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REPORT FROM THE COMMISSION TO THE COUNCIL

Monitoring of Article 95 ECSC steel aid cases

Fifth Report, May 1996

Monitoring of Article 95 ECSC steel aid cases
CSI, Sidenor, Ilva
overview

company	aid Article 95 ECSC		aid Steel Aids Code and Art 56 ECSC contribution of the State		capacity reduction				redundancies		remarks
					required		achieved				
	authorized	granted	authorized	granted	kt/y	date	kt/y	date	plan	achieved	
CSI of which Social Aid	437.8 bn Pta (2715MECU) 54.4 bn Pta (341.7 MECU)	146.9 bn Pta (922.9 MECU) -	47.4 bn Pta (294 MECU)	(**)	2300* pig ir. 1423* liq.st. 2300 H.R.	12.96 12.96 12.95	100% 100% 100%	12.95 12.95 12.95	10347	7937	capacities for 1100 t Pig iron,2200t. liquid steel and 2300 t. hot-rolling sold to an Indian company (see text) by 31.12.95. * net reductions
SIDENOR of which Social Aid	80 bn Pta (496 MECU) 7.79 bn Pta (48.9 MECU)	72.0 bn Pta (367.5 MECU) -	24.2 bn Pta (150 MECU)	(**)	505 liq.st. S.S. plant 379 H.R.	6.94 6.94 6.94	100 % 100 % 100 %	6.94 7.94 6.94	2593	2656	additional18.3 bn pta. (115 MECU) were paid during 94/95 as balance of aid approved under protocol 10 of Treaty of Accession.
ILVA	4790 bn Lit (2302 MECU)	4093 bn Lit (2039.7 MECU)	163 bn Lit (78 MECU)	-	1500 H.R. 500 H.R.	6.94 9.95	100 % 100 %	6.94 3.96	11500	11394	aids paid are net of incomes already received from sales of ILP and AST and cashed-in directly by IRI.

(**) amounts shown here in previous report, corresponded to anticipations from the companies on behalf of the state and not to aid actually paid (see text of present report).

Monitoring of Article 95 ECSC steel aid cases
Siderurgia Nacional, EKO Stahl, SEW Freital
overview

company	aid Article 95 ECSC		aid Steel Aids Code		capacity reduction				redundancies		remarks
					required		achieved				
	authorized	granted	authorized	granted	kt/y	date	kt/y	date	plan	achieved	
SN	60.12 bn Esc (492 MECU)	100%	5.925 bn Esc (30.51 MECU)	1.77 bn Esc (9 MECU)	140	31.12.95	140	31.12.95	1583	619 = 39%	redundancies behind plan, privatization of SN Planos + Longos completed
EKO	900.62 mdm (492 MECU)	100%	385 mdm (210 MECU)	100%	361	31.1.95	100%	28.2.95	8800	100%	achieved positive operating result of 20 mio DM in 1995
SEW Freit.	260.44 mioDM (137.8 MECU)	100%	60.62 mdm (32.2 MECU)	100 %	160	31.12.96	160	31.12.96	1060	1085 =102%	land sales questions settled

Monitoring of Article 95 ECSC steel aid cases
Fifth Report, May 1996

C.S.I. Spain

A. Introduction

The Commission decided on 12 April 1994 (Commission Decision 94/255/ECSC) to approve aids totalling 437.8 billion ptas. under Article 95 ECSC, serving the following purposes :

- Capital injection of 276.7 billion ptas.
- Social aid up to 54.519 billion ptas.
- Up to 35.5 billion ptas.in the form of a capital conversion of an INI credit to Ensidesa.
- Up to 9.4 billion ptas.to cover contingencies.
- Loss compensation of up to 61.654 billion ptas. to cover additional operating losses and financial charges in 1992 and 1993 and reduced turnover arising from bringing forward the Ansio closure.

