Central Electricity Generating Board through the intermediary of The Electricity Council £ 7.8 million	14.6	
48-49. Hunterston nuclear power station (Scotland) South of Scotland Electricity Board First loan : £ 15.6 million	29.2	
Second loan : £ 7.8 million	14.5	43.7
50. High voltage electricity transmission lines in North-East Scotland North of Scotland Hydro-Electric Board £ 10.0 million	17.7	
51. High voltage electricity transmission lines in South-East Scotland South of Scotland Electricity Board £ 10.0 million		17.7
52-53. Extension of British gasline network for conveying natural gas from the Frigg field in the North Sea British Gas Corporation two loans totalling £ 24.2 million		44.9
54-55. Second phase of extension of the British gasline network for conveying natural gas from the Frigg field in the North Sea British Gas Corporation two loans totalling £ 23.6 million		40.4
56. Acquisition of 2 050 merry-go-round wagons for conveying coal from mines to power stations British Railways Board £ 6.3 million		11.2
57. Construction of a petroleum harbour at Sullom Voe (Shetland Islands, off Scotland) Shetland Islands Council £ 16.9 million		29.9
58. Opening of two coal mines (Yorkshire & Humberside and Wales); modernisation and extension of several other mines (Midlands) National Coal Board £ 7.2 million		13.4
59. Extension and modernisation of telecommunications in Wales and neighbouring areas Pos. Office £ 17.5 million		30.0



million u. a.

million u. a.

60. Improvement of water supply system: 200 million m³ impounding dam at Kielder on the North Tyne river and regulation of the rivers Tyne, Wear and Tees (Northern England)

Northumbrian Water Authority through the intermediary of National Water Council
£ 7.5 million

13.3

61. Installation of three new coating lines at British Steel Corporation's Shotton complex in North Wales

British Steel Corporation
£ 17.5 million

31.0

62. Factory producing semi-portable typewriters in Glasgow (Scotland)

British Olivetti Limited through the intermediary of Olivetti International S.A.
£ 1 million

1.8

63. Glucose factory at Howden (Yorkshire & Humberside)

The Howden Glucose Company Limited
£ 1.6 million

2.7

64. Whisky bottling and blending plant at Shieldhall, near Glasgow (Scotland)

The Distillers Company Limited
£ 12 million

22.3

Total loans in the Community:

917.5

66. Factory producing flat-rolled aluminium products in Oenophyta (Boeotia)

ELVAL — Industrie Hellénique d'Aluminium S.A. through the intermediary of the Hellenic Industrial Development Bank (ETBA)
Dr 55.6 million (\$ 1.9 million)

1.4

67. Cement works at Kamari (Boeotia)

Titan Cement Co. S.A. through the intermediary of the Hellenic Industrial Development Bank (ETBA)
Dr 139.5 million (\$ 4.0 million)

3.5

68. Electrical and telecommunications cables factory at Volos (Thessaly)

Chandris-Cables S.A. through the intermediary of the Hellenic Industrial Development Bank (ETBA)
Dr 173.1 million (\$ 5.0 million)

4.3

69. Integrated cotton spinning and weaving plant at Yannitsa (Eastern Macedonia)

Tissages Helléniques S.A. through the intermediary of the Hellenic Industrial Development Bank (ETBA)
Dr 48.4 million (\$ 1.4 million)

1.2

70. Plant for producing nylon filament yarn in Athens

ETMA Rayon Manufacturing S.A. through the intermediary of the National Investment Bank for Industrial Development (NIBID)
Dr 119.9 million (\$ 3.5 million)

3.0

71. Global loan to the National Investment Bank for Industrial Development (NIBID) for financing small and medium-scale ventures
Dr 301.6 million (\$ 10.0 million)

7.7

ASSOCIATED COUNTRIES

GREECE

Dr 1 878 million
(\$ 55.8 million)

47.2

65. Irrigation and flood control in the Serres plain (Eastern Macedonia), Hellenic Republic

Ministries of Public Works and Agriculture

Dr 1 039.8 million (\$ 30 million)

28.0

MAURITIUS

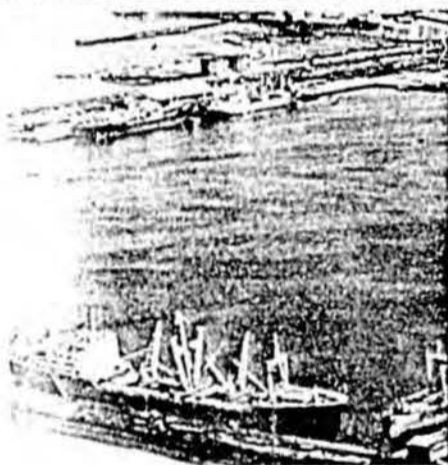
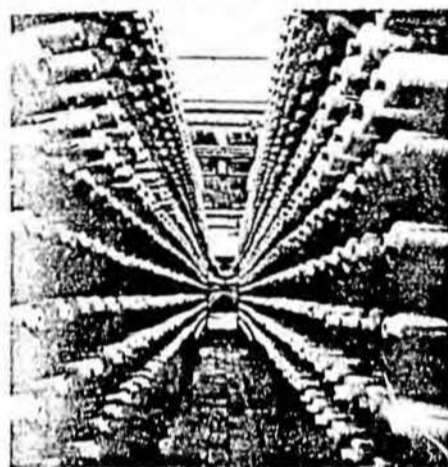
Mau Rs 13.6 million

1.75

72. Upgrading Fort Victoria thermal power station

Central Electricity Board
Mau Rs 13.6 million

1.75



Special operations

NETHERLANDS ANTILLES

Ant Fl 9.1 million

73. Extension of Curaçao International airport

Netherlands Antilles
Ant Fl 9.1 million

GUADELOUPE

Ffrs 4 million

74. Construction of a new mixed cargo wharf at Pointe-à-Pitre

Department of Guadeloupe
Ffrs 4 million

TURKEY

TL 605.4 million

75. Irrigation of the Berdan Valley in Mersin province (Southern Anatolia)

million u. a.

million u. a.

Devlet Su Isleri General Müdürlüğü — DSI (Department of State Hydraulic Works, Ministry of Energy and Natural Resources)

Topraksu (Department of Land Reclamation and Development, Ministry of Rural Affairs), Extension Services of the Ministry of Agriculture

TL 189.2 million

11.0

76. Second loan for mining a lignite deposit and construction of a thermal power station at Elbistan (Eastern Anatolia), following an earlier loan for 58 million in 1974

Türkiye Elektrik Kurumu — TEK (Turkish Electricity Authority)

Türkiye Kömür İşletmeleri Kurumu — TKİ (Turkish Coal Enterprises)
TL 330.2 million

19.0

77. Global loan to the INDUSTRIAL INVESTMENT AND CREDIT BANK for financing small and medium-scale industrial projects

Sınai Yatırım ve kredi Bankası (SYKB)

TL 86 million

5.0

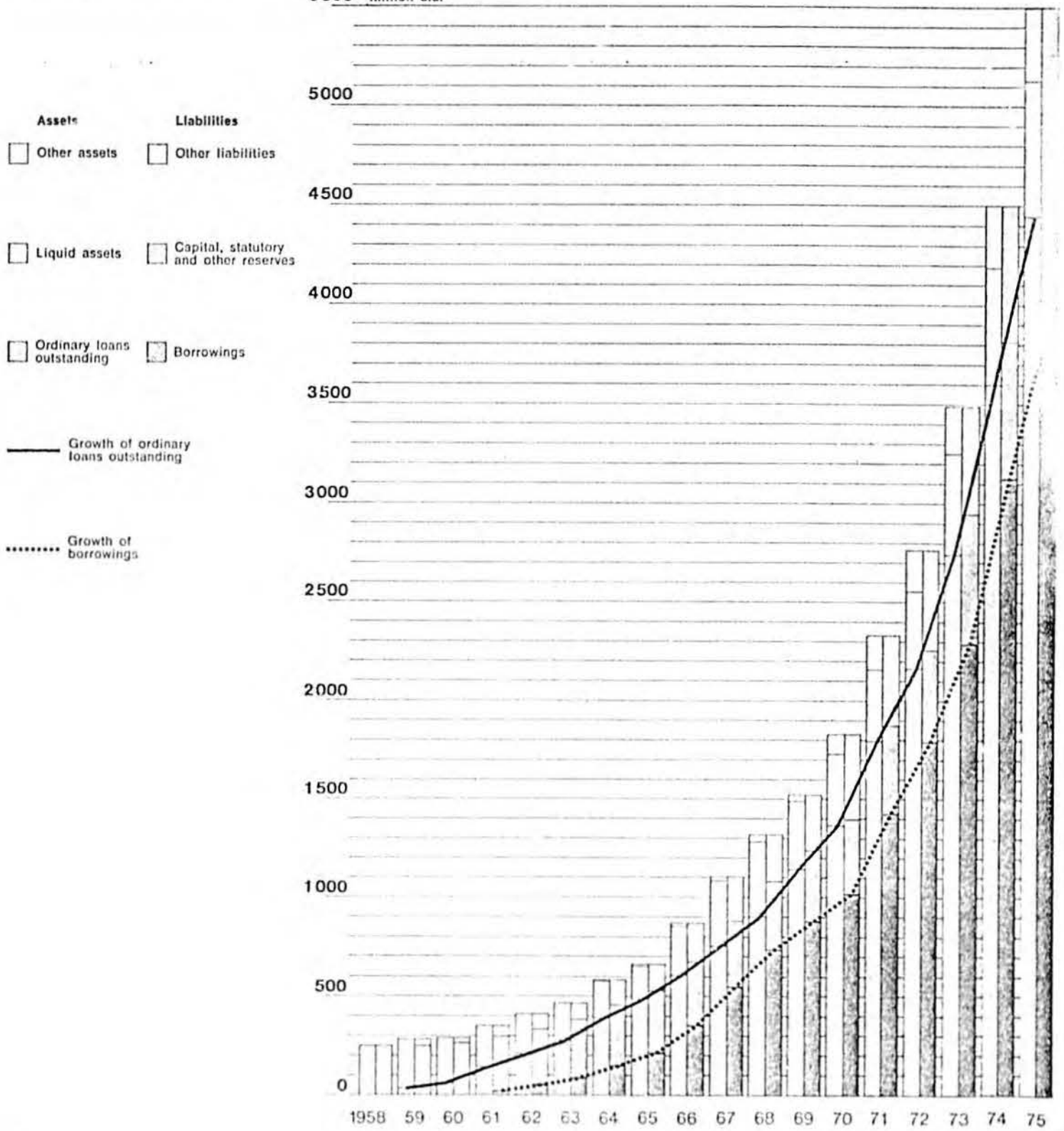
Total loans outside the Community: 89.0

GRAND TOTAL:

1 006.5

Balance sheet of the Bank at 31 December of each year

5500 Million u.a.



Administration

Changing responsibilities occasioned the resignation of Messrs Gastone MICONI, Christopher FOGARTY and David NENDICK from the Board of Directors during the year. The Board would like to record its appreciation of their valuable contribution to the activities of the Bank.

All three seats vacated went to new Directors appointed by the Board of Governors to complete their predecessors' terms of office: Mr Ferdinando VENTRIGLIA, Director, Mr Norman JORDAN-MOSS, Director and Mr Roger BARNES, Alternate.

Following the resignation of Mr Roger LÉONARD, Mr Michael JACOB was appointed to the Audit Committee. The Board wishes to express its thanks to Mr LÉONARD for his valuable work for the Committee.

The continuing expansion of its activities, in particular its growing functions outside the Community, resulted in further additions to the Bank's staff: at 31 December 1975 there were 359 personnel, compared with 338 at 31 December 1974.

The Board of Directors wishes to convey its thanks, to the staff of the Bank for their diligence and the high quality of their work throughout the year.

Luxembourg, 6 April 1976

Yves LE PORTZ

Chairman of the Board of Directors

Balance sheet at 31 December 1975

(in units of account - see notes to the financial statements, Annex E)

Assets	31.12.1975	31.12.1974
Receivable from Member States on account of called capital	151 875 000	—
Cash and bank deposits		
At sight and up to one year's notice	333 213 291	437 899 631
At more than one year's notice	4 243 267	3 010 446
	337 456 558	440 910 077
Investments (Note B)		
For not more than one year	7 531 472	42 483 789
For more than one year	144 704 332	71 521 209
	152 235 804	114 004 998
Borrowing proceeds to be received	40 939 011	32 806 007
Receivable from Member States for adjustment of capital (Annex D)	38 063 178	34 147 391
Loans (Annex B)		
disbursed	4 178 744 729	3 239 857 327
undisbursed	264 808 983	361 044 873
	4 443 553 712	3 600 902 200
Contra accounts to guarantees		
In respect of loans under mandate	110 926 643	112 667 095
excluding those		
(a) in respect of loans granted by third parties	(19 647 523)	(19 882 429)
(b) in respect of participations by third parties in the loans of the Bank	(42 397 712)	(26 188 475)
Land and buildings	503 571	507 445
Accrued interest and commission	78 719 249	58 483 628
Unamortised issuing charges	65 214 634	55 562 755
Unamortised redemption premiums	5 096 433	5 788 784
	70 311 067	61 351 539
Special deposits for service of loans (Note C)	32 993 735	41 854 702
Miscellaneous (Note D)	11 904 024	5 709 365
	<u>5 469 481 552</u>	<u>4 503 344 447</u>

Liabilities

	31.12.1975	31.12.1974
Capital (Annex A)		
Subscribed	3 543 750 000	2 025 000 000
Uncalled	2 986 875 000	1 620 000 000
	556 875 000	405 000 000
Statutory reserve (Note G)	130 000 000	110 000 000
Other reserves (Note G)		
For risks on loans and guarantees	143 901 812	117 982 653
For equalisation of interest on borrowings	13 000 000	13 000 000
For monetary risks	33 475 915	29 000 000
For building	25 000 000	16 000 000
	215 377 727	175 982 653
Write-back of issuing charges previously amortised	23 127 079	23 127 079
Staff pension fund	3 071 073	6 514 540
Payable to Member States for adjustment of capital (Annex D)	23 904 493	20 878 986
Borrowings (Annex C)		
Bonds and notes	3 346 910 328	2 716 505 002
Other medium and long-term borrowings	568 572 274	396 734 338
	3 915 482 602	3 113 239 340
Redemption premiums on bonds	10 526 141	10 604 592
	3 926 008 743	3 123 843 932
Undisbursed balance of loans	264 808 983	361 044 873
Guarantees		
On loans under mandate	110 926 643	112 667 095
On loans granted by third parties	(19 647 523)	(19 882 429)
On participations by third parties in the loans of the Bank	(42 397 712)	(26 188 475)
Accrued interest and commission and interest received in advance	130 117 144	101 574 816
Coupons and liabilities due and not yet paid (Note C)	32 993 735	41 854 702
Miscellaneous (Note D)	47 270 932	20 855 671
	<u>5 469 481 552</u>	<u>4 503 344 447</u>

Memorandum accounts

Undertaking to stand guarantor for loans to be granted by third parties	49 118 809	—
Securities received as guarantee for loans under mandate.	27 833 992	28 166 774
Securities received on deposit	128 724 427	119 525 722

Profit and loss account for the year ended 31 December 1975

(in units of account - see notes to the financial statements, Annex E)

Debit	1975	1974	Credit	1975	1974
Administrative expenses and charges	14 175 391	11 339 398	Interest and commission on loans	312 485 485	212 651 511
Supplementary provision for administrative expenses . .	—	2 000 000	Interest and commission on investments	33 974 876	51 965 392
Interest and charges on borrowings	274 821 383	197 798 267	Management commission (Note F)	2 228 327	1 885 773
Amortisation of issuing charges and redemption premiums	9 602 463	8 099 950	Financial and other income	5 188 049	2 314 470
Supplementary amortisation of issuing charges	—	5 000 000	Exchange differences (Note E)	790 943	—
Financial charges	164 198	962 911	Net surplus value arising from reevaluation of the assets of the Bank not subject to adjustment under Art. 7 of the Statute . . .	4 475 915	—
Depreciation of net purchases of furniture and equipment . .	985 086	156 251			
Exchange differences	—	1 172 608			
Net decrease in value arising from reevaluation of the assets of the Bank not subject to adjustment under Art. 7 of the Statute . . .	—	5 991 566			
Reserve for risks on loans and guarantees	25 919 159	12 982 653			
Reserve for monetary risks	4 475 915	6 000 000			
Reserve for building	9 000 000	5 000 000			
Balance appropriated to the statutory reserve	20 000 000	12 313 542			
	<u>359 143 595</u>	<u>268 817 146</u>		<u>359 143 595</u>	<u>268 817 146</u>

Statement of Special Section⁽¹⁾ at 31 December 1975

(in units of account - see notes to the financial statements, Annex E)

Assets		1975	1974	Liabilities		1975	1974
Turkey							
<i>From resources of Member States</i>							
Loans		228 677 376	216 910 509	Trust management funds		228 677 376	216 910 509
Undisbursed loans		128 962 771	103 783 658	Undisbursed funds		128 962 771	103 783 658
	Total ⁽²⁾	357 640 147	320 694 167		Total	357 640 147	320 694 167

Associated African States, Madagascar, Mauritius and the Overseas Countries, Territories and Departments

<i>From resources of the European Economic Community</i>							
Loans ⁽²⁾		78 446 317	63 285 655	Trust management funds		80 864 589	64 719 440
Undisbursed loans		27 672 388	37 020 365	Undisbursed funds :			
Contributions to the formation of risk capital :				loans		27 672 388	37 020 365
— Equity participations		1 743 358	1 630 930	contributions to the formation of risk capital		244 660	197 145
— Quasi-capital assistance (of which 244 660 u.a. not yet paid up)		919 574	—				
	Total	108 781 637	101 936 950		Total	108 781 637	101 936 950

Summary

Loans		307 123 693	280 196 164	Trust management funds		309 541 965	281 629 949
Undisbursed loans		156 635 159	140 804 023	Undisbursed funds :			
Contributions to the formation of risk capital (of which 244 660 u.a. not yet paid up)		2 652 932	1 630 930	loans		156 635 159	140 804 023
	Total	466 421 784	422 631 117	contributions to the formation of risk capital		244 660	197 145
					Total	466 421 784	422 631 117

⁽¹⁾ The Special Section was set up by the Board of Governors on 27 May 1963 for recording the operations carried out by the European Investment Bank for the account of and under mandate from Member States and the European Economic Community.

⁽²⁾ Original amount of loan contracts signed for financing projects in Turkey for the account of and under mandate from Member States : 357 900 000

Add :			
— exchange adjustments		+ 6 576 251	
Less :			
— cancellation	215 000		
— repayments	6 621 104		
		— 6 836 104	
			259 853
			357 640 147

⁽²⁾ Original amount of loan contracts signed for financing projects in the Associated African States, Madagascar, Mauritius and the Overseas Countries, Territories and Departments (AASMM-OCTD) for the account of and under mandate from the European Economic Community :

			104 593 831
Add :			
— capitalised interest	870 921		
— exchange adjustments	4 422 850		
		+ 5 293 771	
Less :			
— cancellations	1 269 140		
— repayments	2 504 757		
		— 3 773 897	
			+ 1 519 874
			106 118 705

Annex A - Statement of subscriptions to the capital of the Bank

At 31 December 1975

In thousands of units of account — See notes to the financial statements, Annex E

Member States	Subscribed capital (1)	Uncalled capital (2)	Called capital		Total
			Paid up at 31.12.75	To be paid up	
Germany	787 500	663 750	90 000	33 750	123 750
France	787 500	663 750	90 000	33 750	123 750
United Kingdom	787 500	663 750	90 000	33 750	123 750
Italy	630 000	531 000	72 000	27 000	99 000
Belgium	207 375	174 787.5	23 700	8 887.5	32 587.5
Netherlands	207 375	174 787.5	23 700	8 887.5	32 587.5
Denmark	105 000	88 500	12 000	4 500	16 500
Ireland	26 250	22 125	3 000	1 125	4 125
Luxembourg	5 250	4 425	600	225	825
Total	3 543 750	2 986 875	405 000	151 875	556 875

(1) By decision of the Board of Governors of 10 July 1975 the subscribed capital of the Bank was increased from 2 025 000 000 u.a. to 3 543 750 000 u.a. Each Member State will pay in its national currency, 10 % of the increase, i.e. the equivalent of 151 875 000 u.a., in eight equal instalments of 18 984 375 u.a. on 30 April and 31 October of the years 1976/1979.

(2) Could be called by decision of the Board of Directors to such extent as may be required to meet the Bank's obligations towards lenders in respect of borrowings.

Annex B - Analysis of loans outstanding

At 31 December 1975

In units of account — See notes to the financial statements, Annex E

Countries and Territories in which loans have been granted (1) (2)	Number of loans	Amount disbursed	Amount undisbursed	Total (2)	%
Germany	65	553 137 475	—	553 137 475	12.45
France	90	988 903 875	33 516 737	1 022 420 612	23.01
United Kingdom	31	459 051 552	77 434 185	536 485 737	12.07
Italy	219	1 744 423 802	66 032 899	1 810 456 701	40.74
Belgium	8	87 051 382	—	87 051 382	1.96
Netherlands	7	66 592 648	—	66 592 648	1.50
Denmark	12	31 052 793	5 495 368	36 548 161	0.82
Ireland	11	100 083 757	—	100 083 757	2.25
Luxembourg	3	5 583 101	—	5 583 101	0.13
Greece	21	53 326 242	36 619 525	89 945 767	2.02
Cameroon	9	12 227 931	—	12 227 931	0.28
Congo	1	7 370 061	—	7 370 061	0.17
Ivory Coast	9	29 230 344	20 166 397	49 396 741	1.11
Gabon	4	3 873 414	—	3 873 414	0.09
Upper Volta	1	379 875	—	379 875	0.01
Mauritius	1	—	1 750 000	1 750 000	0.04
Senegal	2	2 511 586	—	2 511 586	0.06
Zaire	3	13 202 330	16 600 000	29 802 330	0.67
New Caledonia	1	1 518 403	—	1 518 403	0.03
Turkey	2	19 224 158	7 193 872	26 418 030	0.59
Total	500	4 178 744 729	264 808 983	4 443 553 712	100

(1) Currencies in which loans are repayable:

Currency:	Amount:
Currencies of Member States	2 334 155 450 u.a.
Option of the Bank as between the currencies of the founder Member States of the Community	11 207 500 u.a.
Other currencies	1 833 381 770 u.a.
Disbursed portion of loans	4 178 744 729 u.a.
Add undisbursed portion of loans	264 808 983 u.a.
	<u>4 443 553 712 u.a.</u>

(2) Original amount of ordinary loans calculated on the basis of the parities applied on the date of signature:

	5 239 068 195 u.a.
Less:	
(a) terminations and cancellations	80 223 069 u.a.
(b) exchange adjustments	41 022 081 u.a.
(c) principal repayments to the Bank	631 871 621 u.a.
(d) third party participations in loans	42 397 712 u.a.