Social aids totalling up to maximum of 47.35 billion ptas. had previously been authorized as compatible with article 4.1 of the Steel Aid Code.

B. Outstanding questions from the previous monitoring report

No questions were outstanding after the fourth monitoring report.

C. The new monitoring report

The fifth monitoring report was received from the Spanish authorities on the 15th of March 1996, in compliance with the requirements of the above mentioned decision.

With the creation of the new "C.S.I. - Corporación Siderurgica" group, as reported in the last report, and the regrouping of all the the assets to liquidate or to be sold as well as the workforce to be dismissed, in the entity called " Ensidesa - A.H.V. Capital S.A." , the monitoring reports will consists of three parts :

I. C.S.I. - Corporación Siderurgica - (CSI)
II. Ensidesa - A.H.V. Capital S.A - (Capital SA)
III. Aceria Compacta de Bizkaia - (ACB)

since these three entities are now completely separed.
CSI and Capital SA are both owned by the recently created "Agencia Industrial del Estado" (A.I.E.) where all the activities of the Spanish State in the fields of Defense, Mining, Shipbuilding and Steel have been grouped.

I. C.S.I. - Corporación Siderurgica

1. Capacity reductions

No asset that the new group has taken over with the restructuring of the old CSI, had to be closed down. The installations bound for closure that the new group operates on behalf of the old companies left into Capital SA will be reported in the relevant section of this report under A.H.V. - Ensidesa Capital S.A..

2. Investments

In the previous monitoring report, the information supplied by the Spanish authorities had not been correctly interpreted by the Commission services. The investment programme foreseen by the plan included investments for 107 billion ptas. Against this plan CSI has engaged (i;e; selected the contractors and signed contracts) for 47.2 billion ptas. in 1994 and 61.9 (updated figure) billion ptas. in 1995 for a total of 109.1 billion ptas. The realisation of these engaged investments started in June 1994 and so far investments for approx. 28 billion ptas. have been concluded. Remaining investments out of the engaged ones will be realized during 1996 and 1997.

3. Reduction of Workforce

As mentioned above the workforce to be dismissed has remained in the old Ensidesa and A.H.V. companies. Its reduction will be reported in the relevant section of this report.
In the new CSI - CS group no reduction of workforce is foreseen.

4. Production

Production of the group for the year 1995 and comparison with previous periods can be summarized as follows:

(thousands tonnes)

Actual Production	1992	1993	1994	1995	1H 95/1H 94 % change	1995/1994 % change
Liquid Steel	4657	5329	5361	5158	2.29	(3.79)
H. R. Coils	3479	3739	3762	3775	7.95	0.35
Heavy Plates	506	522	589	601	9.15	2.04
Wire Rods	363	385	415	456	18.75	9.88
H. Sections	290	289	223	277	30.51	24.22

Total year results show a slow down of the production during the second half of the year compared with the corresponding 1994 figures. 1995 production, however, is in all cases

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ahead of plan as shown in the table below

(thousands tonnes)

Planned Production	1995 planned	1995 actual	Actual vs Planned (% changes)
Liquid Steel	4800	5158	7 46
Hot Rolled Coils	3200	3775	18 0
Heavy Plates	550	601	9 27
Long Products	700	733	4 71

5 Sales

Sales of finished products that had shown a 6 0 % increase in the first half versus the same period of 1994 have ended the year with a decrease of almost 11% versus the 1994 total sales Total 1995 sales were 4 83 millions tons while in 1994 they had been 5 42 millions tons The decrease in the second half was of about 27 % compared with the corresponding 1994 period This downward trend during the second half of 1995 was particularly strong in the domestic and other E C markets During the all of 1995 in absolute figures CSI sales in the third countries were less than half of the ones of 1994

However 1995 sales were 6 7 % above plan

Breakdown of sales by market during the second half of the year does not show major variance over the first half but confirms the overall decrease in sales in the third countries

(in % share of sales)