755 514 403 u.a.

Ordinary loans outstanding 4 443 553 712 u.a.

The total volume of loans and guarantees granted by the Bank, which under Article 18 (5) of the Statute must not exceed 250 % of its subscribed capital, amounted at 31 December 1975 to:

— ordinary loans	4 443 553 712 u.a.
— guarantees given:	
• in respect of loans under mandate	110 225 643 u.a.
• in respect of loans granted by third parties	19 247 523 u.a.
• in respect of third party participations in the loans of the Bank	42 397 712 u.a.

172 971 878 u.a.

4 616 525 590 u.a.

* Certain loans are covered by several types of guarantee or security

Annex C - Statement of funded debt

At 31 December 1975

in units of account — See notes to the financial statements, Annex E

Payable in	Operations during the financial year				Borrowings at 31 December 1975		
	Borrowings at 31 December 1974	Borrowings	Redemptions	Exchange adjustments	Amount (1)	Rate of interest (weighted averages)	Due dates
DM	653 966 213	180 829 190	26 817 485	— 8 323 714	799 654 204	7.46	1976/1988
Ffrs	146 016 123	66 768 791	10 493 075	+ 10 322 298	212 614 137	7.92	1976/1988
Lit	252 967 627		5 975 648	+ 5 602 068	252 594 047	6.57	1976/1988
Bfrs	192 305 406	33 303 360	5 825 870	— 3 430 960	216 351 936	7.61	1976/1993
Fl	204 884 429	71 808 682	22 140 219	+ 253 572	254 806 464	7.71	1976/1990
Lfrs	112 300 914	11 101 120		— 1 823 071	121 578 963	7.52	1976/1988
Eurco (2)	90 159 418		2 022 260	+ 68 505	88 205 663	8.13	1976/1989
S	1 243 948 014	298 904 958	58 595 459	+ 104 774 308	1 589 031 821	8.69	1976/1990
Sfrs	199 888 316	133 769 079		+ 13 611 467	347 268 862	7.40	1976/1990
Lebanese	16 802 880		612 389	+ 251 787	16 442 278	7.13	1976/1985
Yen		17 204 252		— 270 025	16 934 227	8.50	1978
Total	3 113 239 340	813 689 432	132 482 405	+ 121 036 235	3 915 482 602		
Redemption premiums	10 604 592		551 735	+ 473 284	10 526 141		
Grand total	3 123 843 932	813 689 432	133 034 140	+ 121 509 519	3 926 008 743		

(1) The following table shows the total capital sums required for redemption of the loans during the five years following the date of this statement:

Year	1976	1977	1978	1979	1980
Amount	131 270 282 u.a.	213 678 695 u.a.	262 234 671 u.a.	282 312 073 u.a.	489 057 355 u.a.

(2) The Eurco consists of the sum of fixed amounts of the currencies of all the Member States of the European Economic Community: 1 Eurco = DM 0.9 + Ffrs 1.2 + £ 0.075 + Lit 80 + Fl 0.35 + Bfrs 4.5 + Dkr 0.2 + Lfr 0.005 + Lfrs 0.5.

Annex D - Amounts receivable from or payable to Member States for adjustment of capital contributions

In accordance with Article 7 (1) and (2) of the Statute, application of the conversion rates given in Note A entails adjusting the amounts paid by Member States in their national currency as contributions to the Bank's capital.

The corresponding amounts receivable from or payable to Member States are as follows:

Receivable from:

United Kingdom	24 892 729 u.a.
Italy	12 344 216 u.a.
Ireland	826 233 u.a.
	<u>38 063 178 u.a.</u>

Payable to:

Germany	14 143 048 u.a.	
1961 revaluation balance	49 044 u.a.	14 192 092 u.a.
France		4 564 261 u.a.
Belgium		1 564 600 u.a.
Netherlands	3 002 119 u.a.	
1961 revaluation balance	35 534 u.a.	3 037 653 u.a.
Denmark		565 262 u.a.
Luxembourg		40 625 u.a.
		<u>23 904 493 u.a.</u>

Amounts receivable from or payable to Member States shall be settled in accordance with Article 7 (1) and (2), when the interim measure referred to in Note A (Annex E) is superseded as a result of the decisions to be taken by the Board of Governors with regard to Articles 4 (1) and 7 (3) after the amendments to the Statute submitted for approval take effect.

Annex E - Notes to the financial statements

At 31 December 1975

Note A — Unit of account used for preparation of the financial statements

The definition of the unit of account of the European Investment Bank provided in Article 4 (1) of its Statute, and the method for converting it into the national currencies of Member States as prescribed in Article 7 (3) can no longer be applied as originally intended when the Statute was drafted.

The Governors therefore decided on 15 July 1974 to propose that the Statute be amended, to enable them, acting unanimously, to introduce a new definition of the unit of account and to modify the system for converting sums expressed in units of account into national currencies and vice versa. Amendment of the Statute is now in hand.

As an interim measure, the Board of Governors decided on 18 March 1975 that, as from 31 December 1974 and pending the introduction of a new definition of the Bank's unit of account and a new method for conversion of this unit, the EIB would adopt as rates for converting Member States' currencies into the Bank's unit of account and vice versa, the rates used for converting these currencies into the new European Unit of

Account, the value of which is equal to the sum of the following amounts of Member States' currencies:

DM	0.820	Bfrs	3.66
£	0.0885	Lfrs	0.14
Ffrs	1.15	Dkr	0.217
Lit	109	£ Ir	0.00759
Fl	0.286		

This "basket" was so composed that on 28 June 1974 its value would have been equivalent to that of the International Monetary Fund's Special Drawing Right. The conversion rates between Member States' currencies and the new European unit of account are determined by agreement between the Bank and the Commission of the European Communities, on the basis of market rates, it being understood that the Commission publishes these conversion rates in the Official Journal of the European Communities. Moreover, the Bank is to apply these conversion rates in calculating the rates applicable to other currencies used for its operations.

As from 31 December 1974, and for as long as the above interim measure remains in effect, the Bank's annual balance sheets have been and will continue to be drawn up and published on the basis of the conversion rates defined above.

The following rates were used for drawing up the balance sheet at 31 December 1975:

1	European unit of account =	
3.05382	Deutsche Mark	
5.21981	French francs	
0.575973	Pounds sterling	
797.769	Italian lire	
46.0606	Belgian francs	
3.13120	Dutch guilders	
7.19697	Danish kroner	
0.575039	Irish pounds	
46.0606	Luxembourg francs	
1.16528	United States dollars	
3.05239	Swiss francs	
2.84328	Lebanese pounds	
354.312	Japanese yen	
260.991	CFA francs	

Note B — Investments

Investments comprise:

(a) treasury bonds, notes and bonds at the lowest of cost, nominal or market value (market value: 133 486 220 u.a.)	130 788 247 u.a.
(b) the Bank's own bonds at their redemption cost	21 018 475 u.a.
(c) bank bills at their nominal value	429 082 u.a.
	<u>152 235 804 u.a.</u>

The breakdown, according to maturity, is as follows:

— not exceeding 3 months	5 593 789 u.a.
— over 3 months but not exceeding 6 months	300 389 u.a.
— over 6 months but not exceeding 12 months	1 637 294 u.a.
— over 12 months	144 704 332 u.a.
	<u>152 235 804 u.a.</u>

Note C — Special deposits for service of loans

This item, which appears as a contra item on the liabilities side under the heading "Coupons and liabilities due and not yet paid", represents the amount of coupons and bonds due but not yet presented for payment.

Note D — Miscellaneous balance sheet accounts

These accounts comprise:

(a) on the assets side:	
— currencies receivable under the heading of swap operations outstanding at 31 December 1975	5 644 743 u.a.
— sundry debtors	6 259 281 u.a.
	<u>11 904 024 u.a.</u>
(b) on the liabilities side:	
— currencies payable under the heading of swap operations outstanding at 31 December 1975	5 601 585 u.a.
— deposits from other banks	16 372 936 u.a.
— accrued expenses and sundry creditors	25 296 411 u.a.
	<u>47 270 932 u.a.</u>

Note E — Exchange differences

This represents the net profit arising from financial operations during the financial year 1975.

Note F — Management commission

This item represents the remuneration for the management of loans for the account of and under mandate from Member States and the European Economic Community.

Note G — Appropriation of net income.

In 1975 net income available for appropriation to the statutory and other reserves amounted to 59 375 074 u.a., of which 54 919 159 u.a. represented operating income and 4 475 915 u.a. the net increase arising from reevaluation of the assets of the Bank not subject to adjustment under Article 7 of the Statute. On the recommendation of the Management Committee, the Board of Directors has decided to propose to the Board of Governors that the net income be appropriated as follows:

- (a) 20 000 000 u.a. to the statutory reserve;
- (b) 25 919 159 u.a. to the reserve for risks on loans and guarantees;
- (c) 4 475 915 u.a. to the reserve for monetary risks;
- (d) 9 000 000 u.a. to the bulding reserve, to meet the projected expenses for the construction of new premises.

Report by Messrs Price Waterhouse & Co.

The President,
European Investment Bank,
Luxembourg.

We have examined the financial statements of the European Investment Bank at 31 December 1975 and 1974. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In our opinion, the financial statements at 31 December 1975 present fairly the financial position of the European Investment Bank at that date, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our opinion on the financial statements at 31 December 1974 was issued on 20 March 1975.

The financial statements covered by our opinion are the following:

Balance sheet	
Profit and loss account	
Special Section	
Statement of subscriptions to the capital of the Bank	Annexe A
Analysis of loans outstanding	Annexe B
Statement of funded debt	Annexe C
Amounts receivable from or payable to Member States for adjustment of capital contributions	Annexe D
Notes to the financial statements	Annexe E

Brussels 2 March 1976

PRICE WATERHOUSE & CO.

Statement by the Audit Committee

The Committee instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner,

- having studied the books, vouchers and documents which it deemed necessary to examine in the discharge of its duties,
- having examined the reports of 2 March 1976 drawn up by Messrs Price Waterhouse & Co.,

considering the 1975 Annual Report as well as the balance sheet of the Bank as at 31 December 1975 and the profit and loss account for the financial year ending on that date, as drawn up by the Board of Directors at its meeting of 6 April 1976,

considering Articles 22, 23 and 24 of the Rules of Procedure,

hereby certifies :

that the Bank's operations during the 1975 financial year have been carried out in compliance with the formalities and procedures laid down by the Statute and the Rules of Procedure,

that the balance sheet and the profit and loss account correspond to the book entries and that they reflect exactly the situation of the Bank as regards both assets and liabilities.

Luxembourg, 11 May 1976.

The Audit Committee

J. BREDSORFF E. RAUS M. JACOB

Table 5 : Financing provided from 1958 to 1975 (1)

Breakdown by country

Country	Number	Amount (million u.a.)	% of total	% Member Countries
Ordinary operations				
Member Countries :				
Belgium	8	94.1	1.7	1.9
Denmark	13	44.0	0.8	0.9
Germany	69	654.3	11.5	13.3
France	37	1 092.7	19.3	22.2
Ireland	12	106.7	1.9	2.2
Italy	254	2 231.0	39.4	45.3
Luxembourg	3	9.0	0.2	0.2
Netherlands	7	74.8	1.3	1.5
United Kingdom	30	551.1	9.7	11.2
Non-member countries (2)	3	61.7	1.1	1.3
Total	496	4 919.4	86.9	100.0
<i>Including guarantees (3)</i>	<i>9</i>	<i>110.0</i>	<i>2.0</i>	<i>2.2</i>
Associated Countries :				
Greece	22	116.4	2.1	
Turkey	2	25.0	0.4	
AASMM-OCTD	33	135.2	2.4	
Cameroon	9	17.3		
Congo	1	9.0		
Ivory Coast	10	51.2		
Gabon	4	4.4		
Upper Volta	1	0.5		
Mauritius	1	1.7		
Mauritania	1	11.0		
Senegal	2	3.9		
Zaire	3	34.2		
New Caledonia	1	2.0		
Total	57	276.6	4.9	
Ordinary operations total	553	5 196.0	91.8	
Special operations (4)				
Turkey	53	357.7	6.3	
AASMM-OCTD	35	107.1	1.9	
Cameroon	6	23.9		
Congo	2	3.1		
Ivory Coast	9	34.6		
Senegal	1	3.3		
Cote d'Ivoire	2	3.3		
Upper Volta	1	5.0		
Madagascar	1	1.9		
Mauritania	1	2.7		
Senegal	2	1.9		
Chad	1	1.2		
Zaire	2	14.8		
Netherlands Antilles	1	4.4		
Surinam	1	1.9		
New Caledonia	1	1.0		
Réunion	2	2.8		
Guadeloupe	1	0.7		
Martinique	1	0.6		
Special operations total	88	464.8	8.2	
<i>including contributions to the formation of risk capital (5)</i>	<i>3</i>	<i>2.5</i>	<i>—</i>	
Grand total	641	5 660.8	100.0	

(1) A summary of financing provided over such a long period should be interpreted very cautiously; data for successive years are affected by price movements and exchange rate variations occurring between 1958 and 1975.

(2) Loans made in accordance with the second paragraph of Article 18 (1) of the Bank's Statute empowering the Board of Governors to authorise the Bank to contribute to financing projects outside the Community.

(3) Of which Italy : 90.2 million u.a.; France : 27 million u.a.; Germany : 17.1 million u.a.

(4) Loans on special conditions financed by Member States (Turkey) and by the European Development Fund (AASMM-OCTD) accounted for in the Bank's Special Section.

(5) 0.5 million u.a. for a project in Cameroon, 1 million u.a. for a project in the Ivory Coast and 1 million u.a. for a project in Senegal.

N.B. : All tables are expressed in current prices.

Table 6 : Financing provided within the Community in 1975 and from 1958 to 1975

Breakdown by economic policy objective

Economic policy objective	1975		1958-1975 (1)	
	Amount (million u.a.)	%	Amount (million u.a.)	%
I. Financing justified on the basis of a single economic objective				
Regional development and conversion [Article 130 (a) and (b) of the Treaty of Rome]	475.1		2 888.0	
Sectoral interest: modernisation and conversion of undertakings, sectoral restructuring and new technology [Article 130 (b) of the Treaty of Rome]	3.6		16.9	
Common interest to several Member Countries [Article 130 (c) of the Treaty of Rome]	241.5		1 095.6	
II. Financing justified on the basis of double economic objectives				
Regional and sectoral interest	—		72.6	
Regional interest and common interest to several Member Countries	195.5		746.8	
Common interest to several Member Countries and sectoral interest	1.8		68.5	
III. Financing justified on the basis of triple economic objectives				
	—		31.1	
Total	917.5		4 919.5	
Summary of financing justified on the basis of one or more economic objectives under I, II or III above				
Regional development and conversion	670.6	100.0	3 738.5	100.0
Belgium	—	—	57.2	1.5
Denmark	8.0	1.2	26.5	0.7
Germany	—	—	357.2	9.6
France	70.3	10.5	786.0	21.0
Ireland	37.7	5.6	106.7	2.9
Italy	231.3	34.5	1 853.5	49.6
Luxembourg	—	—	4.0	0.1
Netherlands	—	—	40.1	1.1
United Kingdom	323.3	48.2	507.3	13.6
Sectoral interest	5.4	100.0	189.1	100.0
Common interest to several Member Countries	438.8	100.0	1 942.0	100.0
Energy (production and distribution)	338.0	77.0	1 113.7	57.4
Nuclear power stations and equipment	126.3	28.8	487.3	25.1
Hydroelectric power stations	—	—	99.2	5.1
Gaslines	104.8	23.9	304.5	15.7
Development of natural gas and oil deposits, drilling equipment	82.4	18.7	198.2	10.2
Coal mining	24.5	5.6	24.5	1.3
Transport	70.3	16.0	573.1	29.5
Railways	—	—	103.9	5.4
Motorways, bridges and tunnels	70.3	16.0	423.8	21.8
Inland waterways	—	—	24.0	1.2
Airlines	—	—	16.5	0.8
Other (ethylene pipeline)	—	—	4.9	0.3
Telecommunications	30.5	7.0	30.5	1.6
Other infrastructure	—	—	16.3	0.8
Protection of the environment	—	—	18.0	0.9
Industrial cooperation	—	—	187.6	9.7
Research	—	—	2.8	0.1

(1) See footnote 1, Table 5.

Table 7 : Financing provided within the Community from 1958 to 1975 ⁽¹⁾

Sectoral breakdown

Sector	Number		Total (million u.a.)	Amount		% of total
	Loans and guarantees	Allocations from global loans		of which allocations from global loans (million u.a.)		
Infrastructure	197	—	3 192.0	—	64.9	
□ Agricultural development	7	—	93.9	—	1.9	
□ Energy	91	—	1 387.6	—	28.2	
Thermal power stations	11	—	107.8	—	2.2	
Hydroelectric power stations	12	—	147.7	—	3.0	
Pumped storage stations	3	—	55.7	—	1.1	
Nuclear power stations	26	—	508.9	—	10.4	
Electricity transmission	6	—	65.8	—	1.3	
Development of oil and gas deposits	13	—	162.6	—	3.3	
Coal mining	1	—	13.4	—	0.3	
Gaslines	19	—	325.7	—	6.6	
□ Water supply and distribution	13	—	146.6	—	3.5	
□ Transport	53	—	884.0	—	18.0	
Railways	13	—	202.1	—	4.1	
Roads, bridges and tunnels	33	—	577.9	—	11.7	
Inland waterways	1	—	24.0	—	0.5	
Shipping	2	—	33.4	—	0.7	
Airlines	3	—	41.7	—	0.9	
Ethylene pipeline	1	—	4.9	—	0.1	
□ Telecommunications	30	—	653.6	—	13.3	
□ Tourism	1	—	10.0	—	0.2	
□ Public buildings	2	—	16.3	—	0.1	
Agriculture, Industry and Services	299	468	1 727.5	215.1	35.1	
□ Agriculture, forestry, fishing	1	4	7.5	2.0	0.1	
□ Industry ⁽²⁾	294	461	1 706.2	211.7	34.7	
Mining and quarrying*	3	12	10.5	4.1	0.2	
Metal production and semi-processing*	36	20	449.1	14.2	9.1	
Construction materials*	23	32	100.0	16.5	2.0	
Woodworking	1	34	15.4	11.8	0.3	
Glass and ceramics	11	12	28.5	6.2	0.6	
Chemicals*	65	17	358.5	7.9	7.3	
Metalworking and mechanical engineering	33	106	158.2	46.9	3.2	
Motor vehicles, transport equipment	12	16	122.3	6.3	2.5	
Electrical engineering, electronics	14	24	68.1	3.9	1.4	
Foodstuffs	36	80	151.8	10.3	3.1	
Textiles and leather	12	49	33.0	19.0	0.7	
Paper pulp, paper*	5	20	28.3	9.0	0.6	
Rubber and plastics processing	8	26	46.9	10.7	1.0	
Other industries	3	10	6.8	3.8	0.1	
Building - civil engineering	—	3	1.1	1.1	—	
Global loans	32	—	127.7 ⁽³⁾	—	2.6	
□ Trade and services	4	3	13.8	1.4	0.3	
Tourism	2	3	9.4	1.4	0.2	
Research and development	2	—	4.4	—	0.1	
Grand total	496	468	4 919.5	215.1	100.0	

⁽¹⁾ See footnote 1, Table 5.⁽²⁾ Of which basic industries (marked with an asterisk): 948.4 million u.a.⁽³⁾ This amount represents the unallocated portion of the global loans (however, after cancellation of 63.5 million u.a., the balance still to be allocated within the Community is actually 53.2 million u.a.).

Table 8: Financing provided in Turkey from 1965 to 1975 (1)

Sectoral breakdown

Sector	Number		Amount		% of total
	Loans	Allocations from global loans	Total (million u.a.)	of which allocations from global loans (million u.a.)	
Infrastructure	15	—	240.4	—	62.8
Agricultural development	3	—	36.0	—	9.4
Energy	7	—	136.9	—	35.8
Thermal power stations	2	—	77.0	—	20.1
Hydroelectric power stations	4	—	52.3	—	13.7
Electricity transmission	1	—	7.6	—	2.0
Transport	5	—	67.5	—	17.6
Railways	3	—	38.8	—	10.1
Roads and bridges	1	—	20.0	—	5.2
Airlines	1	—	8.7	—	2.3
Agriculture, Industry and Services	40	43	142.3	33.2	37.2
Industry	39	40	140.3	32.5	36.7
Mining and quarrying	—	1	0.8	0.8	0.2
Metal production and semi-processing	4	2	3.4	0.5	0.9
Construction materials	4	3	15.4	7.9	4.0
Woodworking	1	2	2.3	1.1	0.6
Glass and ceramics	2	1	4.4	1.2	1.2
Chemicals	9	4	35.4	1.5	9.2
Metalworking and mechanical engineering	—	9	4.4	4.4	1.2
Electrical engineering	1	4	3.1	2.3	0.8
Foodstuffs	—	7	5.2	5.2	1.4
Textiles and leather	5	6	9.9	6.1	2.6
Paper pulp, paper	5	1	47.9	1.5	12.5
Rubber processing	1	—	0.5	—	0.1
Global loans	7	—	7.6 (2)	—	2.0
Services	1	3	2.0	0.7	0.5
Global loan: preinvestment studies and technical assistance)					
Grand total	55	43	382.7	33.2	100.0

(1) Loans on special conditions for the account of and under mandate from the Member States granted under the Special Section and ordinary loans amounting to 21 million u.a. from the EIB's own resources.

(2) Net total amount of global loans.

Table 9 : Financing provided in the AASMM-OCTD from 1964 to 1975 (1)

Sectoral breakdown

Sector	Number	Amount (million u.a.)	% of total
Infrastructure	27	100.5	41.5
<input type="checkbox"/> Agricultural development	1	0.7	0.3
<input type="checkbox"/> Energy	4	18.3	7.5
Thermal power stations	1	1.8	0.7
Hydroelectric power stations	2	7.5	3.0
Electricity transmission	1	9.0	3.8
<input type="checkbox"/> Water supply and distribution	1	5.8	2.4
<input type="checkbox"/> Transport	20	74.9	31.0
Railways	5	33.1	13.7
Roads and bridges	6	22.3	9.2
Shipping	8	15.1	6.3
Airlines	1	4.4	1.8
<input type="checkbox"/> Telecommunications	1	0.8	0.3
Agriculture, Industry and Services	41	141.8	58.5
<input type="checkbox"/> Agriculture, Forestry, Fishing	2	9.3	3.8
<input type="checkbox"/> Industry	36	128.9	53.2
Mining and quarrying	4	52.6	21.7
Metal production and semi-processing	2	3.2	1.4
Construction materials	2	2.3	0.9
Chemicals	2	3.0	1.2
Motor vehicles, transport equipment	1	1.4	0.6
Foodstuffs	14	45.6	18.8
Textiles and leather	11	20.8	8.6
<input type="checkbox"/> Services	3	3.6	1.5
Tourism	2	2.6	1.1
Other	1	1.0	0.4
Grand total	68 (2)	242.3	100.0

(1) Ordinary loans from the resources of the EIB (135.2 million u.a.) and special operations financed from the resources of the EDF (107.1 million u.a.), which have been the subject of an EIB financing proposal or opinion and a financing decision by the Commission of the European Communities.

(2) This sum includes three contributions, totalling 2.5 million u.a., to the formation of risk capital.

Table 10 : Financing provided in Greece from 1963 to 1975 (1)

Sectoral breakdown

Sector	Number		Amount		% of total
	Loans	Allocations from global loans	Total (million u.a.)	of which allocations from global loans (million u.a.)	
Infrastructure	9	—	79.3	—	68.1
Agricultural development	4	—	56.3	—	48.4
Energy	1	—	6.0	—	5.1
Electricity transmission	1	—	6.0	—	5.1
Transport	4	—	17.0	—	14.6
Roads and bridges	4	—	17.0	—	14.6
Agriculture, Industry and Services	13	2	37.1	1.5	31.9
Industry	13	2	37.1	1.5	31.9
Metal production and semi-processing	3	—	11.6	—	9.9
Construction materials	3	—	6.5	—	5.6
Woodworking	1	—	0.6	—	0.5
Glass and ceramics	—	1	0.8	0.8	0.7
Chemicals	2	—	5.0	—	4.3
Electrical engineering, electronics	1	—	4.3	—	3.7
Textiles and leather	2	1	2.1	0.7	1.8
Global loans	1	—	6.2	—	5.4
Grand total	22	2	116.4	1.5	100.0

(1) Bank financing in Greece was interrupted from 1967 to 1974. A decision to reactivate the Financial Protocol with Greece was taken in December 1974.

Table 11 : Loans granted within the Community in 1974 and 1975 (1)

Breakdown by type of financing

Country	Direct individual loans		Indirect individual loans (2)		Global loans (3)		Total	
	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.
Belgium	1	10.8	—	—	—	—	1	10.8
Denmark	3	11.1	—	—	3	6.6	6	17.7
France	5	84.6	5	69.8	1	3.6	11	158.0
Ireland	2	37.7	—	—	—	—	2	37.7
Italy	12	267.9	14	90.9	—	—	26	358.8
United Kingdom	17	321.2	1	13.3	—	—	18	334.5
Total 1975	40	733.3	20	174.0	4	10.2	64	917.5
Total 1974	46	612.8	13	104.0	11	132.9	70	849.7

(1) Including a loan outside the Community granted in 1974 (10.4 million u.a.)

(2) Loans granted through a financial institution.

(3) Loans granted to financial institutions which distribute the proceeds among smaller scale industrial projects in agreement with the Bank in each instance (allocations for global loans)

Table 12 : Global loans granted within the Community from 1968 to 1975

Breakdown by intermediary institution

Global loans				Allocations (1968-1975)
Year	Intermediary Institution (1)	Amount (million u.a.)	Number	Amount (million u.a.)
1968	ISVEIMER I	10.0	28	10.0 (2)
1969	CIS I	3.6	7	3.6 (2)
1970	IKB I	10.0	12	6.9 (2)
1970	SADE	6.3	24	6.3 (2)
1970	IRFIS	5.0	10	5.0 (2)
1971	CIS II	5.0	13	5.0 (2)
1971	SODERO I	2.0	2	0.8 (2)
1971	ISVEIMER II	15.0	19	14.7 (2)
1972	LORDEX	2.7	5	2.7 (2)
1972	LGSB	5.7	9	6.0 (2)
1972	IMI I	24.8	31	19.3 (2)
1973	IKB II	20.6	67	23.2 (2)
1973	Crédit National I	30.0	54	30.0 (2)
1973	ICFC I	7.1	24	6.6 (2)
1973	Crédit Hôtelier CCCHCI	18.0	56	18.2 (2)
1973	CIS III	13.5	14	6.1 (2)
1973	ISVEIMER III	20.3	24	18.4 (2)
1974	IRFIS II	9.8	4	3.5
1974	ICC	4.7	0	0.0 (2)
1974	Bayerische Vereinsbank	9.9	0	0.0 (2)
1974	BNL	10.6	16	7.4
1974	Crédit National II	21.3	23	9.8 (2)
1974	ACC	4.7	3	1.7 (2)
1974	ICFC II	18.7	2	1.1 (2)
1974	SODERO II	3.6	0	0.0 (2)
1974	Crédit Naval-CMAF	9.0	0	0.0 (2)
1974	SDR Bretagne	3.6	3	1.7 (2)
1974	IMI II	20.0	10	4.7
1975	LORDEX II	3.6	3	1.0
1975	Danish Government A	2.5	5	1.4
1975	Danish Government B	2.0	0	0.0
1975	FIH	1.4	0	0.0
	Total	342.8	468	215.1

(1) Istituto per lo Sviluppo Economico dell'Italia Meridionale, Naples (ISVEIMER).
 Credito Industriale Sardo, Cagliari (CIS).
 Industriekreditbank AG, Düsseldorf (IKB).
 Société Alsacienne de Développement et d'Expansion, Strasbourg (SADE).
 Istituto Regionale per il Finanziamento alle Industrie in Sicilia, Palermo (IRFIS).
 Société de Développement Régional de l'Ouest, Nantes (SODERO).
 Société Lorraine de Développement et d'Expansion, Nancy (LORDEX).
 Landesbank und Girozentrale Schleswig-Holstein, Kiel (LGSB).
 Istituto Mobiliare Italiano, Rome (IMI).
 Crédit National, Paris.
 Industrial and Commercial Finance Corporation Ltd, London (ICFC).
 Caisse Centrale de Crédit Hôtelier, Commercial et Industriel, Paris (CCCHCI).
 Industrial Credit Company Limited, Dublin (ICC).

Bayerische Vereinsbank, Munich.
 Banca Nazionale del Lavoro "Sezione Speciale per il Credito Industriale", Rome (BNL).
 Agricultural Credit Corporation Limited, Dublin (ACC).
 Crédit Naval-CMAF, Paris.
 Société de Développement Régional de la Bretagne, Rennes (SDR Bretagne).
 Finansieringsinstituttet for Industri og Håndværk A/S, Copenhagen (FIH).

(2) Global loan terminated. Differences between the initial amount of the global loan and total allocations authorised are due to the fact that conversion into units of account was effected on the basis of the rates applicable, in the first instance, when the global loan was signed and, secondly, when allocations were authorised; in some cases the conversion rates changed during the intervening period.

(3) Global loan terminated as a result of cancellation of unallocated credit.

Table 13 : Allocations from global loans within the Community in 1975 and from 1969 to 1975

Breakdown by region and sector

	1975			1969-1975		
	Number	Amount (million u.a.)	%	Number	Amount (million u.a.)	%
REGION						
Jutland	5	1.4	2.2	5	1.4	0.6
Denmark	5	1.4	2.2	5	1.4	0.6
Baden-Württemberg	—	—	—	2	0.5	0.3
Bavaria	—	—	—	16	4.3	2.0
Hessen	—	—	—	15	6.0	2.8
Lower Saxony	—	—	—	18	6.8	3.1
North Rhine-Westphalia	—	—	—	18	8.7	4.1
Rhineland-Palatinate	—	—	—	8	2.9	1.3
Schleswig-Holstein	—	—	—	10	6.8	3.2
Germany	—	—	—	88	36.1	16.8
Alsace	—	—	—	27	8.3	3.8
Aquitaine	1	0.3	0.6	9	3.8	1.8
Auvergne	2	0.5	0.8	4	3.2	1.5
Lower Normandy	1	0.4	0.6	2	0.6	0.3
Burgundy	—	—	—	3	2.3	1.1
Brittany	11	5.0	8.0	28	11.5	5.4
Centre	—	—	—	2	0.7	0.3
Champagne-Ardenne	1	0.2	0.3	2	0.6	0.3
Franche-Comté	1	0.2	0.3	2	0.4	0.2
Languedoc-Roussillon	—	—	—	2	0.6	0.3
Limousin	1	0.5	0.7	7	2.2	1.0
Lorraine	9	3.5	5.6	24	13.3	6.2
Midi-Pyrénées	6	2.4	3.7	18	7.9	3.7
Nord	2	1.3	2.0	6	2.5	1.1
Pays de la Loire	7	2.7	4.3	20	7.4	3.4
Picardy	1	0.9	1.4	2	1.1	0.5
Poitou-Charentes	2	0.7	1.1	5	1.6	0.7
Rhône-Alpes	1	0.4	0.6	7	2.5	1.2
France	46	19.0	30.0	170	70.5	32.8
Ireland	3	1.7	2.8	3	1.7	0.8
Abruzzi	5	2.7	4.3	12	6.9	3.2
Basilicata	—	—	—	2	1.3	0.6
Calabria	—	—	—	2	0.5	0.2
Campania	13	11.4	18.1	41	29.6	13.8
Lazio	17	10.0	15.9	41	22.7	10.6
Marches	—	—	—	3	2.1	1.0
Molise	1	0.8	1.3	3	3.1	1.5
Apulia	9	2.1	3.4	24	8.5	3.9
Sardinia	14	6.1	9.7	34	14.7	6.8
Sicily	4	3.5	5.5	14	8.4	3.9
Italy	63	36.7	58.2	176	97.8	45.5
Scotland	5	2.1	3.4	14	4.2	1.9
North	4	1.4	2.2	5	1.5	0.7
North-West	—	—	—	1	0.4	0.2
Wales	2	0.5	0.8	5	1.3	0.6
Northern Ireland	1	0.3	0.4	1	0.3	0.1
United Kingdom	12	4.3	6.8	26	7.6	3.5
Total	129	63.1	100.0	468	215.1	100.0
SECTOR						
Agriculture, forestry, fishing	3	1.3	2.1	4	2.0	0.9
Mining and quarrying	1	0.6	0.9	12	4.1	1.9
Metal production and semi-processing	8	5.6	8.8	20	14.2	6.6
Construction materials	12	6.4	10.1	32	16.5	7.7
Woodworking	11	4.9	7.8	34	11.8	5.5
Textiles and ceramics	3	2.2	3.6	12	6.2	2.9
Chemicals	7	4.3	6.9	17	7.9	3.7
Metalworking and mechanical engineering	24	10.9	17.2	106	46.9	21.8
Motor vehicles, transport equipment	7	2.1	3.4	16	6.3	2.9
Electrical engineering, electronics	5	3.6	5.7	24	13.9	6.4
Other stuffs	27	14.2	22.5	80	40.3	18.7
Textiles and leather	7	1.6	2.5	49	19.0	8.8
Other pulp, paper	3	1.1	1.7	20	9.0	4.2
Rubber and plastics processing	8	2.6	4.1	26	10.7	5.0
Other industries	3	1.7	2.7	10	3.8	1.8
Building and civil engineering	—	—	—	3	1.1	0.5
Other	—	—	—	3	1.4	0.7
Total	129	63.1	100.0	468	215.1	100.0

Table 14 : Financing provided within the Community 1958-1965, 1966-1972, 1973-1975
Breakdown by country

	1958-1965		1966-1972		1973-1975	
	Million u.a.	%	Million u.a.	%	Million u.a.	%
Belgium	4.8	1.0	62.4	3.1	26.9	1.1
Germany	36.1	7.7	317.5	16.1	300.6	12.2
France	79.9	17.0	490.6	24.7	522.3	21.2
Italy	344.3	73.4	1 068.0	53.8	818.7	33.2
Luxembourg	4.0	0.9*	5.0	0.2	—	—
Netherlands	—	—	42.9	2.2	31.9	1.3
Community of Six	469.1	100.0	1 986.4	100.0	1 700.4	69.0
Denmark					44.1	1.8
Ireland					106.7	4.3
United Kingdom					551.1	22.4
Non-member Countries (1)					61.7	2.5
Community of Nine					2 464.0	100.0

(1) See footnote 2, Table 5.

Table 15 Financing provided within the Community 1958-1965, 1966-1972, 1973-1975
Breakdown by economic policy objective

	1958-1965		1966-1972		1973-1975	
	Million u.a.	% of total*	Million u.a.	% of total*	Million u.a.	% of total*
Regional development and conversion	379.3	80.8	1 723.4	86.8	1 636.0	66.4
<i>of which :</i>						
Germany	36.2	7.7	216.6	10.9	104.5	4.2
Benelux	4.8	1.0	96.5	4.9	—	—
Denmark	—	—	—	—	26.5	1.1
France	72.8	15.5	433.0	21.8	280.2	11.4
Ireland	—	—	—	—	106.7	4.3
Italy	265.5	56.6	977.3	49.2	610.8	24.8
United Kingdom	—	—	—	—	507.3	20.6
Common interest to several Member Countries	114.0	24.3	672.3	33.8	1 155.7	46.9
<i>of which :</i>						
Energy	4.0	0.9	207.6	10.5	902.1	36.6
<i>conventional power stations</i>	4.0	0.9	—	—	95.2	3.9
<i>nuclear power stations</i>	—	—	103.0	5.2	384.3	15.6
<i>gaslines</i>	—	—	104.6	5.3	199.9	8.1
<i>development of oil and natural gas deposits</i>	—	—	—	—	199.2	8.0
<i>coal mining</i>	—	—	—	—	24.5	1.0
Sectoral interest	9.4	2.0	82.4	4.1	97.2	3.9
* Total financing provided		469.1		1 986.4		2 464.0

* N.B. : As certain operations satisfy more than one of the objectives laid down under Article 130, the cumulative total of individual amounts and of the corresponding percentages is not significant.

Further information may be obtained from the

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2, place de Metz - Boîte postale 2005 - Luxembourg
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Representative Office in Brussels
Rue Royale 60, Bte 1 - B-1000 Brussels
Tel. 513 40 00 - Telex 2 17 21 banqueu b

which also have available the following publications :

Statute and other provisions governing the EIB
1973; 36 p.; (dk, d, e, f, i, n)

Annual Report
since 1958
(d, e, f, i, n and from 1972 : dk)

**Loans and Guarantees in the Member Countries
of the European Economic Community**
1976; 20 p.; (dk, d, e, f, i, n)

European Investment Bank Operations under the Lomé Convention
1976; 20 p.; (dk, d, e, f, i, n)

Activities of the European Investment Bank in Turkey (1965-1974)
Research Department
1975; 50 p.; (dk, d, e, f, i, n, t)

The European Investment Bank and the Problems of the Mezzogiorno
Research Department
1972; 35 p.; (d, f, i; out of stock : e)

Investment in the Community and its Financing
Research Department
1972 : 28 p.; (dk, d, i, n; out of stock : e, f)
1973 : 40 p.; (e, f; out of stock : dk, d, i, n)
1974 : 48 p.; (e, f, i; out of stock : d)

EIB-Information
Periodical
8 p.; (dk, d, e, f, i, n)

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PROSPECTS

INTER-AMERICAN DEVELOPMENT BANK

Prising loose the purse strings

THE FATE of plans to recruit a large number of new members, including Britain, to membership of the Inter-American Development Bank are likely to be decided at a meeting between Bank officials and prospective new members in Paris next week. At stake is the amount of new capital new members would subscribe. The Bank had hoped for more than \$800m. of new capital, of which \$500m. would be paid up, and the rest callable. This target is not likely to be met at the moment.

Since its inauguration at the end of 1959 the Bank has lent a total of \$6,469m. for 111 development projects in Latin America and has become an important source of multi-national funds for the Latin American countries. More than 80 per cent of the Bank's money has come from the U.S. which controls 35.09 per cent of the voting power.

The British Government has allowed the Bank to raise money in the London market and has also allocated £4m. to the Bank which it administers for Britain in a trust fund. Britain does not qualify for full membership which hitherto has been confined

to Western Hemisphere countries who are members of the Organisation of American States (OAS).

For two years discussions have been taking place with a group

\$500m. paid up. The remainder would be callable.

Germany and Japan would pledge up to \$200m. each with up to \$120m. coming from Britain, France and Italy and

short of the Bank's \$1,000m. target.

Officials are nevertheless hopeful that a compromise between the two figures will be worked out at next week's meeting.

Britain is particularly interested in a deal being worked out as officials here feel that the Bank would become an even more important and useful vehicle for development finance in Latin America at a time when Britain is planning to allocate increasing amounts of financial assistance to Latin America. At the same time British companies would be in line for more contracts related to the bank's development projects.

Whatever decision is reached at the week's meeting would be subject to ratification of the Bank's annual meeting to take place in Santiago at the beginning of April. At the moment the two countries governing the Bank are the U.S. and Britain. The OAS, of which Britain is not a member, has to be consulted by the Bank's Board of Governors. It is expected that the Bank will be able to meet its target of \$1,000m. if the new members can be persuaded to contribute more than \$400m. for

Hugh O'Shaughnessy discusses the problems which the IDB faces in recruiting the new members which it needs to meet its \$800m. target for new capital.

of governments of countries outside the Western Hemisphere, including Britain, France, Germany, Italy, Spain, Israel and Japan.

The Bank proposes that the new members should provide something over \$400m. to the ordinary resources of the Bank and a similar sum to the Fund for Special Operations, the Bank's soft loan window. One-sixth of the ordinary capital and the whole of the soft loan capital would be paid up, making an initial total of no less than

smaller amounts coming from other countries. France, however, early signalled its decision not to pursue IDB membership further, while Japan said it would pledge no more than Germany.

Recently however, Germany has said that in present circumstances it could pledge no more than about \$70m. and there is no sign that the Japanese would be prepared to exceed this figure. The amount of new capital being offered by all the prospective new members is not thought to be more than \$400m. far

Company Results

Foreign earnings boost for Merck

Merck reports a rise in fourth quarter earnings to 57 cents per share or net of \$41.2m. on sales of \$747.6m. from 48 cents per share or net of \$36.6m. on sales of \$624m. in the same period of 1972. This brings earnings for 1973 to a total of \$170.4m. on total sales of \$1.5m. compared with \$147.5m. on total sales of \$95.3m. in 1972.

The company's sales outside the U.S. increased for the fourth quarter by 44 per cent in 1973, and for the year as a whole by 35 per cent. This is due to a combination of factors, including the acquisition of the

Sun Oil fourth quarter earnings rose to \$1.78 per share (\$1.02) or net of \$7.5m. (\$47m.) on revenues of \$725m. (\$540m.) bringing full year earnings up to \$5.25 per share (\$3.21) or net of \$20m. (\$155m.) on revenues of \$1,225m. (\$1,940m.). The company says that about 60 per cent of the 1973 improvement was generated from operations outside the U.S.

Nicholas International reports an 88 per cent rise in net consolidated earnings for the last year to December 31 to \$12.4m. from \$6.2m. in the same period. This is a 21.7 per cent increase on 1972's \$5.0m. from

Market News

Dutch query prices of Hoffman-La Roche

The Dutch Government has asked the Swiss pharmaceutical group Hoffman-La Roche to lower its prices of the Librium and Valium tranquillisers. Following a price study by the Ministry of Economic Affairs in The Hague, the study has over developments in the U.K. last year when the British Government accused big price cuts. Roche has submitted information to the Dutch Government to show that the quoted prices are justified.

Yamaichi Securities Ltd. has set up a branch in London. The company will be the first of its kind to be set up in the City since the Bank of Japan's withdrawal from the London market in 1952.

The international credit control board set up by the European Community has agreed to meet with the Group of Seven countries to discuss the possibility of a common currency. The board will meet in Brussels on February 1st.

The International Chamber of Commerce has announced that it will be holding a conference in London on February 28th and 29th.

THE INTER-AMERICAN DEVELOPMENT BANK

Venezuela's rising star

BY HUGH O'SHAUGHNESSY, RECENTLY IN SANTIAGO

THE INTER-AMERICAN Development Bank, which can justifiably claim to be among the biggest financing agencies in Latin America, has just concluded its 15th assembly of governors in the Chilean capital and all concerned can congratulate themselves that every major point of the agenda but one was successfully dealt with.