Markets	1992	1993	1994	1995	1st H 1995	2nd H 1995
Domestic	69 15	63 56	65 80	62 39	73 91	73 74
Other EC	16 03	15 73	17 40	18 27	18 41	17 54
O Countries	14 82	20 72	16 80	19 34	7 68	8 72

The Spanish authorities have also provided average prices charged by C S I during the second half of 1995 The Commission examined the information given and concluded that the prices are within the normal range

6 Financial Performance

Thanks to the implementation of the restructuring plan and the good market conditions the financial performance of C S I C S have been quite positive Even if a direct comparaison with the combined results of Ensidesa and A H V is not meaningful due to the different structure of the two entities the following table shows the first half 1995 and total year 1995

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results compared with the ones realized by the old companies in the previous year :

(millions ptas.)

	Ensidesa & AHV	C.S.I. - C.S.	
	1994	1st half 1995	1995
Turnover	312109	189524	348012
Cost of Sales	282009	138164	247954
Depreciation	21319	9455	24355
Net Operating Result	(6746)	29971	61650
Financial Charges	31404	5049	10755
Net Results	(51692)	24065	22865
L/T & S/T Debts	533824	166437	149079

As it can be seen, all the items of the 1995 statement show considerable improvements.

Finally, for the first time we can compare results for a full year with the planned ones, as shown in the table below :

(millions ptas.)

	1995 planned	1995 actual	actual vs. plan (% change)
Turnover	289295	348012	20.3
Cost of Sales	242759	247954	2.1
Depreciation	30092	24355	(19.1)
Net Operating Result	16444	61650	274.9
Financial Charges	13938	10755	(22.8)
Net Results	4404	22865	419.2
L/T & S/T Debts	517089	149079	(71.2)

As it can be seen, thanks to the better market conditions and by increasing the productivity and reducing the charges, the restructured CSI was able to multiply by 5 the realized net results over the planned ones.

7. Terms and Conditions of new loans

During the second half of 1995 C.S.I. - CS has obtained loans for 33495 million ptas from 15 different private Spanish or foreign banks and financial institutions at market rates and without any state guarantees.

8. **Aid Payments**

As already stated in the previous monitoring report, the Spanish government has engaged itself to provide aid for the capitalization of the C.S.I. - C.S. group for 225 billion ptas. Technically the new group has received this amount from the old Ensidesa, A.H.V. and C.S.I. companies in the form of assets and liabilities. However, the actual payment of this amount by the state to the old companies Ensidesa and A.H.V. have not yet taken place in full (see section "aid payments" under the A.H.V. - Ensidesa Capital S.A. portion of this report).
The amounts of aid paid for capitalizations will be shown in the relevant section of the report on the old Ensidesa and A.H.V. companies.

II. A.H.V. - Ensidesa Capital S.A.

Under this denomination, as already indicated above, are gathered all the assets and the workforce not incorporated in the new group and that are going to be closed, sold, dismantled, liquidated or dismissed. These assets and workforce remain the propertiy and in the books of the two old Ensidesa and A.H.V. companies whose activities, as companies in process of liquidation, will be limited to the utilisation of the approved state aids for the payment of the remaining financial and social obligations.

Due to the particular nature of these companies, the monitoring report will not follow the normal sequence of sections, but only refers to the relevant ones.

1. **Capacity reductions**

According to art. 2 (1) of the Commission's decision 94/258/ECSC, CSI had to carry out closures as follows :

Location	Plant	Production Capacity (000's t/y)			Date of closure
		Pig Iron	Liquid Steel	Hot Rolled Coils	
Avilés	Blast Furnaces	2400			31.12.96
Gijón	LD Steel		950		31.12.96
Vizcaya (Sestao)	Blast Furnaces	1980			31.12.96
	LD Steel		2200*		31.12.96
Vizcaya (Ansio)	Hot Rolling Mill			2300	31.12.95

*not including the increase of 1000 thousand tonnes at ACB

The schedule for the closures of the pig iron and crude steel installation was, according to the

restructuring plan, end of 1996, while for the hot rolling mill at Ansio it was specifically said in the decision that it had to be closed by the end of 1995.
Paragraph (3) of article 2 states that these closures can be accomplished "either by the demolition of the installation concerned or by their disposal by sale outside Europe."