Since it was founded in 1960 its resources have grown from a pury \$939.5m. to \$10,743.9m., the cumulative total of the loans it has authorised have risen from \$294m. in 1961, its first year of full-scale operation to \$6,308m. last year and it has borrowed a total of \$1,609m. Last year alone it authorised \$884m. in loans, its highest yearly record and 9.5 per cent above the previous year's figure.

Given all this it was no surprise that the meeting of the beginning of this month attracted virtually anyone who was anyone in the world of Latin American finance to Santiago. Britain was represented at the official level by the Overseas Development Ministry and the Bank of England, not to mention senior members of Paring Brothers, Singer and Friedlander Samuel Montagu and others. The Japanese, it need hardly be said, came in their droves.

Way open

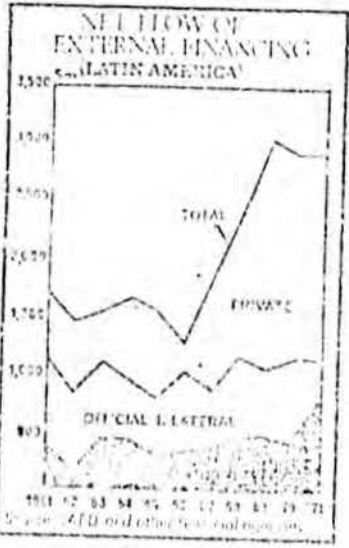
Paradoxically enough some of the most basic decisions taken at the meeting will help the countries of the Commonwealth in the Western Hemisphere rather than the Latin American countries strictly speaking. As a result of the deliberations in Santiago the way is now open, for instance, for Guyana and the Bahamas to enter the Bank if they want to. Guyana's access to the Bank had hitherto been blocked by the fact that it has a frontier dispute with neighbouring Venezuela. However in a heartening gesture of generosity the new Venezuelan Finance Minister, Dr. Hector Bertado, signified his Government's decision to invite the Guyanese to join the bank.

There was good news too for the southern islands of the Caribbean who could never aspire to full membership of the Bank. The Bank's funds which have been directed by agreement to the

Caribbean Development Bank which serves even the tiniest specks of land, Montserrat, say, or the Turks and Caicos Islands, in the region.

The Bank has also put in train the much needed job of increasing its own capital resources. This is all the more imperative since the demands on the Bank's money are continually growing and the programme of operations scheduled by the Bank for the period 1974-76 calls for an annual commitment of something over \$1,100m.

The soft loan department of the Bank, the Fund for Special Operations, like most of its



counterparts in other developing regions of the world is especially stuck for funds and in very dire straits indeed. In the next few months therefore the legislatures of the various member countries or, where the legislatures have been abolished, the various military authorities will be called upon to approve enlarged capital subscriptions to the Bank. However, none of the Bank officials foresees an easy task in persuading the Congress of the U.S., which has always been the largest contributor to the Bank, to contribute more money at a time when opinion in Washington is moving strongly against foreign aid.

As against this the meeting lasted for a few days in February a high and powerful figure of recent Venezuela, Dr. Hector Bertado, brought with him the good news that Venezuela had just announced last month

Venezuela's incoming president Sr. Carlos Andrés Pérez, to the effect that Venezuela would set up a new trust fund of major proportions. This trust fund, which is unofficially believed to amount to some \$500m., will be funded from the gigantic royalty payments that the Caracas Government will receive this year. President Pérez's administration should, if all goes well for him, receive Bolívares 42,000m. (£4,200m.) in royalties and other payments from the oil industry. The trust fund, whose full details have yet to be hammered out by the lawyers will be specifically devoted to the fostering of Latin American industry.

There is a widespread and well-rooted suspicion among many Latin American countries that hitherto financial assistance from the multilateral agencies such as the World Bank has been aimed much less at the development of industries in their countries than at the financing of those infrastructural works which would facilitate the flow of raw materials to the established industries of the richer countries. It is this feeling that the Venezuelans are doing to reverse. The Venezuelan trust fund is also to be left open to other Latin American countries and both Ecuador and Trinidad and Tobago who will both be running appreciable surpluses soon as a result of the current world oil prices may put money into it.

If there is a trend to be discerned from the growing financial muscle of the Venezuelans and the growing reluctance of the U.S. to put more official money into Latin America it is that the Bank is slowly assuming a much newer Latin American image. It is gradually growing out of the leading straits that Washington has, as the largest contributor to the Bank, has held for so long. This trend was pointed up in a particularly apt speech by the Argentine Minister of Economy, Sr. José R. G. Bordaberry.

The large amount of work achieved at the meeting did not of course mean that the atmosphere was one of unadulterated success and light.

It was unfortunate for the U.S. that the final of their delegation, Dr. Robert Shultz, was on the way to something of a home

when had been announced shortly before the meeting was convened. Additionally Mr. Shultz's personal mannerism—he is, after all, a distinguished academic rather than a diplomat—ruffled some Latin American celebrities. His apparent feeling that those countries which opted to charge high prices for oil were intrinsically wicked was hardly likely to win friends among the Venezuelans, Federations or Trinitidians and, according to one delegate, Mr. Shultz was as well received as a Salvation Army colonel at a brewers' sales conference.

Dr. Hurtado, too, had some abrasive things to say, making the point, for instance, that the rise in the Bank's lending was by no means as impressive as it seemed. It was measured in real terms in dollars of constant value. He also criticised the Bank's slowness in getting back working in the Caribbean region. But in the end the meeting went off reasonably enough and the usual lines of resentment among the delegates never really erupted into any conflagration.

Slipped

The only banana skin on which the cautious Sr. Antonio Ortiz Vera, the Bank's president, slipped was that of the admission of two non-Western Hemisphere countries to the Bank. For more than a year now Mr. Wotlyn Trued, the energetic manager of the Bank's finance department, has been working on the negotiations for the admission to full membership of a number of countries including Bolivia, Germany, Spain, Japan and the Netherlands. The Bank's stipulated entry fee was some \$20m. in hard currency. By the end of last month the various new applicants had got together some \$10m. around \$50m. and there were hopes that the skin ran would soon be bridged.

At this stage Germany's deal is far on with the negotiations for an 18% capital increase in the Bank's resources. The Bank's capital is now \$10,743.9m. and the new deal would increase it to \$12,600m. The Bank's resources are now \$10,743.9m. and the new deal would increase it to \$12,600m.

The Asian Bank's

tough mission

BY G. GORDON TETHER

MANY of the oil-rich countries are evidently coming round to the view that there is a more sensible way of dealing with expendable surpluses than letting them pile up in Western currencies, which are depreciating so fast that their money could have lost most of its original purchasing power by the time they want to use it. It has in moving it to the good cause of giving a helping hand to those impoverished countries whose plight has been rendered ever more acute by the oil price explosion.

In their search for ways of achieving this purpose that meet their requirements, they might well give a lot more consideration than they have up till now to the channel provided by the regional banks—and with special regard to the Asian Development Bank, they being a particularly deserving case.

All the major international development banks are obviously well-placed to play a key role in getting the oil countries' surplus revenue into the advanced part of the world. This is the goal of course, and it is to be achieved by drawing up the surplus into the bank in its lender's operation, making the bank an integral part of the process.

Problems

However, early in its life, it was seen to be a problem for being very much under the thumb of the U.S. And it has never quite managed to live far from even though it has in the recent past received the praise of Washington as a refuge from the economic ills of the U.S. It is a widely believed that the U.S. should have done more.

The point is that some of the development banks are not as well-placed as others, and the Asian Development Bank is a case in point. It has a long way to go to become a truly independent institution, and it is not clear how far it has come. It is a widely believed that the U.S. should have done more.

There is a need for a more independent institution, and it is not clear how far it has come. It is a widely believed that the U.S. should have done more.

that is as high as that at which the World Bank itself was operating up to a comparatively few years ago.

When the Asian Development Bank first started work, there were fears—Japan having provided much of the impetus and money for setting it up—that it might be dominated by Tokyo. But the Japanese appear to have gone out of their way to show that there was no justification for such concern. And with the other principal donor countries overcoming their earlier reluctance to participate, the bank can now be said to be as close an approximation to a truly internationalised institution—in the nicest sense of that term—as you are likely to get.

The poorest

This is not the only reason why there is a special case for making use of the Asian Development Bank for getting the oil surpluses—or any other suitable money for that matter—into the hands of Third World countries that desperately need capital. It so happens that no other region of the world includes so many countries in this classification as that which it is serving.

Not only do those States contain as much as a third of the world's population, with some of the highest rates of population growth and the lowest per capita incomes. It is also the case that 80 per cent of the people that the United Nations has designated as the "poorest of the poor" are to be found in the Asian Development Bank's parish.

Moreover, because these countries are so impoverished, few of them can afford to shoulder any more interest commitments, so loans they borrow abroad for financing essential development, which means that the bank stands in a sore need of arrangements for the special fund it has set up, alongside similar lending arrangements, to provide long-term credit on a more or less interest-free basis.

It has, fortunately, had some success in mobilising funds in the OPEC countries for its ordinary loans through bond issues. But what it really needs is to enable it to make the kind of impact on the development of Asia that is clearly capable of being a massive inflow of outside money for the region's operations. The OPEC countries could do a long way to meet this need—and do so without talking much more than a good word for their stock of depreciating Western currencies.

Red Rum will be pop

RED RUM, who never looked like taking a hand in the finish to Saturday's Jean Mackay Handicap at Ayr—a race which he had won in 1973 and 1974—can prove he simply had an off-day last week by giving weight away all round in to-day's Peacock Handicap (3.15) on Haydock's mixed card.

Donald McCain's great chaser is clearly none the worse for Saturday's race which followed a highly encouraging display at Carlisle three weeks ago, where he was beaten only narrowly in third place behind Meridian II and Mr. Wrekin.

I take him to gain a popular success by outpacing Royal F.lic, who is without the benefit of a previous run this term.

In the principal flat race on this programme, the five-furlong Butterfly Stakes (3.5), I shall not look beyond Raffindale for the winner.

Captain Ryan Price still maintains a high regard for this powerfully-made grey sprinter, and I shall be disappointed if he cannot confirm his trainer's high opinion of him by outpacing his four opponents.

Raffindale, who at one stage in his two-year-old career was considered to be the fastest juvenile in England, after a fine victory over Roussalka in the Erroll Stakes at Ascot, has made only one appearance in 1975.

This came at Beverley in the

Bishop's Cleeve stakes back in June, in which he finished after being taken to the wire from an opening show of 7-4, faded in the closing stages to finish 4th of 11 behind Dutch Gold.

The Flat race, who might not be remembered by the

HAYDOCK

- 2.15—Toss Out
- 2.45—Hot Scepter
- 3.15—Red Rum
- 3.45—Royal F.lic***
- 4.15—Faint Heart
- 4.45—Mr. Wrekin**

WORKSTER

- 2.00—Fire Red
- 2.30—Star Thrower
- 3.00—Centaur
- 3.30—Wayward Scot
- 4.00—Gambler's How
- 4.30—Elect

yielding ground here, has been working with notable zest in recent weeks, and I take him to prove his trainer's perseverance warranted by out-beating the progressive Dutch Gold, to whom he will be conceding 10 lb.

An hour after the Butterfly Stakes, another well-approved sort, the Toss Out, why The Happy Hooker will be made

SALE ROOM

BY AN

MacDonald china ma

SOTHEBY'S sale of Chinese export porcelain followed the indications from Christie's on Tuesday that this sector of the art market is recovering. Prices are still way below the extravagant levels of 1973, but there is plenty of demand for the better items.

At Sotheby's this involved another of those enormous services made in China about 1850 for noble British families. This one comprised 368 pieces, decorated with the arms of the MacDonnells. It was bought as a whole by the London dealer Marchant for £15,650 at the top of its estimate. In all, the sale totalled £129,171.

Other lots to do well were a pair of ginger jars, 12 inches high, of the Wang Hsi period. They sold to a private buyer for £5,400, above forecast. A large jade double-handled bowl, 11 inches high, went for £4,500 to Lane Art, and Spink gave £2,500 for a carved jade boulder in the form of a rocky crag, a work of the 18th century.

Modern sporting guns by Ross and the old for £2,200, £2,200 and £2,200 at a Sotheby's gun and rifle sale. The antiques could not be sold in these prices, although a Chinese marble table of about 1840 was bought for £2,600, and

a Silesian hunting sale of 1650 made £2,300. The sale totalled £50,997.

Christie's established a record yesterday (about a slight dip since they were Agnew put £5,775 for the first three volumes (of five) of David Roberts' The Holy Land Syria, Palestine, Arabia, a collection of 124 hand-coloured lithographs, published in London between 1842-45. The previous record of £15,500 had been set in the same sale room earlier in the year and the possible forecast was a somewhat cautious £23,000-£25,000.

The 1846 edition, possibly the most important lot in a recent print sale which totalled £50,775. A remarkably good price was £12,100 paid by a private collector, a group of six books by the artist Gabriel and George Turner, which had been forecast at a mere £1,000-£1,500 but then Sotheby's price of £2,400 were in demand. The 1846 edition of Turner's sketches of the Nile, which had been forecast at £1,500-£2,000, fetched £1,500 to Paul Bonheur.

Another £2,200, £2,200 and £2,200 at a Sotheby's gun and rifle sale. The antiques could not be sold in these prices, although a Chinese marble table of about 1840 was bought for £2,600, and

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Institution: European Coal and Steel Community ("ECSC")

Location: Brussels, Belgium; Luxembourg

Size: At December 31, 1975, the assets of the ECSC amounted to U. S. \$3.5 billion. ECSC's "capital" is provided solely from retained earnings and reserves.

Purpose: Established 4/18/51 pursuant to treaty. Initial membership of 6 European nations. Present membership 9 European nations. Purpose is to aid the development of the economies of the member states through the creation of a common market for coal and steel. Also, ECSC facilitates the financing of capital investment programs in coal, coke, iron ore, iron, steel and scrap by lending funds which it obtains primarily through its own borrowing. ECSC also responsible for coordinating production in above-named products by methods such as determining general objectives for modernization and expansion of productive capacity, reviewing investment programs, making research grants, enforcing fair competition, fixing prices in emergencies and imposing fines for infringement of ECSC rules. Also active in promoting better living and working standards for workers in the coal and steel industries through housing loans and retraining and research grants.

Source of Funds: Capital provided by: (1) a regular revenue levy collected monthly in the respective currencies of the member states from steel producers. Levy payments to be made in 1976 are expected to be \$104.9 million; (2) borrowings through bonds or notes, both public and private. As of 3/31/76 ECSC had outstanding \$3.3 billion of funds borrowed.

Management Structure: Governed by a Commission comprised of 13 members who are nationals of the member states, not more than 2 of whom may have the same nationality. Over the Commission is a Council consisting of one representative of each member state. Certain actions of the Commission require the assent of the Council. The ECSC is also responsible to a European legislative assembly - the European Parliament, which consists of 198 representatives elected by the legislatures of the member countries. It reviews the ECSC and by a vote of consensus can compel the resignation of the members of the Commission. Also, the Court of Justice of European Communities, comprised of 9 judges, interprets and applies the provisions of the treaty. Decisions are binding.

Management of Funds: The Commission has the responsibility of borrowing, financing and managing funds. The primary responsibility for specific capital investment programs rests with the individual borrowers who decide what capital projects they want to undertake and whether to seek the assistance of the ECSC. The criteria applied by ECSC in selection of projects to be financed are based on normal banking practices. ECSC borrows in whatever currencies appear most advantageous to it and under the best conditions prevailing at the time in the capital markets in which the ECSC operates. In order to minimize risks, ECSC matches principal, interest rates, maturities and currencies of loans made with its own borrowings. A general policy is also to secure loans by guarantee of country, banks or industrial concerns or mortgages on the financed projects.

Portfolio: Since inception ECSC has granted loans (both from borrowed funds and from its own resources) aggregating \$3.4 billion through 12/31/75, of which, as a result of repayments by the borrowers, \$2.7 billion was then outstanding. Of this amount, about 26% was guaranteed by the member countries, 25% by banks and 18% by industrial concerns, and 27% was secured by mortgages on the projects financed. Since establishment, there have been defaults on 3 loans, totaling \$1.8 million, less than 0.1% of the total amount of loans granted by the ECSC. Rescheduling of principal and interest payment dates and delays in the receipt of loan service charges have been insignificant. Guarantees granted by ECSC since inception have aggregated to \$65.3 million through 12/31/75, of which \$24.3 were outstanding at that date. ECSC's guarantees are secured by guarantees from member countries, banks, industrial concerns or by mortgages on the projects financed. ECSC has never been required to make payment on a guarantee.

Capital Structure:

	12/31/75	
Borrowings	\$2,786 million	82.1%
Reserves	338	9.9
Revenue Funds	<u>271</u>	<u>8.0</u>
Total Capital	\$3,395 million	100.0%

Income: In 1975 revenues of \$307.96 million; 57.9% from interest on loans; 26.6% from levies and 15.6% from contributions, interest investments and other. 55.3% went to pay interest and fees payable; 6.3% for administration; 7.5% for research; and 14.9% went for other. Most of the 16% excess went to the Guarantee Fund, housing projects, and reconversion, technical and economic research.

PROSPECTUS

European Coal and Steel Community

\$75,000,000

8⁵/₈% Notes, Due May 1, 1984

\$100,000,000

9% Bonds, Due May 1, 1996

The Notes and the Bonds are unconditional, direct, general obligations of the European Coal and Steel Community (the "ECSC") and rank *pari passu* with its other obligations (aggregating \$3.21 billion at March 31, 1976) exclusive of those obligations (aggregating \$58.0 million) issued pursuant to and secured by the Act of Pledge, all as more fully described herein.

At any time on and after May 1, 1983, the Notes may be redeemed, at the option of the ECSC, at the principal amount thereof plus accrued interest, if any, to the redemption date. The ECSC will redeem, or in the case of the last instalment pay at maturity, the Bonds at their principal amount plus accrued interest in 15 substantially equal annual instalments beginning in 1982, with the noncumulative option to redeem at such price an additional equal amount in any such year, all as more fully described herein. The Bonds will also be redeemable on and after May 1, 1988, at the election of the ECSC, at the redemption prices set forth herein.

Interest is payable on the Notes and the Bonds on November 1 and May 1.

Application will be made to list the Notes and the Bonds on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discounts and Commissions(2)	Proceeds to ECSC(1)(3)
Per Note	99.50%	0.90%	98.60%
Total	\$74,625,000	\$675,000	\$73,950,000
Per Bond	99.00%	1.25%	97.75%
Total	\$99,000,000	\$1,250,000	\$97,750,000

(1) Plus accrued interest from May 1, 1976, to date of delivery.

(2) The ECSC has agreed to indemnify the Underwriters against certain liabilities.

(3) Before deducting expenses estimated at \$231,000, including \$50,000 to be paid to the Underwriters in partial reimbursement of their expenses.

The Notes and the Bonds are offered by the several Underwriters named herein, subject to prior sale and to withdrawal of the offer without notice, and when, as, and if accepted by them; and the Underwriters reserve the right to reject, in whole or in part, any orders for the purchase of such securities. The Bonds are also being offered to certain institutions by the ECSC through the several Underwriters pursuant to Delayed Delivery Contracts (see *Delayed Delivery Arrangements*). It is expected that delivery of the Notes and the Bonds will be made on or about May 17, 1976, and that delivery of the Bonds purchased from the ECSC pursuant to Delayed Delivery Contracts will be made on November 4, 1976, or such other date or dates as the ECSC shall approve.

**Kuhn, Loeb & Co. The First Boston Corporation Lazard Frères & Co.
Warburg Paribas Becker Inc.**

April 30, 1976

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

EXCHANGE RATES AND UNIT OF ACCOUNT

Since its formation, the European Coal and Steel Community (the "ECSC") has used its own Unit of Account (the "UA") as a convenient unit of measure for translating the various currencies with which it deals into one common monetary denominator. Because a unit of account provides a simple means to standardize and compare accounts in a variety of national currencies, it has come into increasing use for accounting purposes by both private and public entities of the European Economic Community (the "Common Market").

Until 1973, conversion between the UA and the currencies of the members of the Common Market and other countries was based on their official gold content as defined by the International Monetary Fund parity rates of exchange. Thus one UA originally equaled one U. S. dollar as well as, subsequently, one Special Drawing Right, the unit of account used by the International Monetary Fund (the "IMF"), all of which had an equal gold content. The ECSC decided, effective December 31, 1973, to update annually the value of the UA used in ECSC accounts and to base the value of the UA for such purpose on a system more reflective of current market rates for national currencies. At the end of 1975 the Commission of the European Communities (the "Commission") decided that, effective January 1, 1976, the ECSC would adopt the form of UA which is currently in use by the other European Communities and their agencies and which is based entirely on daily market exchange rates for specified amounts of the currencies of the members of the Common Market. For a more complete description of the UA, reference is made to Note 1(A) of *Notes to Financial Statements*.

The Balance Sheet and the Summary of Expenditures and Revenues of the ECSC are expressed in UA. All other amounts in this Prospectus are expressed, for purposes of comparability, in U. S. dollars. U. S. dollar figures are converted from the UA amount reflected in the ECSC accounts at the following rates:

Prior to May 8, 1972:	UA 1 = U.S. \$1
May 8, 1972, through December 30, 1973:	UA 1 = U.S. \$1.08571
December 31, 1973, through December 30, 1974:	UA 1 = U.S. \$1.18643
December 31, 1974, through December 30, 1975:	UA 1 = U.S. \$1.34286
On December 31, 1975:	UA 1 = U.S. \$1.16528
On March 31, 1976:	UA 1 = U.S. \$1.12623

At December 31, 1975, UA 1 = 46.0606 Belgian francs; 7.19697 Danish crowns; 3.13120 Dutch guilders; 5.21981 French francs; 3.05382 German marks; 0.575039 Irish pounds; 797.769 Italian lire; 46.0606 Luxembourg francs; 3.05239 Swiss francs; 0.575973 United Kingdom pounds; and 1.16528 U.S. dollars. Since January 1, 1976, there have been significant changes in the relative values of such currencies. As a result of such changes, the value of the UA at March 31, 1976, was as follows: UA 1 = 46.2149 Belgian francs; 6.84758 Danish crowns; 3.02710 Dutch guilders; 5.25740 French francs; 2.85778 German marks; 0.587174 Irish pounds; 946.666 Italian lire; 46.2149 Luxembourg francs; 2.85404 Swiss francs; 0.587723 United Kingdom pounds; and 1.12623 U.S. dollars. To date such

changes in relative currency values have not had an adverse effect on the ECSC's financial condition. The ECSC is unable to predict any future effect of such currency conditions on its financial condition or the UA.

The middle market rates in New York City on April 28, 1976, were as follows: 1 U.S. dollar = 38.8546 Belgian francs (commercial rate); 6.0150 Danish crowns; 2.6896 Dutch guilders; 4.6220 French francs; 2.5368 German marks; 0.5444 Irish pounds; 894.8546 Italian lire; 38.8546 Luxembourg francs; 2.5205 Swiss francs; and 0.5444 United Kingdom pounds.

All statistics for the United Kingdom, Ireland and Denmark before January 1, 1973, are based on statistical data made available by government and industry agencies in those countries. Statistics relating to countries other than the Member States are based on figures supplied by the statistical agencies of the United Nations and the Organisation for Economic Co-operation and Development.

INTRODUCTORY STATEMENT

History. The ECSC was established as a sovereign entity by the Treaty of April 18, 1951 (referred to, as amended, as the "Treaty"), among Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands (the "Original Members"). On January 1, 1973, Denmark, Ireland and the United Kingdom (the "New Members") also became members of the ECSC. (The Original Members and the New Members are referred to collectively as the "Member States".) The offices of the ECSC are in Brussels and Luxembourg. The purpose of the ECSC under the Treaty is to aid the development of the economies of the Member States through the creation of a common market for coal and steel. Only the basic production commodities, coal, coke, iron ore, iron, steel and scrap, are covered by the Treaty. Creation of the ECSC was the first step taken toward European integration and facilitated the establishment in 1958 of the Common Market for all products other than those covered by the Treaty and the European Atomic Energy Community ("Euratom"). Each of the three communities, the ECSC, the Common Market and Euratom (collectively the "European Communities"), remains a separate entity although their governing institutions have been consolidated. The fundamental powers of the ECSC regarding all producers of the covered products (the "Enterprises") in the Member States are vested in the Commission which manages the affairs of the ECSC subject to the cooperation of and review in certain circumstances by other institutions of the ECSC. (See *Institutions of the ECSC*.)

Activities. Since the establishment of the ECSC, national customs frontiers for coal, coke, iron ore, iron, steel and scrap have been removed among the Original Members. The transitional arrangements for the entry of the New Member into the ECSC provide for successive reductions in tariffs and quotas and their complete elimination among all the Member States by July 1, 1977. Customs duties on imports of coal within the enlarged ECSC were abolished at the time of the accession of the New Members. Tariff rates relating to trade with nonmember countries are being harmonized.

The ECSC, through the Commission, facilitates the financing of capital investment programs of the Enterprises and certain other concerns by lending funds which it obtains primarily through its own borrowings. The ECSC is also responsible for coordinating production among the Enterprises by methods such as determining general objectives for modernization and expansion of productive capacity, reviewing investment programs against forecasts of demand patterns, indicating market and technological developments, making research grants, enforcing the fair competition provisions of the Treaty, fixing prices in times of emergency and imposing fines for infringement of ECSC rules. In addition, the ECSC is active in promoting better living and working standards for workers in the coal and steel industries through housing loans and retraining and research grants.

In 1975 the Enterprises produced 125.6 million metric tons of crude steel, making the ECSC the world's second largest steel producing area, and 256.9 million metric tons of coal. In 1974 there were 257 million people living within the territory of the Member States which had a combined gross national product of \$1,125 billion.

Sovereign Powers. In order to attain its objectives and to fulfill its responsibilities, the Treaty grants the ECSC certain sovereign powers in the Member States, including the power to maintain a common market for coal and steel and to levy a tax on the value of coal and steel production in the ECSC (the "Levy"). The Levy power, which can be exercised by the Commission acting alone, is fundamental to the financial structure of the ECSC and underlies its credit. Collected monthly, the Levy is enforceable directly against the Enterprises.

The Treaty also grants the ECSC within the Member States certain privileges and immunities which are necessary for the exercise of its functions. Such privileges and immunities include the exemption of its premises from search and seizure, the immunity of its property and assets from administrative or judicial constraint without the authorization of the Court of Justice of the European Communities, the right to hold any kind of currency and the exemption of its assets, properties and income from all direct taxes in the Member States.

Under the Treaty, the ECSC continues in existence until 2002. Any extension of the term of the Treaty, or any substantial modification of its provisions, requires an amendatory treaty signed by the government and ratified by the legislature of each Member State. No Member State may withdraw from the ECSC without the consent of all the other Member States.

The United States and 73 other countries have established diplomatic relations with the ECSC.

Financial Operations. Under the Treaty, the ECSC has responsibility for facilitating the financing of approved capital investment programs of the Enterprises and certain other concerns and may use its credit to obtain funds for this purpose. Through December 31, 1975, the ECSC had incurred borrowings equivalent to \$3.3 billion and had made loans from borrowed and other funds to the Enterprises and other concerns equivalent to \$3.4 billion.

The criteria applied by the ECSC in the selection of projects to be financed are based on normal banking practices, including the financial standing of the borrowers and economic considerations relating to the projects concerned. In order to minimize risk, the ECSC matches the principal amounts, interest rates, maturities and currencies of its loans made from borrowed funds with the terms of its borrowings. It is also the general policy of the ECSC to finance only a part of the entire cost of a project and to secure its loans by government or private guaranties or mortgages. Since the establishment of the ECSC, there have been defaults on less than 0.1% of the total amount of loans granted. Should receipts from the loans which the ECSC grants from the proceeds of its borrowings not be forthcoming or be delayed, the ECSC has recourse to its other resources to meet its obligations, and in particular to:

(a) *The revenues from the Levy.* The Treaty provides that revenues from the Levy may be used to cover any difference between the principal and interest payable in respect of funds borrowed and the principal and interest received in respect of loans granted. In 1975, the value of all products subject to the Levy (based on the policy of the ECSC of determining average value for purposes of the Levy at the beginning of the year on the basis of market values in prior periods) totaled \$32.5 billion, as compared with \$28.4 billion in 1974. During both periods the rate of the Levy was 0.29%. The Levy revenues in respect of production during 1975 were \$94.3 million, as compared with \$82.5 million in 1974. Under the Treaty, the Commission (acting alone) is authorized to impose a Levy rate up to 1% and can under certain circumstances impose a higher rate. Since the inception of the ECSC, the Levy has been paid in full by the Enterprises on a timely basis with delays only as to immaterial amounts. Beginning with the March 1976 instalment and continuing through the February 1977 instalment, the ECSC has extended the payment date of each monthly Levy instalment for two months after such instalment would ordinarily have become payable. Levy payments to be made in 1976 are expected to be \$104.9 million. For a description of recent economic conditions in Europe see *Recent Developments*.

(b) *The Guaranty Fund* In 1954, the Commission established from the proceeds of the Levy a Guaranty Fund, aggregating \$174 million at December 31, 1975, to serve as a readily available reserve for obligations of the ECSC. It is the Commission's policy to keep an amount at least equal to the Guaranty Fund in liquid assets, principally cash and amounts due from banks, but such assets are not segregated in the ECSC accounts. The ECSC has never had need to make use of the Guaranty Fund.

(See *Taxing Power and Financial Operations of the ECSC.*)

COAL AND STEEL INDUSTRIES OF THE ECSC

In 1975 the ECSC produced 125.6 million metric tons of crude steel (ingots and steel for castings) and 256.9 million metric tons of coal. The ECSC accounted for 20% of world steel production in 1975, and 13% of world coal production in 1974.

The ECSC's production of crude steel and coal in comparison with that of the other principal producing areas of the world is shown in the following table:

COAL AND STEEL PRODUCTION
(in millions of metric tons)

	Coal(1)					Crude Steel				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
ECSC(2)	312.1	271.3	270.3	242.6	256.9	128.1	139.1	150.1	155.7	125.6
U. S.	503.0	535.0	530.0	530.0	N.A.	111.8	123.8	139.6	135.0	109.1
Soviet Union	485.0	500.0	511.7	524.0	N.A.	120.6	126.0	132.9	136.0	141.5
Japan	33.0	28.0	22.4	21.0	N.A.	88.6	96.9	119.3	117.1	102.2
Eastern Europe	185.0	180.0	194.5	199.4	N.A.	42.4	45.0	46.8	48.0	50.3
Other Countries	269.9	298.0	291.6	300.2	N.A.	91.5	95.7	107.1	118.2	91.3
World Production	<u>1,788.0</u>	<u>1,812.3</u>	<u>1,820.5</u>	<u>1,817.2</u>	<u>N.A.</u>	<u>583.0</u>	<u>626.5</u>	<u>695.8</u>	<u>710.0</u>	<u>620.0</u>

(1) Excluding lignite.

(2) The New Members joined on January 1, 1973; prior data are pro forma.

During 1975, Germany, Italy and France were the leading crude steel producers in the ECSC and produced 40.4, 21.8 and 21.5 million metric tons, respectively. The United Kingdom, Germany and France were the leading coal producers in 1975 and produced 127.8, 99.2 and 22.4 million metric tons, respectively. As of December 31, 1974, approximately 1.4 million persons were employed in the nearly 400 Enterprises subject to the jurisdiction of the ECSC.

Iron and Steel. The ten largest steel producer groups in the ECSC accounted for approximately 72% of the crude steel production of the ECSC in 1975. Their 1975 production of crude steel was as follows:

Producer Groups	1975 Crude Steel Production (in millions of metric tons)
British Steel Corporation (U. K.)	17.2
Finsider (Italy)	12.9
August Thyssen (Germany)	12.2
Estel (Hoesch-Hoogovens) (Ger., Neth.)	10.7
Sacilor (France, Germany)	8.9
Arbed (Lux., Belg., Ger.)	8.8
Usinor (France)	7.1
Cockerill (Belgium, France)	5.2
Peine Salzgitter (Germany)	3.9
Manneberg (Germany)	3.7

Except for the United Kingdom, none of the Member States has nationalized its iron and steel industry although several iron and steel Enterprises are wholly or partly owned by the Member States.

The ECSC is a net exporter of crude steel products. Its exports and imports of these products are set forth in the following table:

STEEL EXPORTS AND IMPORTS(1)					
(expressed in crude steel equivalent in millions of metric tons)					
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Exports	24.3	25.5	27.2	34.2	26.1
Imports	8.1	10.5	9.7	7.3	8.0

(1) The New Members joined on January 1, 1973; prior data are pro forma.

During 1974, of the total of the ECSC's exports of steel, 20% went to the United States, 10% to the U.S.S.R., 9% to the Scandinavian countries, 5% each to Brazil and Switzerland and 4% to Spain. No other country received 4% or more of the ECSC's exports of steel.

Coal and Coke. The three largest coal producers in the ECSC accounted for about 87% of ECSC coal production in 1975 as follows:

<u>Producer</u>	<u>1975 Coal Production</u> (in millions of metric tons)
National Coal Board (U.K.)	127.2
Ruhrkohle A. G. (Germany)	75.3
Charbonnages de France (France)	22.0

The British and French coal industries have been nationalized; other Member States own in whole or in part certain of their coal Enterprises.

Total coal production in the Member States has decreased from approximately 312 million metric tons in 1971 to approximately 257 million metric tons in 1975. The ECSC expects that coal production within the Member States will tend to stabilize at approximately current levels, partly as a result of cost increases for alternative sources of energy and partly as a result of ECSC and Member State policies to encourage the use of coal in the generation of electricity.

Total production of coke in the ECSC was approximately 79 million metric tons in 1975. Since 1967, the ECSC has made grants to subsidize the production of coking coal within the Member States. In 1975, the Member States produced 87% of their coking coal requirements.

The ECSC's exports and imports of coal are set forth in the following table:

COAL EXPORTS AND IMPORTS(1)					
(in millions of metric tons)					
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Exports	1.0	0.9	0.9	1.7	N.A.
Imports	31.2	31.6	29.8	38.0	N.A.

(1) The New Members joined on January 1, 1973; prior data are pro forma.

In 1974, Poland accounted for 40% and the United States for 34% of the ECSC's coal imports.

Raw Materials. The ECSC is a net importer of the important materials employed in the production of iron and steel products including coking coal (see *Coal and Coke* above), iron ore, scrap and alloying elements such as chrome, molybdenum, nickel and manganese.

The ECSC's consumption, production and net imports of iron ore for the five years through 1975 are shown in the following table:

	IRON ORE(1) (in millions of metric tons)		
	Consumption(2)	Production	Net Imports
1971	139.8	68.4	76.8
1972	148.6	66.0	80.7
1973	189.9	72.9	120.3
1974	197.8	67.6	134.2
1975	N.A.	62.1	106.5

(1) The New Members joined on January 1, 1973; prior data are pro forma.

(2) Consumption of iron ore in sintering plants, blast furnaces and steel mills.

In 1974, Sweden provided 21% of the ECSC's iron ore imports, and Brazil, Liberia, Canada and Australia were the other main suppliers.

The steel Enterprises of the ECSC have historically been net importers of scrap. Although the ECSC only imported 0.8 million metric tons of scrap in 1975 (less than 2% of total scrap used in production), this had a significant upward effect on scrap prices due to the extreme inelasticity of supply.

While no estimates of the iron ore and coal reserves of the ECSC have been made in connection with this offering, the ECSC believes that, in conjunction with other available sources, such reserves are considered adequate on an overall basis at current rates of production.

Capital Investments. In the four years through 1974, the Enterprises have spent increasing amounts on capital investments, particularly in the iron and steel industries, as follows:

	CAPITAL INVESTMENTS(1) (in billions)			
	1971	1972	1973	1974
Iron and Steel(2)	\$2.9	\$3.5	\$3.6	\$3.7
Coal(3)	0.3	0.3	0.4	0.5

(1) The New Members joined on January 1, 1973; prior data are pro forma.

(2) Includes coking facilities owned by the steel Enterprises.

(3) Includes coking facilities not owned by the steel Enterprises, as well as lignite briquette factories.

While final figures for 1975 are not yet available, the capital investments of the Enterprises are expected to have declined as a result of adverse economic conditions. However, substantial capital investments are expected to continue to be made by the iron and steel Enterprises to increase productivity. A relatively high level of capital investments is also expected in the coal industry, reflecting the trend towards concentration of production in more efficient mines.

Although pollution control regulations are not as stringent in the ECSC as they are in parts of the United States, and vary from country to country, it is expected that there will be increasing government regulation in this area and increasing uniformity among regulations. No systematic data currently exist as to the percentage of total ECSC capital investments which can be considered to have been spent in respect of governmental programs regarding pollution control. Such capital investments are expected

to account for a significant percentage of total capital investments in both the coal and steel industries in the near future.

The following table shows capacity and production of the steel and coal Enterprises.

	Steel Enterprises(1)					Coal Enterprises(1) (2)				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Capacity in millions of metric tons ..	135.8	139.7	174.5	178.9	191.3	174.5	166.0	294.9	267.3	263.9
Production as a % of capacity	76	81	86	87	66	91	88	89	88	94

(1) The New Members joined on January 1, 1973; prior data are pro forma.

(2) Coal production for purposes of this table is based on a definition which differs slightly from that on which the coal and steel production table above is based.

Recent Developments. During 1975 crude steel production within the ECSC declined approximately 20% from the previous year, which represented a substantial decline in utilization of capacity. The general level of prices for steel and steel products declined substantially in 1975 reaching a low point in October, but has recovered a significant portion of this decline through the first quarter of 1976. New orders for and production of steel increasingly declined in each quarter commencing in the last quarter of 1974 through the third quarter of 1975. These declines resulted principally from the effects of the worldwide economic recession, energy-related increases in costs, inventory reductions by purchasers, reduced levels of construction and the restrictive monetary policies of the Member States. In addition, a continuation in 1975 of increases, which began in 1974, in the prices of petroleum products and other sources of energy increased the production costs of the Enterprises. Beginning in the last quarter of 1974, these increases, which were, in large part, previously passed on to purchasers, could no longer be passed on because of market conditions. New orders for and production of steel in the last quarter of 1975 exceeded those for the preceding quarter; new orders for the last quarter of 1975 were greater, while production was less, than in the last quarter of 1974. In the first quarter of 1976 production was greater than in the last quarter of 1975, but less than in the first quarter of 1975.

Increased prices for petroleum products tended to benefit the coal industry since coal and coal products became more competitive with petroleum products. Coal production within the ECSC during 1975 increased 5.9% compared to 1974; however, had there not been a coal strike in the United Kingdom in the first quarter of 1974, there would probably have been no increase between the two years. Coal sales declined in 1975 due principally to the reduced level of economic activity in the Member States and energy saving measures taken by the Member States.

The Member States are dependent on external sources of energy for approximately 60% of their requirements. In recent years the steel industry has accounted for less than 3% of the total petroleum consumption in the Member States.

Due, in part, to worldwide petroleum price increases the rate of inflation in the Member States increased rapidly in 1974, and currency exchange rates fluctuated widely worldwide. Prices in the Member States continued to increase in 1975, although the rate of inflation decreased slightly, primarily due to reduced demand and lesser increases in production costs, as well as restrictive monetary policies of the Member States. Each Member State has had a different balance of payments history, although there was an overall balance of payments deficit of approximately \$8,381 million in 1974, primarily due to the greatly increased costs of importing crude oil. The impact of the payments deficit has had a particularly

adverse effect on the financial positions of Italy and the United Kingdom. When final figures become available for 1975 they are expected to show that a decline in imports into the Member States has eliminated the overall balance of payments deficit. A substantial payments deficit, though less than that experienced in 1974, is expected in 1976 for the Member States due to increases in the costs and volume of imports, including petroleum.

INSTITUTIONS OF THE ECSC

Although the ECSC is independent of the other European Communities, its institutions have been consolidated with theirs. Under the Treaty, the ECSC originally had its own institutions—the Special Council of Ministers, the High Authority, the European Parliament and the Court of Justice. In 1958, at the same time as the Common Market and Euratom were established, the structures of the European Parliament and the Court of Justice were redefined so as to function for all three of the European Communities.

In 1967, the institutions of the European Communities were further consolidated pursuant to the provisions of the Treaty of April 8, 1965 (the "Merger Treaty"). The Merger Treaty established a single Council of the European Communities (the "Council") and a single Commission exercising the powers which previously had been exercised by the three separate Councils of Ministers and the three executive branches (the Commission of the Common Market, the Commission of Euratom and the High Authority of the ECSC). The Commission and the Council exercise their powers on each occasion according to the provisions of the particular treaty in question: the Treaty and the treaties of the Common Market and Euratom.

The composition and functions of the present institutions of the ECSC are as follows:

(1) The Commission, the executive body of the ECSC, is responsible for carrying out the ECSC's objectives. The Commission is the key institution in managing the affairs of the ECSC and acting by itself can, among other things, impose the Levy, borrow funds and lend to the Enterprises. It is comprised of thirteen members who are nationals of the Member States, not more than two of whom may have the same nationality. The present members of the Commission are as follows:

Francois-Xavier Ortoli, President (France)	Altiero Spinelli (Italy)
Wilhelm Haferkamp, Vice-President (Germany)	Albert Borschette (Luxembourg)
Carlo Scarascia Mugnozza, Vice-President (Italy)	George Thomson (United Kingdom)
Sir Christopher Soames, Vice-President (United Kingdom)	Petrus Josephus Lardinois (Netherlands)
Patrick John Hillery, Vice-President (Ireland)	Finn Olav Gundelach (Denmark)
Henri Simonet, Vice-President (Belgium)	Claude Cheysson (France)
	Guido Brunner (Germany)

(2) The Council consists of one representative of each Member State designated from among the members of its Government. It harmonizes the actions of the Commission and those of the governments of the Member States which are responsible for the general economic policies of their countries. Certain actions of the Commission require the assent of the Council.

(3) The European Parliament (also called the Assembly) consists of 198 representatives of the Member States elected by and from the legislatures of such countries. It meets periodically and, as regards the ECSC, reviews its work, particularly the general report submitted by the Commission concerning the activities of the ECSC and its administrative expenses. By a vote of censure it can compel the resignation of the members of the Commission.

(4) The Court of Justice of the European Communities (the "Court") is composed of nine judges appointed for six-year terms by common accord of the governments of the Member States.

Its primary function as regards the ECSC is to interpret and apply the provisions of the Treaty. Commission actions are subject to judicial review only by the Court on the initiative of any Member State, the Council or an Enterprise; actions of the European Parliament and of the Council are also subject to review on the initiative of any Member State or the Commission. Judgments of the Court are binding in the Member States. The Court also has jurisdiction over matters submitted to it pursuant to provisions to that effect contained in contracts entered into by the ECSC.