The Spanish authorities report.that at the date of 31.12.95, the following plants were either sold outside of the E.C. or closed :

N°	Location	Plant	Product	Capacity (000's t/y)
1	Sestao (Viz)	Sinter	Mineral Sinter	3300
2	Sestao (Viz)	Coke ovens	Coke	1210
3	Sestao (Viz)	Blast Furnace No 1	Pig Iron	440
4	Sestao (Viz)	Blast Furnace No 2	Pig Iron	440
5	Sestao (Viz)	Blast Furnace No 2A	Pig Iron	1100
6	Avilés (Ast)	Blast Furnace No 2	Pig Iron	800
7	Sestao (Viz)	LD Steel Mill	Liquid Steel	2200
8	Gijón (Ast)	LD Steel Mill	Liquid Steel	950
9	Ansio (Viz)	Hot Rolling Mill	Hot Rolled Coils	2300

Of the above, the plants under numbers 1,5,7 and 9 have been sold to the Indian company NAGARJUNA FERTILIZERS AND CHEMICAL, Ltd. (NFC) in order to be dismantled and shipped to Mangalore in India.

The coke ovens under number 2 have also been sold to an Indian company TTG Industries, Ltd.. They have already been dismanteled and are in the process to be shipped ti India.

The installations sold to NFC will be dismanteled and shipped at latest starting from June 1996.
Until then, the buyer of these installations will procede to some modifications and training of its workforce. Details of these operations will be reported orally at the May, 1996 Industry Council and in the next monitoring report.

2. Reduction of Workforce

During 1995, the workforce was reduced by 1058 people bringing the total number of dismissals since 1991 to 7937 or 204 dismissals short of the 8141 ones foreseen by the plan up to the end of 1995.

Total costs for the 1995 reductions, were 31589 million ptas. plus 5289 million ptas. related to payments to workers affected by previous restructuring.
Total amount of social costs paid by the companies during the elapsed restructuring period was 99.3 billion ptas. out of which 55.5 billion ptas. is expected to be covered by the state under general measures and the E.C. budget under art. 56 2b ECSC, either for people affected by previous restructuring or by the current one. The balance 43.8 billion ptas. at the charge of the company will be covered by state aid approved under art. 4.1 SAC and art. 95 ECSC.
An evaluation of the social payments made and to be done until the end of the restructuring period is reported below in the "Aid Payments".section of this report.

3. Financial Performance

After the constitution of the new group on 31.12.94, the old Ensidesa and A.H.V. companies do not have any operating activity anymore, therefore their financial performance is limited to the liquidation of the remaining assets and liabilities.
The evolutions of their balance sheets since the constitution of the new group are shown in the following tables :

(billions ptas.)

ENSIDESA	Situation at 1.1.95	Situation at 30.6.95	Situation at 31.12.95
Fixed assets	8.0	7.6	6.9
Current assets	19.5	34.6	13.8
Credits wth new group	182.4	144.6	144.6
Total Assets	209.9	186.8	165.4
Equity	(97.3)	(14.6)	(27.8)
Funds		4.9	13.4
Debts	307.2	196.5	179.8
Total Liabilities	209.9	186.8	165.4

(billions ptas.)