TAXING POWER AND FINANCIAL OPERATIONS OF THE ECSC

Under the Treaty, the Commission has the responsibility to facilitate the financing of capital investment programs of the Enterprises. It discharges this responsibility principally by providing direct loans and guaranties to the Enterprises and other concerns for the purpose of promoting industrial development within the ECSC. The primary source of funds for such loans by the ECSC is from the proceeds of its own borrowings. Borrowed funds may be loaned to the Enterprises and other concerns by the Commission only for the following purposes:

- (a) To assist in accomplishing capital investment programs undertaken by the Enterprises.
- (b) With the unanimous assent of the Council, for the construction and acquisition by the Enterprises or other concerns of facilities (including housing for miners and iron and steel workers) which contribute directly and primarily to an increase of production or which are designed to lower production costs or facilitate the distribution of coal, iron ore and steel.
- (c) To create new activities and to assist in reconversions by Enterprises (or, with the assent of the Council, by other concerns) to facilitate the productive reemployment of labor displaced as a result of the establishment of the common market for coal and steel, technical developments or changes in marketing conditions in the coal and steel industries.

The primary responsibility for capital investment programs rests with the individual borrowers. They decide what capital projects they desire to undertake and whether they will seek the assistance of the ECSC. The criteria applied by the ECSC in the selection of projects to be financed, out of all those submitted to it, are based on normal banking practices, including the financial standing of the borrowers and technical, economic and financial considerations relating to the projects concerned, and the relative importance of the projects to the ECSC.

The ECSC borrows in whichever currencies appear most advantageous to it and under the best conditions prevailing at the time in the capital markets in which the ECSC operates. In order to minimize risk, the ECSC matches the principal amounts, interest rates, maturities and currencies of its loans made from borrowed funds with the terms of its borrowings. It is also the general policy of the ECSC to secure its loans by guaranties by the Member States, banks or industrial concerns or mortgages on the financed projects. In addition, the ECSC generally will advance not more than 40% (except in the case of certain coal projects where the ECSC generally will advance not more than 50%) of the entire cost of any project, supplementing the other resources available to the borrowers. Should receipts from such loans not be forthcoming or be delayed, or should the ECSC be called upon to honor its guaranties of indebtedness of the Enterprises and other concerns, the ECSC would have recourse to its other resources to meet its obligations and in particular to the revenues from the Levy and the Guaranty Fund. See *Financial Operations* under *Introductory Statement* above.

The following is a detailed description of the principal aspects of the financial operations of the ECSC: the Levy, funds borrowed by the ECSC and loans and guaranties made by the ECSC.

The Levy. A regular revenue, collected monthly in the respective currencies of the Member States, is assured to the ECSC through the Levy which is the basic resource of the ECSC and underlies its credit. The Commission is authorized under the Treaty (by its own decision without the consent of any other institution of the ECSC or of the Member States) to impose a Levy on the average value of the

production of coal and steel by the Enterprises (avoiding cumulative assessment) at an annual rate of up to 1%. Decisions of the Commission imposing the Levy are enforceable against the Enterprises in the Member States. Should it for any reason become necessary to increase the rate of the Levy to a rate higher than 1%, such higher rate must be approved by a two-thirds majority of the Council. The highest rate of the Levy was 0.9% from July 1, 1953, to June 30, 1955. Since January 1, 1972, the rate has been 0.29%. In 1975, coal Enterprises of the ECSC provided \$16.8 million in Levy revenues and steel Enterprises \$77.5 million, making total Levy revenues \$94.3 million. Beginning with the March 1976 instalment and continuing through the February 1977 instalment, the ECSC has extended the payment date of each monthly Levy instalment for two months after such instalment would ordinarily have become payable. Levy payments to be made in 1976 are expected to be \$104.9 million.

In accordance with the Treaty, the proceeds of the Levy are available for the following purposes:

- (a) to meet any part of the payments due on funds borrowed by the ECSC (to the extent not covered by payments received by it on the loans which it makes to the Enterprises and other concerns) and any payments required to be made in fulfillment of ECSC guaranties;
- (b) to finance expenditures for relocation and retraining of coal and steel workers;
- (c) to finance expenditures for technical and economic research; and
- (d) to cover ECSC administrative expenses.

Funds Borrowed by the ECSC. At March 31, 1976, outstanding ECSC borrowings totaled \$3.27 billion. Including borrowings by the ECSC which have been paid in full, the total initial amount of borrowings by the ECSC through March 31, 1976, was \$3.85 billion. A schedule containing detailed information with respect to all outstanding borrowings of the ECSC as of December 31, 1975, is set forth following *Notes to Financial Statements* in this Prospectus. The table below sets forth a summary of the outstanding borrowings of the ECSC at March 31, 1976:

Currency of Borrowing	Initial Amount		Amount Outstanding	
	In UA (millions)	In U. S. dollars (millions)	In UA (millions)	In U. S. dollars (millions)
U. S. dollar	1,313.0	1,530.0	1,120.3	1,305.5
German mark	716.5	834.9	555.7	647.5
Swiss franc	328.0	382.3	293.2	341.7
Italian lira	194.3	226.4	168.0	195.7
French franc	236.6	275.7	224.0	261.0
Luxembourg franc	142.7	166.3	130.0	151.5
Belgian franc	114.0	132.8	101.2	117.9
Dutch guilder	133.1	155.1	91.5	106.6
Other	128.9	150.2	120.2	140.1
Total	<u>3,307.1</u>	<u>3,853.7</u>	<u>2,804.1</u>	<u>3,267.5</u>

The ECSC may from time to time hereafter issue additional bonds or notes in various currencies.

Between 1954 and November 1960, all borrowings by the ECSC were made under and secured by the Act of Pledge dated November 28, 1954, as amended ("Act of Pledge"), between the High

Authority of the ECSC (now the Commission) and the Bank for International Settlements, Basle, of which borrowings of \$58.0 million were outstanding at March 31, 1976. Under the terms of the Act of Pledge, the ECSC deposited with the Bank for International Settlements, as security for borrowings made pursuant to the Act of Pledge, the proceeds of such borrowings or, upon such proceeds being loaned to the Enterprises or other concerns, obligations of the borrowers and collateral securities in respect of such loans. All borrowings since 1960 have been made outside the terms of the Act of Pledge. At March 31, 1976, outstanding borrowings made outside the Act of Pledge were \$3.21 billion. It is the present intention of the ECSC to make no further borrowings under the Act of Pledge.

The ECSC has punctually paid when due the interest and principal payments on its outstanding debt and has never been in default thereon.

The table below sets forth the ECSC's principal and interest obligations through 1990 on its debt outstanding at December 31, 1975 (detailed information on the amortization of such debt, as well as additional debt through March 31, 1976, to maturity is set forth in schedules following *Notes to Financial Statements*):

AMORTIZATION

(in thousands)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
1976	\$ 84,632	\$ 224,526	\$ 309,158
1977	95,741	221,388	317,129
1978	184,706	215,628	400,334
1979	304,582	204,701	509,283
1980	440,714	180,603	621,317
1981-85	1,499,690	417,270	1,916,960
1986-90	242,471	46,155	288,626

Loans and Guaranties by the ECSC. Since its inception the ECSC has granted loans to the Enterprises and other concerns (both from borrowed funds and from its own resources) aggregating \$3.4 billion through December 31, 1975, of which, as a result of repayments by the borrowers, \$2.7 billion was then outstanding. Of this amount, about 26% was guaranteed by the Member States, 25% by banks and 18% by industrial concerns, and 27% was secured by mortgages on the projects financed.

Since the establishment of the ECSC, there have been defaults on 3 loans, totaling \$1.8 million, which is less than 0.1% of the total amount of loans granted by the ECSC. Rescheduling of principal and interest payment dates and delays in the receipt of loan service charges have been insignificant.

Guaranties granted by the ECSC since its inception amounted in the aggregate to \$65.3 million through December 31, 1975, all in favor of the Enterprises, of which \$24.3 million were outstanding at that date. Such guaranties are secured by guaranties to the ECSC from the Member States, industrial concerns or banks or by mortgages on the projects financed. The ECSC has never been required to make payment on a guaranty.

A breakdown of the loans and guarantees outstanding as of December 31, 1975, by types of investment is presented in the following table:

**LOANS AND GUARANTIES OUTSTANDING BY
TYPES OF INVESTMENT**
(in millions)

	Loans	Guaranties	Total of Loans and Guaranties	%
Iron and steel industry	\$1,726.31	\$24.32	\$1,750.63	63.5
Coal mining industries(1)	504.04	—	504.04	18.3
Industrial reconversion	344.87	—	344.87	12.5
Workers' housing	139.76	—	139.76	5.1
Iron ore mines	9.49	—	9.49	0.3
Other	8.35	—	8.35	0.3
Total	<u>\$2,732.82</u>	<u>\$24.32</u>	<u>\$2,757.14</u>	<u>100.0</u>

(1) Including coking plants and thermal power stations.

The following table sets forth a breakdown of the ECSC's loans outstanding by country at the dates indicated:

LOANS OUTSTANDING
(in millions)
December 31,

	1971		1972		1973		1974		1975	
	Amount of Loans	%	Amount of Loans	%	Amount of Loans	%	Amount of Loans	%	Amount of Loans	%
Germany	\$ 508.3	45.4	\$ 552.2	43.3	\$ 750.7	47.4	\$ 901.2	45.8	\$ 988.2	36.2
France	224.8	20.1	294.4	23.1	422.2	26.7	510.6	26.0	615.9	22.5
Italy	195.0	17.4	209.4	16.4	185.3	11.7	239.3	12.2	422.2	15.5
United Kingdom(1)	—	—	—	—	—	—	87.4	4.4	393.4	14.4
Belgium	114.3	10.2	131.5	10.3	129.0	8.1	138.9	7.1	172.8	6.3
Netherlands	70.9	6.3	81.5	6.4	78.6	5.0	70.2	3.6	96.2	3.5
Denmark(1)	—	—	—	—	10.5	0.7	10.9	0.5	36.7	1.3
Luxembourg	6.6	0.6	6.4	0.5	6.7	0.4	7.0	0.4	7.2	0.3
Ireland(1)	—	—	—	—	—	—	—	—	0.2	—
Total	<u>\$1,119.9</u>	<u>100.0</u>	<u>\$1,275.4</u>	<u>100.0</u>	<u>\$1,583.0</u>	<u>100.0</u>	<u>\$1,965.5</u>	<u>100.0</u>	<u>\$2,732.8</u>	<u>100.0</u>

(1) Member State since January 1, 1973.

In March 1976 the ECSC announced a loan of \$288.6 million to British Steel Corporation to finance a new blast furnace and improvements designed to increase the efficiency of its facilities, and a loan of \$28.9 million to the National Coal Board. The British Steel Corporation loan will be disbursed over a four year period commencing in 1976.

Guaranties (which are not included in the above table) aggregating \$24.3 million were outstanding as of December 31, 1975.

Loans granted to assist in industrial reconversions by borrowers to facilitate the productive reemployment of displaced labor represent a significant part of the lending activity of the ECSC. In addition

to the Enterprises, many other industries have benefited from this type of loan, including motor vehicle manufacturing, chemicals, nonferrous metals and industrial parks.

APPLICATION OF PROCEEDS

The proceeds from the sale of the securities offered hereby will be used to make loans to the Enterprises for the purposes set forth in the first paragraph under *Taxing Power and Financial Operations of the ECSC*.

It is expected that the proceeds from the sale of the Notes and the Bonds will be used principally to aid the Enterprises in their financing of the cost of projects for the modernization and improvement of steel and coal production facilities and, with the assent of the Council, to finance a part of the cost of facilities which contribute to the marketing of coal and steel products and of industrial reconversion projects and other activities designed to facilitate the productive reemployment of displaced labor within the ECSC. See *Loans and Guaranties by the ECSC* under *Taxing Power and Financial Operations of the ECSC* above.

DESCRIPTION OF THE NOTES AND THE BONDS

The following is a brief summary of the terms and conditions of the Notes and the Bonds and the Fiscal Agency Agreements with respect thereto, a copy of each of which is filed as an exhibit to the Registration Statement. This summary does not purport to be complete and is qualified in its entirety by reference to such exhibits.

The Notes and the Bonds will each be unconditional, direct, general obligations of the ECSC, for the payment and performance of which the full faith and credit of the ECSC will be pledged. The Notes and the Bonds will rank *pari passu* with each other and with all other bonds, notes and other obligations heretofore or hereafter issued by the ECSC except for those issued pursuant to and secured by the Act of Pledge.

The Notes and the Bonds will each be issued in coupon bearer form, registrable as to principal, in the denomination of \$1,000, and in registered form without coupons in denominations of \$1,000 and multiples thereof. The Chase Manhattan Bank, N.A. (the "Fiscal Agent"), will act as fiscal agent for the ECSC in connection with both the Notes and the Bonds and in accordance with the respective Fiscal Agency Agreement relating thereto. The ECSC maintains deposit accounts and conducts other banking transactions in the ordinary course of business with the Fiscal Agent. The Fiscal Agent is the agent of the ECSC and is not a trustee for the Noteholders or for the Bondholders and does not have the same responsibilities or duties to act for such holders as would a trustee.

Interest will be paid on the Notes and the Bonds at the respective rate set forth on the cover page of this Prospectus, payable semiannually on November 1 and May 1, with the initial payment due on November 1, 1976.

Redemption of the Notes. At any time on and after May 1, 1983, the Notes will be redeemable, in whole or in part, at the option of the ECSC, at the principal amount thereof plus accrued interest, if any, to the redemption date. Each redemption shall be on at least 30 days' notice and, in the event of redemption in part, the Notes to be redeemed will be selected by lot by the Fiscal Agent. No sinking fund will be provided for the Notes. Notice of redemption of the Notes will be published at least once in each of four successive calendar weeks in a daily newspaper printed in the English language and of general circulation in The City and State of New York. Additionally, notice of such redemption will be mailed to holders of registered Notes without coupons and to those holders of coupon bearer Notes who have registered the principal of their Notes, to their last addresses as they appear on the transfer register of the Notes.

Sinking Fund and Redemption of the Bonds. The ECSC will redeem, or in the case of the last instalment pay at maturity, the Bonds in 15 instalments as follows: \$6,665,000 on May 1 in each year 1982

to 1995, both inclusive, and \$6,690,000 on May 1, 1996, in each case at the principal amount thereof together with accrued interest. The ECSC will also have the right, at its option, to redeem on each such May 1, an additional principal amount of Bonds, not exceeding the amount of the mandatory redemption payment for such May 1, at the principal amount thereof together with accrued interest to the redemption date, but such right shall not be cumulative from year to year; any Bonds redeemed as provided in this sentence are to be credited against mandatory redemption payments in the inverse order of such payment obligations. Any Bonds redeemed otherwise than as aforesaid or purchased or otherwise retired by the ECSC may be credited by it, at the principal amount thereof, against any mandatory redemption payment designated by it.

The Bonds will also be redeemable, at the election of the ECSC, as a whole or in part from time to time, on and after May 1, 1988, at the following redemption prices (expressed in percentages of principal amount), together in each case with accrued interest to the redemption date:

If Redeemed During Twelve Months' Period Beginning May 1,	Redemption Price
1988	102.35%
1989	101.88
1990	101.41
1991	100.94
1992	100.47
1993	100.00
1994	100.00
1995	100.00

Each redemption shall be on at least 30 days' notice and, in the event of redemption in part, the Bonds to be redeemed will be selected by lot by the Fiscal Agent. Notice of redemption of the Bonds will be published at least once in each of four successive calendar weeks in a daily newspaper printed in the English language and of general circulation in The City and State of New York. Additionally, notice of such redemption will be mailed to holders of registered Bonds without coupons and to those holders of coupon bearer Bonds who have registered the principal of their Bonds, to their last addresses as they appear on the transfer register of the Bonds.

Covenants. Under each Fiscal Agency Agreement, the ECSC will agree that it will apply the proceeds from the sale of the securities offered hereby and the proceeds from any other borrowing by the ECSC outside the Act of Pledge only for the purposes of making loans in the manner provided in the Treaty or retiring outstanding borrowings by the ECSC outside the Act of Pledge.

The ECSC will also agree to maintain and collect the Levy in such amount as shall be sufficient to meet, in addition to any other payments to be made therefrom, its obligations under the Notes and the Bonds which cannot be paid from other funds of the ECSC and not to create any lien on the revenues from the Levy or accumulated revenues from the Levy (including the Guaranty Fund) or on the proceeds of the sale of such securities, or any other obligations for money borrowed outside the Act of Pledge, or any assets (and any security related to such assets) of the ECSC derived from such proceeds.

The ECSC will also agree not to issue any obligations for money borrowed which are secured by any mortgage, pledge or other priority on any revenues or assets of the ECSC or which shall be entitled to the benefit of any commitment of the ECSC which might require it at any time to secure such obligations (either alone or with other indebtedness) by any such mortgage, pledge or other priority. Such provisions, however, shall not prevent the issue of additional secured bonds and notes pursuant to the terms

of the Act of Pledge or the pledge of or other priority on the assets held or to be held by the depositary thereunder as security for the secured bonds and notes heretofore or hereafter issued pursuant thereto. However, it is the present intention of the ECSC to make no further borrowings under the Act of Pledge.

General. The principal of and interest on the Notes and the principal of, premium, if any, and interest on the Bonds will be payable at the corporate trust office in New York City of the Fiscal Agent, and at such places in Europe as are designated by the ECSC, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, without deduction for any present or future taxes, fees or other charges levied or imposed by any present or future Member State or any political or taxing subdivision of any Member State.

With the written consent of the holders of not less than 66 $\frac{2}{3}$ % in principal amount of all the Notes or the Bonds, as the case may be, at the time outstanding, the ECSC may modify any of the terms or provisions contained in such securities in any way, provided that (i) if any such modification would change the terms of payment of the principal of or interest on any Note or the principal of, premium, if any, or interest on any Bond or the amount thereof or affect the rights of holders of less than all the Notes or Bonds at the time outstanding, the consent of the holders of all the securities affected thereby is required and (ii) if any such modification would reduce the aforesaid percentage required for authorization of such modification, the consent of the respective holders of all outstanding Notes or Bonds is required.

The ECSC will appoint the Fiscal Agent as its authorized agent in New York City upon which process may be served in actions arising out of or based upon the Notes or the Bonds which may be instituted in any State or Federal court in The City and State of New York by the holder thereof and the ECSC will irrevocably waive any immunity from jurisdiction to which it might otherwise be entitled in any such action. The Notes, the Bonds and the Fiscal Agency Agreements will each provide that it will be governed by and interpreted in accordance with New York law, except with respect to its authorization and execution on behalf of the ECSC and any other matters required to be governed by the laws of the ECSC, and that the jurisdiction of the Court of Justice of the European Communities will extend to any dispute between a holder of Notes or Bonds and the ECSC.

Default. In case of (i) default in any payment of principal of or interest on any of the Notes or principal of, premium, if any, or interest on any of the Bonds and continuance thereof for a period of 30 days, or (ii) default in the performance of any other covenant contained in such securities and continuance thereof for a period of 90 days after written notice thereof shall have been given to the ECSC and the Fiscal Agent by the holders of not less than 25% in principal amount of all the Notes or Bonds, as the case may be, then outstanding, or (iii) default, as defined therein, in any instrument evidencing, securing or protecting any indebtedness of the ECSC, now or hereafter outstanding and maturing more than one year from the date of its creation, and if the maturity of such indebtedness shall have been accelerated so that the same shall have become due and payable prior to the date on which the same would otherwise have become due and payable and such acceleration shall not have been rescinded or annulled, then, in any such case, the principal of all the Notes or the Bonds then outstanding may be declared to be due and payable immediately by written notice given to the ECSC and the Fiscal Agent by the holders of not less than a majority in principal amount thereof then outstanding, but if, before any judgment or decree for the payment of moneys due thereon shall have been entered, all arrears of interest upon all the Notes or the Bonds and all other sums due in respect thereof, except any principal payments which shall not have matured by their terms, shall have been duly paid and all other defaults made good, the holders of not less than a majority in principal amount thereof may rescind any such declaration.

It should be noted that the Fiscal Agency Agreements do not contain any provisions whereby the holders of the Notes or the Bonds will be notified of any default. The Note register and the Bond register will be open for examination and copying by any holder of Notes or Bonds, as the case may be, during regular business hours. However, since a substantial portion of the Notes and the Bonds may be held in bearer form, newspaper publication, in addition to mailing, may be necessary to contact other Noteholders or Bondholders for purposes of declaring a default.

Taxation. As regards United States taxation, in the opinion of Messrs. Cravath, Swaine & Moore, special counsel for the ECSC, interest on the securities offered hereby is currently exempt from United States income taxes, including withholding taxes, if paid to an individual who is not a citizen or resident of the United States, or to a corporation organized under the laws of a country other than the United States, whether or not such individual or corporation is engaged in trade or business in the United States, unless

(i) the corporation is a life insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the United States Internal Revenue Code, or

(ii) the individual or corporation has an office or other fixed place of business in the United States to which the interest is attributable, the interest is derived in the active conduct of a banking, financing or similar business or is received by a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

LEGAL OPINIONS

Legal matters relating to the securities offered hereby will be passed upon for the ECSC by Mario P. Cervino, a Legal Officer of the Commission, and Messrs. Cravath, Swaine & Moore, New York, N. Y., special counsel for the ECSC, and for the Underwriters by Messrs. Sullivan & Cromwell, New York, N. Y. All statements in the Prospectus with respect to the Treaty have been passed upon by Mr. Cervino and are included upon his authority.

UNDERWRITING

The Underwriters named below have severally agreed to purchase, and the ECSC has agreed to sell to them, severally, the respective principal amounts of Notes and Bonds indicated below. The principal amounts of Bonds indicated below are subject to reduction as described below under *Delayed Delivery Arrangements*. The Purchase Agreement provides that the several obligations of the Underwriters are subject to certain conditions as therein set forth. The Underwriters will be obligated to purchase all the Notes, and all the Bonds not covered by contracts referred to under *Delayed Delivery Arrangements*, if any Notes or Bonds are purchased. Kuhn, Loeb & Co., The First Boston Corporation, Lazard Frères & Co. and Warburg Paribas Becker Inc. are the Representatives of the Underwriters.