A.H.V.	Situation at 1.1.95	Situation at 30.6.95	Situation at 31.12.95
Fixed assets	79.0	75.4	6.8
Current assets	44.9	42.9	39.5
Credits wth new group	23.6	18.6	18.9
Total Assets	147.5	136.9	65.1
Equity	9.8	2.6	(53.7)
Funds	0.3	0.1	2.9
Debts	137.4	134.2	115.9
Total Liabilities	147.5	136.9	65.1

The analysis of the balance sheets from which these summary tables are derived, provides information on the amounts of aid paid from one period to another.
The variation in the Fixed Assets in AHV balance is due to their sale and to a major write-off following their complete reevaluation. The aid received and the incomes from the sale of the equipments were mainly used to reduce the debts.

4. Aid Payments

The aid payments are made by the Spanish state on the basis of a payment schedule fixing the budgeted amounts for each year. For 1995, the first year where payments of aid have been done, the budgeted amount was 130 billion ptas. The total amount paid for 1995 was in fact 128.2 billion ptas. which added to 18.7 billion ptas already paid in 1994 for a previous capital injection into AHV , brings the total aid paid to 146.9 billion ptas. These payments have covered capital injections previouly made and, in part, the capitalisation of the new group.

Beside keeping track of the aid paid and their destination, the Commission services have started to estimate the need of aid up to the end of the liquidation process.
To do so, it is necessary to split the aid coverage between the one going to cover social costs and the one going to cover all other restructuring costs.
This is due to the fact that the old Ensidesa and A.H.V. companies are advancing, on behalf of the state, payments to workers normally at charge of the state under general social measures, art. 56.2b ECSC or approved under art. 4.1 SAC along with the aid approved under art. 95 ECSC.

a) Aid coverage for liquidation costs (other than social) of Ensidesa and A.H.V.

The estimates shown in the previous report and made on the basis of the balance sheets of Ensidesa and A.H.V.of the total aid necessary to carry out the liquidation process, have been updated, but globally have not changed.

The aids already paid and the ones foreseen to be paid (except the ones for social costs) are shown in the following table
(billion ptas.)

	Aid paid up to 31.12.95	Estimate of aid to be paid up to the end of liquidation	Total
Capitalisation of old Ensidesa	56.4	0	56.4
Capitalisation of old A.H.V.	18.7	0	18.7
Capitalisation of new group	61.8	163.2	225.0
Liquidation costs	10.0	120.0	130.0
total	146.9	283.2	430.1
Social costs advanced by companies in 1994			(57.9)
total estimated aid			372.2

Since the approved aid for liquidation and restructuring (excluding the aids for social costs) amounts to 383.2 billion ptas., the estimated 372.2 billion ptas. of aid needed up to the end of the liquidation are within the approved envelope.

To summarize, the following table shows the approved aid, its reclassification according to the implemented plan and the aid already paid up to 31.12.95.
(billions ptas.)

purpose of aid :	aid approved under art. 95	approved aid reclassified	aid payments at 31.12.95
Capital injection new group	276.7	225.0	61.8
Capital injection old companies	35.5	75.1	75.1
Loss compensations	61.7	73.8	10.0
Total capital injections/loss com.	373.9	373.9	146.9
Contingency aid	9.4	9.4	-
Social aid	54.5	54.5	-
Total	437.8	437.8	146.9

b) Aid for social costs

Total social aid approved under art. 95 ECSC, art. 4.1 SAC, art. 56.2b ECSC or falling under general measures were as follows :

-	Social aid art. 95 ECSC	54.5	billion ptas.
-	Social aid art. 4.1 SAC	47.4	billion ptas.
-	E.C. budget art. 56.2b ECSC	14.4	billion ptas.
-	General measures	134.3	billion ptas.
	total	250.6	billion ptas

To this total have to be added 14 billion ptas. that have been identified as social costs and that were included in the amount of aid granted under art. 95 for loss compensation.
Therefore, the total amount to be considered as approved social aid is : 264.6 billion ptas.

Against this amount, payments that have already been advanced by the companies or that will be advanced until the end of the liquidation of the all workforce (expected in year 2017), are as follows :

-	Payments related to 1992/93	19.7 billion ptas.
-	Payments related to 1994	38.2 billion ptas.
-	Payments related to 1995	41.4 billion ptas.
-	Estimated payments up to 2017	158.7 billion ptas.
-	Total estimated payments	258.0 billion ptas.