<u>Name of Underwriter</u>	<u>Principal Amount of Notes</u>	<u>Principal Amount of Bonds</u>
Kuhn, Loeb & Co.	\$ 5,300,000	\$7,425,000
The First Boston Corporation	5,300,000	7,425,000
Lazard Frères & Co.	5,300,000	7,425,000
Warburg Paribas Becker Inc.	5,300,000	7,425,000
ABD Securities Corporation	1,000,000	1,300,000
Arnhold and S. Bleichroeder, Inc.	1,000,000	1,300,000
Bache Halsey Stuart Inc.	1,600,000	2,100,000
Banca Commerciale Italiana	1,000,000	1,300,000
Banca Nazionale del Lavoro	1,000,000	1,300,000
Banque Générale du Luxembourg S. A.	1,000,000	1,300,000
Banque Internationale à Luxembourg S. A.	1,000,000	1,300,000
Basle Securities Corporation	1,000,000	1,300,000
Bear, Stearns & Co.	1,000,000	1,300,000
Blyth Eastman Dillon & Co. Incorporated	1,600,000	2,100,000
Alex. Brown & Sons	1,000,000	1,300,000
Daiwa Securities America Inc.	1,000,000	1,300,000
Dillon, Read & Co. Inc.	1,600,000	2,100,000
Drexel Burnham & Co. Incorporated	1,600,000	2,100,000
EuroPartners Securities Corporation	1,000,000	1,300,000
Goldman, Sachs & Co.	1,600,000	2,100,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,600,000	2,100,000
E. F. Hutton & Company Inc.	1,600,000	2,100,000
Kidder, Peabody & Co. Incorporated	1,600,000	2,100,000
Kredietbank S. A. Luxembourgeoise	1,000,000	1,300,000
Lazard Frères et Cie.	1,000,000	1,300,000
Lehman Brothers Incorporated	1,600,000	2,100,000
Loeb, Rhoades & Co.	1,600,000	2,100,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,600,000	2,100,000
Moseley, Hallgarten & Estabrook Inc.	1,000,000	1,300,000
New Court Securities Corporation	1,000,000	1,300,000
Paine, Webber, Jackson & Curtis Incorporated	1,600,000	2,100,000
Wm. E. Pollock & Co., Inc.	1,000,000	1,300,000
Reynolds Securities Inc.	1,600,000	2,100,000
L. F. Rothschild & Co.	1,000,000	1,300,000
Salomon Brothers	1,600,000	2,100,000
Shields Model Roland Securities Incorporated	1,000,000	1,300,000
Smith Barney, Harris Upham & Co. Incorporated	1,600,000	2,100,000
SoGen-Swiss International Corporation	1,000,000	1,300,000
Thomson & McKinnon Auchincloss Kohlmeyer Inc.	1,000,000	1,300,000
Spencer Trask & Co. Incorporated	1,000,000	1,300,000
Tucker, Anthony & R. L. Day, Inc.	1,000,000	1,300,000
UBS-DB Corporation	1,000,000	1,300,000
Weeden & Co. Incorporated	1,000,000	1,300,000
Wertheim & Co., Inc.	1,600,000	2,100,000
White, Weld & Co. Incorporated	1,600,000	2,100,000
Dean Witter & Co. Incorporated	1,600,000	2,100,000
Wood, Struthers & Winthrop Inc.	1,000,000	1,300,000
Total	<u>\$75,000,000</u>	<u>\$100,000,000</u>

The ECSC has been advised by the Representatives that the Underwriters propose to offer the Notes and the Bonds to the public initially at the offering prices set forth on the cover of this Prospectus and to certain dealers at such prices less a selling concession of, in the case of Notes, 0.50% of the principal amount thereof, and, in the case of Bonds, 0.70% of the principal amount thereof; that the Underwriters may allow, and each such dealer may reallow to other dealers, a concession not exceeding, in the case of Notes, 0.25% of the principal amount thereof, and, in the case of Bonds, 0.25% of the principal amount thereof; and that, after the initial public offering, such public prices and such concessions and reallowances may be changed.

DELAYED DELIVERY ARRANGEMENTS

The ECSC has authorized the Underwriters to solicit offers by certain institutions to purchase Bonds from the ECSC, at the offering price set forth on the cover of this Prospectus, pursuant to Delayed Delivery Contracts providing for payment and delivery on November 4, 1976, or such other date or dates as the ECSC shall approve. Such Contracts are to be with institutions and in amounts approved by the ECSC but not in excess of \$20,000,000 aggregate principal amount, and each such Contract must be for a minimum of \$250,000 principal amount of Bonds.

Institutions with which Delayed Delivery Contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and such other institutions as may be approved by the ECSC. The Underwriters will receive from the ECSC, at the time of delivery to the Underwriters of the Bonds to be purchased by them, a fee of 1.25% of the aggregate principal amount of the Bonds contracted to be sold pursuant to Delayed Delivery Contracts. Delayed Delivery Contracts will not be subject to any conditions, except that (1) the purchase by an institution of the Bonds covered by its Delayed Delivery Contract shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such institution is subject, and (2) the sale of Notes and Bonds to Underwriters pursuant to the Purchase Agreement shall have been completed. The Underwriters will not have any responsibility in respect of the validity or performance of Delayed Delivery Contracts.

The principal amount of Bonds to be purchased by each Underwriter shall be reduced by an allocable part of the Bonds contracted to be sold pursuant to Delayed Delivery Contracts, except as otherwise provided in the Agreement Among Underwriters relating to the purchase and sale of Bonds. The Underwriters may allow to dealers a commission of 0.70% of the principal amount of Bonds for which Delayed Delivery Contracts entered into by the ECSC are arranged by such dealers through the Representatives.

EUROPEAN COAL AND STEEL COMMUNITY

BALANCE SHEET

December 31, 1975

(in Units of Account—See Note 1)

A S S E T S

Loans from Borrowed Funds (Note 2)

(a) Disbursed:			
In US dollars	864,298,709		
In German marks	492,109,893		
In Swiss francs	245,545,294		
In French francs	147,395,212		
In Luxembourg francs	131,341,263		
In Italian lire	131,318,021		
In Belgian francs	102,650,856		
In Dutch guilders	50,279,126		
Other (Note 3)	<u>79,727,354</u>		
	2,244,665,728		
(b) Undisbursed balances:			
In German marks	27,015		
In US dollars	107,270,356		
In Italian lire	<u>39,157,392</u>		
	146,454,763	2,391,120,491	

Additional Loans (Note 4)

(a) From Special Fund (for housing projects)		97,878,561	
From Special Fund (for reconversion)		<u>0</u>	
		97,878,561	
(b) Other:			
From allocation for readaptation	356,701		
From allocation for research	2,304,662		
From other funds	<u>12,646,188</u>		
	15,307,551	113,186,112	

Cash and Other Current Items

(a) Cash and due from banks (Note 5)	269,897,311		
(b) Other receivables from banks (Note 6)	<u>30,438,823</u>	300,336,134	

Investment Securities (at cost; 71,031,363 at market)
(Note 7)

70,425,943

Provision For Coupons And Bonds Due But Not Yet

Presented

48,908,429

Interest Receivable But Not Yet Due

59,461,075

Recoverable Issuing Costs

36,719,250

Other Assets

14,391,077

Fixed Assets

1

3,034,548,512

Per Contra:

Enterprise Liabilities under Guaranties (Note 8)	20,875,494
Due on Debentures (Note 9)	65,499,415

EUROPEAN COAL AND STEEL COMMUNITY

BALANCE SHEET

December 31, 1975

(in Units of Account—See Note 1)

LIABILITIES

Borrowings (Note 10)		
In US dollars	971,569,065	
In German marks	492,136,908	
In Swiss francs	245,545,294	
In Italian lire	170,475,413	
In French francs	147,395,212	
In Luxembourg francs	131,341,263	
In Belgian francs	102,650,856	
In Dutch guilders	50,279,126	
Other (Note 3)	79,727,354	2,391,120,491
<hr/>		
Premiums Due on Repayments		
In French francs	1,939,726	
In Belgian francs	27,138	1,966,864
<hr/>		
Reserves		
(a) Guaranty Fund	150,000,000	
(b) Special Fund (for housing projects and reconversion) (Note 4)	103,000,000	
(c) Former Pension Fund	36,679,361	289,679,361
<hr/>		
Allocations from Revenues		
(a) Financial Aid		
1) For readaptation —commitments entered into for outright grants	118,966,699	
2) For technical and economic research —commitments entered into for outright grants	47,539,820	
3) Assistance for industrial redevelopment and reconversion	9,513,155	
4) Assistance for industrial loans	8,356,206	
5) For coke	6,331,372	
	<hr/>	
	190,707,252	
(b) Other	12,502,000	
(c) Contracted but not yet paid	15,002,693	
(d) Operating budget	14,000,000	232,211,945
<hr/>		
Interest and Commissions Payable But Not Yet Due		70,540,687
Coupons and Bonds Due But Not Yet Presented		48,907,820
Other Liabilities		120,739
Unallocated Revenues		605
		<hr/>
		<u>3,034,548,512</u>
 Per Contra:		
Liabilities under Guaranties (Note 8)	20,875,494	
Debentures payable (Note 9)	65,499,415	

EUROPEAN COAL AND STEEL COMMUNITY

SUMMARY OF EXPENDITURES AND REVENUES

(in thousands of Units of Account—See Note 1)

	Fiscal Year Ended December 31,				
	1971	1972	1973	1974	1975
Revenues					
<i>Interest Received:</i>					
On loans from borrowed funds	43,579	50,799	64,575	84,588	133,328
On undisbursed loan funds	2,942	3,081	3,469	12,804	10,417
On loans from funds not borrowed	1,043	1,346	1,445	1,462	1,490
Guaranty fees	130	122	113	116	103
Miscellaneous	3,462	4,663	5,195	5,806	7,615
<i>Total Revenues from Loans</i>	<u>51,156</u>	<u>60,011</u>	<u>74,797</u>	<u>104,776</u>	<u>152,953</u>
<i>Levy: (Note 11)</i>					
German enterprises	17,184	21,045	21,957	24,641	23,913
Belgian enterprises	3,990	5,454	5,495	6,165	5,608
British enterprises	—	—	14,488	13,333	14,682
Danish enterprises	—	—	150	191	247
French enterprises	7,835	9,501	9,499	11,327	11,169
Irish enterprises	—	—	40	43	36
Italian enterprises	5,669	7,417	7,442	9,709	10,163
Luxembourg enterprises	1,359	1,658	1,799	2,180	2,910
Dutch enterprises	1,739	2,134	2,024	1,999	2,371
<i>Total Levy</i>	<u>37,776</u>	<u>47,209</u>	<u>62,894</u>	<u>69,588</u>	<u>70,199</u>
<i>Other Revenues:</i>					
Interest on deposits and investments	13,156	11,689	17,228	31,388	26,803
Miscellaneous	95	291	877	133	474
Contributions from New Member States (Note 12)	—	—	19,238	15,913	13,848
<i>Total Other Revenues</i>	<u>13,251</u>	<u>11,980</u>	<u>37,343</u>	<u>47,434</u>	<u>41,125</u>
Total Revenues	<u>102,183</u>	<u>119,200</u>	<u>175,034</u>	<u>221,798</u>	<u>264,277</u>
Expenditures					
<i>Interest and Fees:</i>					
Interest	44,902	53,178	66,615	93,733	140,880
Fees to Depositary and Agent Banks	921	951	1,579	1,197	1,422
Amortization of recoverable issuing costs ...	1,600	3,051	11,061	1,800	3,467
Miscellaneous	419	422	312	287	331
<i>Total Interest and Fees</i>	<u>47,842</u>	<u>57,602</u>	<u>79,567</u>	<u>97,017</u>	<u>146,100</u>
<i>Other:</i>					
Administrative expenses	18,000	18,000	18,000	18,497	16,541
Financial expenses	285	279	456	834	297
Expenses for research	11,230	11,639	11,670	19,313	19,694
Expenses for readaptation	15,363	14,518	5,082	9,525	27,844
Miscellaneous	4,881	5,014	5,290	9,855	11,601
<i>Total Other Expenditures</i>	<u>49,759</u>	<u>49,450</u>	<u>40,498</u>	<u>58,024</u>	<u>75,977</u>
Total Expenditures	<u>97,601</u>	<u>107,052</u>	<u>120,065</u>	<u>155,041</u>	<u>222,077</u>
Excess of Revenues over Expenditures	4,582	12,148	54,969	66,757	42,200
Exchange Differences (Note 1(B))	454	(1,570)	6,536	(24,656)	34,423
Net Excess of Revenues over Expenditures	<u>5,036</u>	<u>10,618</u>	<u>61,505</u>	<u>42,101</u>	<u>76,623</u>

SUMMARY OF EXPENDITURES AND REVENUES—(Continued)

(in thousands of Units of Account—See Note 1)

	Fiscal Year Ended December 31,				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Allocations					
To Guaranty Fund	—	—	12,000	8,000	30,000
To Special Fund (for housing projects and reversion)	2,000	—	3,000	—	13,000
For readaptation	(1,867)	666	38,898	16,599	(4,248)
For technical and economic research ...	1,707	3,143	(5,619)	2,248	24,714
Others	2,599	7,342	12,911	15,734	13,172
Total Allocations	<u>4,439</u>	<u>11,151</u>	<u>61,190</u>	<u>42,581</u>	<u>76,638</u>
Unallocated Balance for each Period	597	(533)	315	(480)	(15)
Brought forward from previous periods ..	117	714	181	496	(16)
Total Unallocated Balance	<u>714</u>	<u>181</u>	<u>496</u>	<u>16</u>	<u>1</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES.

(A) *Unit of Account used for Translation of Currencies.* Since its formation, the ECSC has used its UA as a convenient unit of measure for translating the various currencies with which it deals into one common monetary denominator. Prior to December 31, 1973, conversion between the UA and the currencies of the Member States and other countries was based on their official gold content as defined by the International Monetary Fund parity rates of exchange. As a result of a number of events including the suspension by the United States of the convertibility of the dollar into gold, various international agreements relating to fluctuations in exchange rates of national currencies of various countries, including the United States and the Member States, and several devaluations of the dollar commencing on May 8, 1972, the ECSC decided, effective December 31, 1973, to update annually the value of the UA used in ECSC accounts and to base the value of the UA for such purpose on a system more reflective of current market rates for national currencies. From December 31, 1973, through December 30, 1975, conversion rates were based on the following formula: for the currencies of the Member States still within the relative exchange rates of the Basle Agreement of April 24, 1972, currently the Federal Republic of Germany, Belgium, the Netherlands, Luxembourg and Denmark, the exchange rates used were the official exchange rates (central rate) of those countries in effect on such date; for the currency of each country not within the Basle Agreement, the Commission calculated a hypothetical central rate equal to the average amount of such currency (based on actual exchange rates quoted on such date) required to buy the equivalent of one UA of each of the currencies of the Member States remaining within the Basle Agreement. The ECSC's formula described above was used for determining the value of the UA for purposes of preparing the Summary of Expenditures and Revenues for the year ended December 31, 1975.

The Commission has recently adopted a new formula for conversion between the UA and currencies of the Member States and others for all purposes by the Communities and their agencies, which the ECSC used in preparing its Balance Sheet as at December 31, 1975, and will use in preparing its Summary of Expenditures and Revenues for the year ended December 31, 1976. Under the new formula the value of the UA is based entirely upon daily market exchange rates. The value of the UA is equal to the sum of the following amounts of the Member States' currencies:

Belgian francs	3.66	Irish pounds	0.00759
Danish crowns	0.217	Italian lire	109
Dutch guilders	0.286	Luxembourg francs	0.14
French francs	1.15	United Kingdom pounds	0.0885
German marks	0.828		

This "basket" was so composed that on June 28, 1974, its value would have been equivalent to that of the IMF's Special Drawing Right. The value of the UA is determined by the Commission of the ECSC by converting the above amounts of currencies into Belgian francs on the Brussels market at the rates of exchange then in effect. In order to determine the equivalent value of the UA in terms of currencies other than the Belgian franc, the resulting value of the UA in Belgian francs is then converted into such other currencies at then prevailing rates. The following rates were used for drawing up the Balance Sheet at December 31, 1975:

46.0606	Belgian francs	0.575039	Irish pounds
7.19697	Danish crowns	797.769	Italian lire
3.13120	Dutch guilders	46.0606	Luxembourg francs
5.21981	French francs	0.575973	United Kingdom pounds
3.05382	German marks	1.16528	United States dollars

NOTES TO FINANCIAL STATEMENTS—(Continued)

The following table shows, for each of the currencies listed, the equivalent of UA 1 for each period set forth.

	From 10/26/ 1969 Until 5/9/1972	From 5/10/ 1972 Until 10/17/1973	From 10/18/ 1973 Until 12/30/1973	From 12/31/ 1973 Until 12/30/1974	From 12/31/ 1974 Until 12/30/1975	At 12/31/ 1975
Belgian francs	50	50	50	48.6572	48.6572	46.0606
Danish crowns	7.50	7.50	7.50	7.57831	7.57831	7.19697
Dutch guilders	3.62	3.62	3.62	3.35507	3.35507	3.13120
French francs	5.55419	5.55419	5.55419	5.55419	5.97402	5.21981
German marks	3.66	3.66	3.66	3.21978	3.21978	3.05382
Irish pounds	0.41666	0.41666	0.41666	0.51165	0.572465	0.575039
Italian lire	625	625	625	727.640	872.885	797.769
Luxembourg francs ..	50	50	50	48.6572	48.6572	46.0606
Swiss francs	4.37282	4.0841	4.0841	3.85221	3.37685	3.05239
United Kingdom pounds	0.41666	0.41666	0.41666	0.51165	0.572465	0.575973
U. S. dollars	1	1.08571	1.18643	1.18643	1.34286	1.16528

As of March 31, 1976, UA 1 = 46.2149 Belgian francs; 6.84758 Danish crowns; 3.02710 Dutch guilders; 5.25740 French francs; 2.85778 German marks; 0.587174 Irish pounds; 946.666 Italian lire; 46.2149 Luxembourg francs; 2.85404 Swiss francs; 0.587723 United Kingdom pounds; and 1.12623 U. S. dollars.

(B) *Exchange Differences.* Exchange Differences shown on the Summary of Expenditures and Revenues through December 31, 1974, constitute principally the net gain or loss resulting from changes in the parity rates of exchange of various currencies held by the ECSC in each year. Exchange Differences for 1975 reflect principally the change in the new conversion formula for the UA adopted effective December 31, 1975, as applied to the net assets in national currencies as shown on the Balance Sheet.

(C) *Allocations from Revenues.* The Commission at the end of each fiscal year allocates, in its sole discretion, the unallocated balance for such year among certain reserves, including the Guaranty Fund (established as a readily available reserve for borrowings by the ECSC) and the Special Fund (for housing projects and reconversions), and allocations for readaptations of industrial enterprises and for technical and economic research in accordance with the provisions of the Treaty establishing the ECSC.

(D) *Miscellaneous.* Fixed assets, including real properties owned in Paris and London, and personal property, are written off in the year of acquisition. Real property in Washington, D. C., was written off over a period of 3 years.

Recoverable issuing costs and premiums due on repayments are recovered in annual instalments throughout the terms of the respective loans.

No provision other than the Guaranty Fund is made for losses on loans as none is considered necessary.

The ECSC follows the accrual method of accounting with respect to collections of the Levy, interest and other revenues and expenses.

The ECSC's obligations for pensions to its employees were assumed by the Member States as of March 5, 1968. The reserve account created prior to such date remains unliquidated but may be disposed of in the discretion of the Commission.

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 2—ANALYSIS OF LOANS OUTSTANDING AT DECEMBER 31, 1975:

<u>Countries in Which Loans Have Been Granted and Disbursed (A) (B)</u>	<u>Number of Loans</u>	<u>Amount (in thousands)</u>	<u>%</u>
Germany	381	UA 848,038,118	36.2
France	210	528,657,953	22.5
Italy	112	362,340,174	15.5
United Kingdom	48	337,406,232	14.4
Belgium	80	148,332,576	6.3
Denmark	74	82,564,019	3.5
Denmark	6	31,523,200	1.3
Luxembourg	14	6,176,434	0.3
Ireland	1	166,945	--
Other	926	12,646,189	100.0
Total		<u>UA 2,357,851,840*</u>	

*Includes amounts, to the extent disbursed, of loans from borrowed funds and of additional loans.

(A) Currencies in which loans are repayable:

Currencies of the Member States	UA 1,168,280,483
Option of holder as among various currencies ...	79,727,354
Other currencies	1,109,844,003
Total	<u>UA 2,357,851,840</u>

(B) Breakdown of loans at December 31, 1975, by principal form of guarantee:

Loans guaranteed by Member States	UA 622,686,887
Loans guaranteed by industrial concerns	421,072,560
Loans guaranteed by banks	587,752,371
Loans secured by mortgages on the projects financed	634,726,604
Miscellaneous	91,613,418
Total	<u>UA 2,357,851,840</u>

NOTE 3—OTHER LOANS AND BORROWINGS.

Of this amount, UA 59,924,950 was borrowed and loaned under arrangements whereby the holder may request payment of principal and interest in any one of the currencies of the six Original Members at rates of exchange fixed at the time the loan was incurred. The balance, UA 19,802,404, was borrowed and loaned under arrangements whereby the holder may request such payment in any one of the currencies of the 17 members of the former European Payments Union, now dissolved, but the reference values of such currencies may be changed under certain conditions.

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 4—ADDITIONAL LOANS.

The terms of the loans for housing projects vary between 20 and 25 years and the terms of all other Additional Loans vary between 10 and 20 years. The majority of such loans are repayable in equal instalments starting in the sixth year. Of the UA 103,000,000 shown as Reserves—Special Fund (for housing projects and reconversion), UA 97,878,560 have been loaned to third parties and UA 5,121,440 are available for further loans for such purposes.

NOTE 5—CASH AND DUE FROM BANKS.

This amount represents cash, demand deposits with banks and short and medium term deposits which may be called without notice.