The estimated need for social aid up to the end of the liquidation of the workforce is within the approved amount. Up to 31.12.95 no payments of social aid had been made by the Spanish state.

III. Aceria Compacta de Bizkaia

1. Financing

During the second part of the year 1995, ACB has contracted a credit for 40 billion ptas. with a group of Spanish and foreign private banks at market rates without any state guarantees.

2. Investments

The planned investment programme is continuing according to its schedule. The completion of the plant is now forecasted for the month of October 1996. (previous forecast was for 17.9.96).

A.C.B. also reports that there are no plans to conclude any contracts for the commercialisation of ACB's products before the start up of the operations.

Monitoring of Article 95 ECSC steel cases
Fourth Report, May 1996

SIDENOR, Spain

A. Introduction

On 12 April 1994 (Commission Decision 94/261/ECSC) the Commission authorized aids under Article 95 ECSC totalling 80.052 billion ptas, made up as follows:

- up to 26.3 billion ptas for debt write-offs;
- up to 7.79 billion ptas social aids;
- up to 20.2 billion ptas in the form of new paid-in capital; and
- up to 25.762 billion ptas in the form of loss compensation to cover additional operating losses and financial charges in 1992 and 1993.

Previously the Commission had also approved social aids totalling up to a maximm of 7.79 billion pesetas as being compatible with Article 4.1 of the Steel Aids Code.

B. *Outstanding questions from the previous monitoring report*

Implementation of the restructuring plan/Privatisation

As mentioned in the fourth monitoring report, a final step toward the implementation of the restructuring plan of Sidenor had to be taken before the end of 1996. This step consisted in the complete separation of the two entities (the new Sidenor and the old Acenor and Foarsa companies) that were still part of the same group. In November 1995 this separation was completed. For details see section "Financial Performance" under the Acenor part of this report.

At the same time, even if it was not foreseen by the restructuring plan, the new Sidenor company was privatised.

The privatisation process of Sidenor started at the beginning of 1995 with the launching of an open bid procedure managed by SBC Warburg. In total, 32 steel companies located in Spain, in other European countries, in the Far East and in the U.S. were invited to bid. 11 companies manifested interest and on 14.3.95, at the expiring of the bidding period, 5 companies or consortia of companies sent in their bids.

After that, the second part of the bidding process started with visits to the plants, consulting of the "data room" and the drafting of a sale contract. Requests for additional information were received and answers to all the questions were sent to all the bidding parties.
Final offers from 3 companies or consortia were received on 12.7.95.

The final phase of the bidding procedure included negotiations with all the 3 bidders who were invited to make revised offers by 22.9.95.

The selected offer was the one made by the Spanish-Italian consortium Digeco/Rodacciai/Olarra/Savera.

According to the shareholders of Sidenor, this consortium, beside offering the best price, gave the best assurance as far as industrial and social future of the company.
No complaint was filed against this choice by the competing parties.
The final contract was signed on 8.11.95 and approved by the Spanish government on 10.11.95.
Sales conditions were as followas :

- Payment of 2.0 billion ptas. for the shares
- Capital injection from the buyer for 1.407 billion ptas.
- Bringing in bank guarantees for 1.341 billion ptas. to cover state guarantees to existing loans.

As of 1.12.95 a transfer balance sheet was finalized including all the assets and liabilities to be transferred to the new owners (see below "Financial performance" section of the Sidenor report).

C. The new monitoring report

This fifth monitoring report on Sidenor is based on information contained in the eigth quarterly report by the Spanish authorities, submitted on 15th of March 1996 in accordance with Commission decision 94/261/ECSC. The following analysis also draws on the data provided by the Spanish authorities in their seventh quarterly report of 15.12.95, as required by the decision.