NOTE 6—OTHER RECEIVABLES FROM BANKS.

Other receivables include:

ECSC bonds at cost	UA 26,588,198
Bank bills at cost	3,850,625
	UA 30,438,823

The breakdown, according to maturity, is as follows:

Not exceeding 1 year	UA 20,394,353
Exceeding 1 year but less than 2 years	5,273,495
Exceeding 2 years but less than 3 years	4,770,975
	UA 30,438,823

NOTE 7—INVESTMENT SECURITIES.

Investment securities include:

Government notes and bonds at cost	UA 33,805,565
Bank bills at cost	35,343,557
Commercial bills at cost	1,276,820
	UA 70,425,942

All such investments have maturities exceeding three years.

NOTE 8—GUARANTIES.

The ECSC has guaranteed loans made by others to various coal and steel Enterprises; such guaranties are secured by guaranties to the ECSC from Member States, industrial concerns or banks or by mortgages on the projects financed.

NOTE 9—DUE ON DEBENTURES AND DEBENTURES PAYABLE.

This amount represents borrowings for which agreements had been signed by the ECSC prior to December 31, 1975, but for which no funds had been transferred to the ECSC at that date.

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 10—STATEMENT OF FUNDED DEBT AT DECEMBER 31, 1975:

	Borrowings at December 31, 1974	Operations During Financial Year		Borrowings at December 31, 1975		
		Borrowings	Repayments	Amount	Rate of Interest (Weighted Averages)	Due Dates
German marks	UA 416,680,835	UA 98,892,535	UA 23,436,462	UA 492,136,908	7.51	76/88
French francs	125,244,023	23,947,232	1,796,043	147,395,212	7.75	76/91
Italian lire	139,138,020	37,604,871	6,267,478	170,475,413	7.22	76/89
Luxembourg francs ..	119,058,598	13,026,317	743,652	131,341,263	7.35	76/88
Belgian francs	72,519,246	32,565,794	2,434,184	102,650,856	7.65	76/90
Dutch guilders	27,795,094	25,549,310	3,065,278	50,279,126	6.90	76/93
U. S. dollars	663,402,787	326,101,881	17,935,603	971,569,065	8.55	76/88
Swiss francs	140,381,800	108,112,004	2,948,510	245,545,294	7.55	76/90
Other	81,466,754	—	1,739,400	79,727,354	7.44	76/86
Total	UA 1,785,687,157	UA 665,799,944	UA 60,366,610	UA 2,391,120,491	7.91	

NOTE 11—LEVY RATE.

The Levy rate was 0.30% from 1970 through 1971 and has been 0.29% since January 1, 1972.

NOTE 12—CONTRIBUTIONS FROM NEW MEMBER STATES.

Effective January 1, 1973, Denmark, Ireland and the United Kingdom became members of the ECSC. Accordingly, revenues from the Levy increased substantially in 1973 as compared to previous years because the value of the coal and steel production of the New Members became subject thereto for the first time. The New Members agreed to make additional contributions totaling UA 57,713,000 in three equal annual instalments to the ECSC reflecting the reserves and allocations from revenues of the ECSC at the time of their accession.

ACCOUNTS

The fiscal year of the ECSC runs from January 1 to December 31.

The Council appoints, for a three year term, an Auditor whose mandate may be renewed. Under the Treaty, the Auditor performs his duties entirely separately from the other institutions of the ECSC and may not hold any other office with the Commission except that he is a member of the Commission's Audit Board. Under the Treaty the Auditor is required to prepare an annual report stating whether the accounting and financial management of the Commission have been effected in a regular manner, but the report is not required to cover administrative expenditures of the Commission or certain taxes levied for the benefit of the ECSC upon the compensation of its employees. The report must be completed not later than six months after the close of the financial year of the ECSC to which it refers.

P. Gaudy, the Auditor of the ECSC, has reviewed the financial statements of the ECSC as set forth in the following certificate:

CERTIFICATE OF AUDITOR OF THE ECSC

I have reviewed the accompanying Balance Sheet dated as of December 31, 1975, including the explanatory notes, and the Summary of Expenditures and Revenues for the five years ending that date, of the ECSC which are maintained in UA, as defined therein. In my capacity as Auditor of the ECSC, duly appointed pursuant to the Treaty, and in accordance with my functions under the Treaty, I have examined the accounts and records of the Commission and have made such further investigations as I considered necessary.

As explained in Note 1, the ECSC decided, effective December 31, 1973, to update annually the value of the UA used in the ECSC financial statements. Such annually revised rates have been applied in the preparation of the statements for that date and through December 30, 1975; in years prior to December 31, 1973, the accounts were expressed in the UA based on the official gold content of the various currencies as defined by the International Monetary Fund parity rates of exchange. As also explained in Note 1, the ECSC adopted, effective December 31, 1975, a new formula for conversion between the UA and the various currencies. Such formula has been applied in the preparation of the Balance Sheet for that date.

In my opinion, the statements present fairly and on a consistent basis (except for the changes, with which I concur, in the definition of the UA described above) the financial position and the results of operations of the ECSC for the periods described.

My examination was not comparable to an "audit", and I am not an "independent certified public accountant", as such terms are, I believe, generally understood in the United States.

P. GAUDY
P. Gaudy
Auditor

Luxembourg, April 28, 1976.

EUROPEAN COAL AND STEEL COMMUNITY

SCHEDULE OF BORROWINGS

December 31, 1975

Year of issue	Interest %	Term (years)	Initial Amount		Amount Outstanding as of December 31, 1975, in Equivalent of U.S. \$(1)
			In Currency of the Loan	In Equivalent of U.S. \$(1)	
1954	3 7/8	25	U.S.S. 100,000,000	100,000,000	25,000,000
1958	5	20	35,000,000	35,000,000	7,400,000
1960	5 1/8	20	25,000,000	25,000,000	8,500,000
1962	5 1/4	20	25,000,000	25,000,000	11,800,000
1964	5 1/4	20	30,000,000	30,000,000	18,000,000
1966	6 1/2	20	15,000,000	15,000,000	11,000,000
1966	6 1/2	20	20,000,000	20,000,000	14,600,000
1967	6 1/2	20	25,000,000	25,000,000	19,900,000
1967	6 3/8	20	20,000,000	20,000,000	15,950,000
1971	7 1/4	15	20,000,000	20,000,000	20,000,000
1973	7	15	30,000,000	30,000,000	30,000,000
1974	7 1/4	15	50,000,000	50,000,000	50,000,000
1974	8 1/4	5	20,000,000	20,000,000	20,000,000
1974	9 1/4	8	100,000,000	100,000,000	100,000,000
1974	9 1/2	10	100,000,000	100,000,000	100,000,000
1974	10	10	200,000,000	200,000,000	200,000,000
1974	8 3/4	5	100,000,000	100,000,000	100,000,000
1975	8 3/8	8	150,000,000	150,000,000	150,000,000
1975	8 3/4	7	50,000,000	50,000,000	50,000,000
1975	9 1/4	5	30,000,000	30,000,000	30,000,000
1975	9 1/4	7	25,000,000	25,000,000	25,000,000
1975	8 7/8	5	125,000,000	125,000,000	125,000,000
				<u>1,295,000,000</u>	<u>1,132,150,000</u>
1955	3 3/4	25	DM 50,000,000	19,079,055	4,728,782
1957	4 1/4	20	2,977,450	1,155,139	154,515
1964	5 3/4	12	100,000,000	38,158,110	4,578,973
1964	5 1/2	15	100,000,000	38,158,110	12,821,125
1964	5 3/4	12	30,000,000	11,447,433	1,144,743
1965	5 1/2	18	150,000,000	57,237,165	35,296,252
1968	6 1/2-6 7/8	10	120,000,000	45,789,732	17,171,150
1968	6 1/4	13	60,000,000	22,894,866	13,736,920
1969	6 1/4	15	40,000,000	15,263,244	13,736,920
1969	6 1/2	13	50,000,000	19,079,055	13,325,339
1969	6 3/4	15	50,000,000	19,079,055	17,171,149
1971	7 1/2	15	100,000,000	38,158,110	38,158,110
1972	6 1/2	15	100,000,000	38,158,110	38,158,110
1972	7	15	150,000,000	57,237,165	57,237,165
1973	6 1/2	15	150,000,000	57,237,165	57,237,165
1973	7 3/4	15	100,000,000	38,158,110	38,158,110
1974	10	5	20,000,000	7,631,622	7,631,622
1974	10	5	30,000,000	11,447,433	11,447,433
1974	10	7	50,000,000	19,079,055	19,079,055
1974	9 3/4	7	150,000,000	57,237,165	57,237,165
1975	8 1/2	10	56,000,000	21,368,542	21,368,542
1975	8 1/2	7	20,000,000	7,631,622	7,631,622
1975	8 1/2	10	150,000,000	57,237,165	57,237,165
1975	8 1/2	5	16,000,000	6,105,298	6,105,298
1975	8	5	0,000,000	22,894,866	22,894,866
				<u>726,903,392</u>	<u>573,477,296</u>
1964	5	20	FFr. 150,000,000	33,486,276	18,836,030
1971	8 1/2	18	150,000,000	33,486,276	33,486,276
1972	7 1/4	15	150,000,000	33,486,276	33,486,276
1972	7 1/2	15	60,000,000	13,394,510	13,394,510
1973	7	7	50,000,000	11,162,092	11,162,092
1973	7 1/2	18	150,000,000	33,486,276	33,486,276
1975	10	7	125,000,000	27,905,230	27,905,230
				<u>186,406,936</u>	<u>171,756,690</u>
1963	5 1/2	20	Lire 15,000,000,000	21,910,102	11,685,388
1966	6	20	15,000,000,000	21,910,102	16,067,408
1966	6	20	15,000,000,000	21,910,102	16,067,408
1968	6	20	15,000,000,000	21,910,102	18,988,755
1968	6	20	15,000,000,000	21,910,102	18,988,755
1972	7	15	20,000,000,000	29,213,469	29,213,469
1972	7	15	20,000,000,000	29,213,469	29,213,469
1974	7	15	10,000,000,000	14,606,735	14,606,735
1975	10	8	30,000,000,000	43,820,204	43,820,204
				<u>226,404,387</u>	<u>198,651,591</u>

EUROPEAN COAL AND STEEL COMMUNITY

SCHEDULE OF BORROWINGS—(Continued)

December 31, 1975

Year of issue	Interest %	Term (year)	Initial Amount		Amount Outstanding as of December 31, 1975, in Equivalent of U.S. \$(1)
			In Currency of the Loan	In Equivalent of U.S. \$(1)	
1961	4½	20	Fl. 50,000,000	18,607,563	7,387,207
1962	4¾	25	6,000,000	2,232,907	1,071,796
1962	4¾	20	25,000,000	9,303,781	4,391,385
1963	4¾	30	1,750,000	651,265	392,247
1964	5¾	20	25,000,000	9,303,781	5,619,484
1965	5¾	20	40,000,000	14,886,050	9,955,046
1975	8½	15	60,000,000	22,329,075	22,329,075
1975	8½	10	20,000,000	7,443,025	7,443,025
				<u>84,757,447</u>	<u>58,589,260</u>
1957	3½	25	BFr. 200,000,000	5,059,769	912,593
1957	3½	25	20,000,000	505,977	191,259
1962	5¼	20	300,000,000	7,589,654	3,718,930
1963	5½	20	300,000,000	7,589,654	4,250,206
1968	6¾	15	750,000,000	18,974,134	15,938,273
1970	8¾	20	500,000,000	12,649,423	12,649,423
1971	7¾	15	700,000,000	17,709,192	17,709,192
1973	7¾	12	1,000,000,000	25,298,845	25,298,845
1975	8¾	10	1,500,000,000	37,948,268	37,948,268
				<u>133,249,16</u>	<u>118,616,989</u>
1957	5¼	25	LFr. 100,000,000	2,298,885	1,163,891
1961	5¼	25	100,000,000	2,298,885	1,653,508
1961	5	25	100,000,000	2,509,885	1,639,031
1962	4¾	15	300,000,000	7,589,653	1,517,931
1962	5½	25	250,000,000	6,324,711	4,389,499
1964	5¼	20	150,000,000	3,794,827	2,276,896
1971	6½	8	150,000,000	3,794,827	3,794,827
1971	7	15	250,000,000	6,324,711	6,324,711
1971	7¾	12	300,000,000	7,589,653	7,589,653
1972	6¾	12	300,000,000	7,589,653	7,589,653
1972	6¾	15	400,000,000	10,119,538	10,119,538
1972	6¾	16	300,000,000	7,589,653	7,589,653
1973	7	12	800,000,000	20,239,076	20,239,076
1973	7	15	800,000,000	20,239,076	20,239,076
1973	8	12	300,000,000	7,589,653	7,589,653
1973	8	12	200,000,000	5,059,769	5,059,769
1973	7¼	15	500,000,000	12,649,423	12,649,423
1973	7½	8	250,000,000	6,324,711	6,324,711
1974	10	7	400,000,000	10,119,538	10,119,538
1975	9	10	500,000,000	12,649,423	12,649,423
1975	9	9	100,000,000	2,529,885	2,529,885
				<u>165,707,435</u>	<u>153,049,345</u>
1962	4½	18	SwFr. 60,000,000	22,905,592	9,162,237
1969	5½	18	60,000,000	22,905,592	21,187,673
1972	7½	12	50,000,000	19,087,993	19,087,993
1973	6¼	15	80,000,000	30,540,789	30,540,789
1973	6¾	5	65,000,000	24,814,391	24,814,391
1973	7	7	75,000,000	28,631,990	28,631,990
1973	7¼	5	50,000,000	19,087,993	19,087,993
1974	9¼	5	20,000,000	7,635,197	7,635,197
1975	8	7	100,000,000	38,175,987	38,175,987
1975	8	8	100,000,000	38,175,987	38,175,987
1975	7¾	15	80,000,000	30,540,789	30,540,789
1975	8	8	50,000,000	19,087,993	19,087,993
				<u>301,590,293</u>	<u>286,129,019</u>
1966	5¾	20	Other 20,000,000(2)	31,182,899	23,075,345
1970	8	15	50,000,000(3)	69,829,346	69,829,346
				<u>\$3,221,107,051(4)</u>	<u>\$2,786,324,881</u>

- (1) Converted at the rates of exchange determined as of December 31, 1975, as described in Note 1(A) of *Notes to Financial Statements*.
- (2) Borrowed under arrangements whereby the holder may request payment of principal and interest in any one of the currencies of the 17 members of the former European Payments Union, now dissolved, but the reference values of such currencies may be changed under certain conditions.
- (3) Borrowed under arrangements whereby the holder may request payment of principal and interest in any one of the currencies of the six Original Members at rates of exchange fixed at the time the loan was incurred.
- (4) Other borrowings were completely paid by December 31, 1975. Taking these borrowings into account the total initial amount of borrowings amounted to the equivalent of \$3,347,184,488.

EUROPEAN COAL AND STEEL COMMUNITY
ANNUAL AMORTIZATION ON FUNDED DEBT OUTSTANDING
December 31, 1975
(in thousands)

Period	U.S. \$	DM	FFr.	Lire	Fl.	BFr.	LFr.	SFr.	Other(1)	Total Amortization in Equivalent of U.S. \$ (2)	Annual Interest in Eq. of U.S. \$ (2)	Total Debt Service in Equivalent of U.S. \$ (2)
1976	20,900	72,599	9,375	5,000,000	15,598	145,860	185,509	9,000	9,010	84,632	224,526	309,158
1977	23,600	67,725	25,875	5,000,000	15,598	216,300	284,831	15,000	9,010	95,741	221,388	317,129
1978	25,400	103,392	58,375	12,750,000	15,598	441,740	497,220	130,000	9,010	184,706	215,628	400,334
1979	146,300	178,834	54,375	12,750,000	15,598	472,180	608,682	39,000	9,010	304,582	204,701	509,283
1980	235,450	194,597	69,375	13,750,000	15,598	472,620	707,220	133,000	9,010	440,714	180,603	621,317
1981	78,550	317,252	49,375	13,750,000	15,348	473,060	708,837	67,000	9,010	300,914	144,701	445,615
1982	240,800	281,250	146,875	13,750,000	12,498	473,500	610,538	167,000	9,010	505,832	118,928	624,760
1983	227,400	106,750	46,875	13,750,000	10,598	439,300	603,268	72,000	9,010	365,499	78,559	444,058
1984	77,400	94,750	46,875	12,750,000	10,848	328,300	565,717	32,500	9,010	190,715	45,274	235,989
1985	15,900	85,750	37,500	12,750,000	9,198	1,028,300	526,240	24,500	9,010	136,730	29,808	166,538
1986	15,650	60,000	37,500	9,000,000	4,298	103,300	272,842	24,500	2,804	83,338	19,280	102,618
1987	10,800	50,000	42,500	7,000,000	4,298	33,300	218,753	26,000	—	67,493	12,761	80,254
1988	9,500	40,000	32,500	3,000,000	4,058	33,300	260,000	20,000	—	52,966	7,812	60,778
1989	4,500	—	27,000	1,000,000	4,058	33,300	—	4,000	—	15,868	3,776	19,644
1990	—	—	30,000	—	4,058	33,800	—	36,000	—	22,806	2,526	25,332
1991	—	—	45,000	—	58	—	—	—	—	10,067	757	10,824
1992	—	—	—	—	58	—	—	—	—	22	2	24
1993	—	—	—	—	68	—	—	—	—	25	1	26
	<u>1,132,150</u>	<u>1,652,899</u>	<u>769,375</u>	<u>136,000,000</u>	<u>157,434</u>	<u>4,728,160</u>	<u>6,049,657</u>	<u>799,500</u>	<u>92,904</u>	<u>2,862,650</u>	<u>1,511,031</u>	<u>4,373,681</u>

(1) Includes U.S. dollar equivalency of loans made in European Monetary Units and UA.

(2) Converted at the rates of exchange determined as of December 31, 1975, as described in Note 1(A) of Notes to Financial Statements.

EUROPEAN COAL AND STEEL COMMUNITY

ANNUAL AMORTIZATION ON FUNDED DEBT OUTSTANDING INCURRED BETWEEN JANUARY 1, 1976, AND MARCH 31, 1976

(in thousands)

Period	U.S. \$	DM	FFr.	Fl.	SFr.	Can. \$	Total Amortization in Equivalent of U.S. \$ (1)	Annual Interest in Equivalent of U.S. \$ (1)	Total Debt Service in Equivalent of U.S. \$ (1)
1976	—	—	—	—	—	—	—	1,192	1,192
1977	2,500	—	—	2,200	—	—	3,319	38,294	41,613
1978	2,500	—	—	2,200	—	—	3,319	38,105	41,424
1979	2,500	10,000	40,000	2,200	—	—	16,064	37,576	53,640
1980	2,500	10,000	40,000	2,200	—	—	16,064	36,073	52,137
1981	67,500	10,000	20,000	2,200	—	—	76,599	34,548	111,147
1982	2,500	10,000	19,230	3,133	100,000	—	49,951	28,050	78,001
1983	52,500	10,000	69,230	63,133	—	50,000	144,473	24,207	168,680
1984	2,500	10,000	19,230	3,133	—	—	11,755	11,310	23,085
1985	2,500	10,000	19,231	3,133	—	—	11,775	10,243	22,018
1986	37,500	10,000	19,231	3,134	—	—	46,775	9,176	55,951
1987	—	—	19,231	3,133	—	—	5,459	4,873	10,332
1988	—	—	19,231	3,134	—	—	5,459	4,334	9,793
1989	—	—	19,231	3,133	—	—	5,459	3,794	9,253
1990	—	—	19,231	3,133	—	—	5,459	3,255	8,714
1991	—	—	19,231	3,134	—	—	5,459	2,716	8,175
1992	—	—	19,231	3,133	—	—	5,459	2,176	7,635
1993	—	—	19,231	3,134	—	—	5,459	1,637	7,096
1994	—	—	19,231	3,133	—	—	5,459	1,097	6,556
1995	—	—	—	3,133	—	—	5,459	558	1,724
1996	—	—	—	3,134	—	—	1,166	457	1,623
1997	—	—	—	2,200	—	—	1,166	355	1,174
1998	—	—	—	2,200	—	—	819	284	1,103
1999	—	—	—	2,200	—	—	819	213	1,032
2000	—	—	—	2,200	—	—	819	142	961
2001	—	—	—	2,200	—	—	819	71	890
	<u>175,000</u>	<u>80,000</u>	<u>400,000</u>	<u>129,000</u>	<u>100,000</u>	<u>50,000</u>	<u>430,213</u>	<u>294,736</u>	<u>724,949</u>

(1) Converted at the rates of exchange determined as of December 31, 1975, as described in Note 1(A) of Notes to Financial Statements.

AUTHORIZED AGENT IN THE UNITED STATES

The authorized agent of the ECSC in the United States is:

Honorable Fernand Spaak
2100 M Street, N.W.
Washington, D. C. 20037

The information set forth in this Prospectus, except the information appearing under the heading "Underwriting", is stated on the authority of the President of the Commission, in his duly authorized official capacity as President.

EUROPEAN COAL AND STEEL COMMUNITY

by FRANCOIS-XAVIER ORTOLI
President of the Commission
of the European Communities

No person has been authorized by the ECSC to give any information or to make any representations, other than as contained in this Prospectus, in connection with this Offering, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer of any securities other than those to which it relates, or an offer of those to which it relates to any person in any jurisdiction where such offer would be unlawful. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the ECSC since the date of this Prospectus.

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EUROPEAN
COAL AND STEEL
COMMUNITY

\$75,000,000

8⁵/₈% Notes, Due May 1, 1984

\$100,000,000

9% Bonds, Due May 1, 1996

PROSPECTUS

April 30, 1976

Kuhn, Loeb & Co.

The First Boston Corporation

Lazard Frères & Co.

Warburg Paribas Becker Inc.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
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