With the privatisation of the new Sidenor company , as reported above, and the regrouping in a new entity called "Acenor SA" of all the assets left in the old Acenor, Foarsa and other subsidiaries, to be liquidated or sold as well as the workforce to be dismissed, from now on the monitoring reports will consist of two parts :

I. SIDENOR
II. ACENOR

since these two companies are now completely separeted.
Acenor SA is owned by the recently created "Agencia Industrial del Estado" (A.I.E.) where all the activities of the Spanish State in the fields of Defense, Mining, Shipbuilding and Steel have been grouped

I. SIDENOR

1. Capacity reductions

All required capacity reductions had been already completed before the privatisation of the new Sidenor company. No further reductions are required.

2. Investments

All the investments foreseen under the plan had been performed by the end of June 1995 as reported in the previous monitoring report.

3. Workforce reductions

The active workforce of the new Sidenor transferred to the new owners on 30.11.95 consisted of 2069 people. Therefore the number of people laid off or put into preretirement from the beginning of the restructuring was 2656. Since the total workforce reductions required by the plan were 2593 we can conclude that this obligation has been satisfied. .

The costs related to the reductions of the workforce are competence of Acenor SA, therefore they are reported in the relevant section of this report.

4. Production

Production of Sidenor for the year 1995 and comparison with previous periods can be summarized as follows :

(thousands tonnes)

Actual Production	1992	1993	1994	1995	1st H 95/ 1st H 94 % change	2nd H.95/ 2nd H 94 % change	1995/1994 % change
Liquid Steel	498.6	480.7	587.0	725.4	13.0	38.0	23.6
Special Steels	422.6	381.7	489.7	592.4	14.6	29.2	21.0
Stainless Steel	17.8	19.8	13.9	0.0	(100.0)	(100.0)	(100.0)
Forge&Foundry	24.4	28.9	36.2	47.2	25.4	36.8	30.5

Reported figures show a sharp increase of production in the second half of 1995 compared with the previous year. The increase is particularly strong in the last quarter of 1995.
Since the Sidenor plan does not provide details on planned production year by year, a comparison of actual vs. planned figures is impossible.

5. Sales

Total sales of Sidenor during 1995 were 593.4 thousand tons, 20.6 % higher than 1994, and 2.05 % above plan.
As in the case of production, the sales increased sharply during the second half of the year, per cent increases in the first and second half of 1995 compared to the same periods of 1994, were 14.4 % and 29.1 % respectively.
The sales breakdown by market areas is as follows :
(in per cent share of total sales)

Markets	1992	1993	1994	1995
Domestic	53.9	52.0	57.3	57.4
Other EC	40.7	38.7	35.3	38.7
O. Countries	5.5	9.3	7.3	3.9

The breakdown by market shows stability at the level of the domestic share of the sales and an increase of the share of other E.C. sales at the expenses of the ones in other countries .

The Spanish authorities have also provided average prices charged by Sidenor during the total year 1995. The Commission examined the information given and concluded that the prices are within the normal range.

6. Financial Performance

The new Sidenor company was created on 30.12.94 and lasted up to 30.11.95 when it was bought by the actual owners. Financial data provided cover the period from 1.1.95 up to 30.11.95, since those are the last available data audited in view of the sale. Data including December 1995 will be made available as soon as finalized under the new ownership.They will be part of the next monitoring report.

The table below shows the results of the new Sidenor company for eleven months of 1995 and their comparaison with the plan, when annualized :

(millions ptas.)

	11 months 1995	1995 annualized	1995 plan	actual vs plan (% change)
Turnover	53764	58652	49307	19.0
Cost of sales	46781	51034	42889	19.0
Depreciation	2560	2793	2943	(5.1)
Net Operating Result	3291	3590	3475	3.3
Finan. Charges	1521	1659	3084	(46.2)
Net Result	2262	2468	391	531.1
Financial Debts	13045	13045	24341	(46.4)

Clearly, thanks to the benefit of the restructuring and the better than expected market conditions, the financial performance of the new Sidenor company is quite remarkable.

The analysis of the above Sidenor results lets to believe that the Commission's criteria for viability have been achieved by the end of 1995 as required by the Commission's decision 94/261/ECSC of 12.4.94. This will be confirmed when final 1995 data will be available, however, the fact that Sidenor has been privatized can already be considered as a proof of its viability.

The balance sheet of Sidenor as transferred to the new owner and its comparison with the one at the outset of the company, is shown in the following table :

(billions ptas)

	Situation at 31.12.94	Situation at 30.11.95	variance
Credits with shareholders	34.5	0	(34.5)
Fixed assets	33.1	34.8	1.7
Current assets	37.8	32.6	(5.2)
Total assetes	105.3	67.4	(37.9)
Equity	(2.1)	14.9	17.0
Funds	2.0	.1	(1.9)
L/T and S/T debts	105.4	52.4	(53.0)
Total Liabilities	105.3	67.4	(37.9)

The balance sheet at 30.11.95 reflects the situation at the moment of the privatisation and takes into account the aids paid during 1995 as capital injections. Part of the aids received in 1995 were already shown at the end of 1994 as credits with the shareholders.

The Commission services will continue to analyse this situation to make sure that further elements of aids beside the mentioned ones are not involved.

7. Terms and conditions of new loans

In the second part of 1995, following the liquidation of INI, the loans obtained by Sidenor from INI have been taken over by a Japanese bank at the same conditions. Since September 30, 1995 no new loans have been obtained.

At the time of the privatisation of the new Sidenor company, in November 1995, out of the total 25.1 billion ptas. of existing loans, 18.2 billion remained with the old companies, while 6.9 billion ptas. were transferred to the new owners. In compliance with the sale contract, the buyer paid back 1407 million ptas out of the 6.9 billion ptas. and engaged himself to pay 1341 million ptas.to acquire the existing state guarantees on the remaining loans. Therefore, at the end of the year 1995, the total loans of the private Sidenor company with financial institutions, amounted to 5.6 billion ptas.. Their rates, as already reported in the last monitoring report, and the premiums charged for the state guarantees, were all at market rates.

8. Aid payment

During 1995 the Spanish state has paid to Sidenor 48.362 billion ptas.under the approved restructuring plan. This amount has been used by Sidenor for the following purposes :

- capital injection for 34.451 billion ptas. totally paid on 30.6.95 with effect at 1.1.95;
- capital injection for 14.011 billion ptas. totally paid, of which 8.231 billion ptas. with effect at 1.1.95, and 5.78 billion ptas. with effect at 24.7.95.

These amounts were paid to Sidenor before its privatisation and conclude the capital increases that were foreseen by the plan.

A complete summary of all the aids paid up to 31.12.95 will be given under the section "Aid Payments" of Acenor here below.

II. ACENOR

The new Acenor company was created at the end of 1995 and includes all the assets and liabilities left in the old Acenor, Foarsa and other subsidiaries, after the privatisation of Sidenor, with the purpose to liquidate or sold them.
The assets do not include any operating plant.

The liabilities are essentially the debts incurred to keep the engagements towards the workers that have been dismissed or put into retirement. The payments against these engagements (basically the severance pay and the pensions) are advanced every year from Acenor. The State refunds the company at the beginning of each following year according to a schedule agreed in advance.

Under these circumstances, Acenor will not procede to any capacity reduction or investment since all these activities, required by the restructuring plan, have been already achieved.

Furthermore, Acenor will not have any production or sale activity, therefore the monitoring report will cover only the developments of the liquidation process and the payment of the corresponding aids.

1. Workforce reductions

All workforce being part of the assets sold to the new owners of Sidenor, Acenor SA does not have any workforce left except for few (4) employees to take care of the liquidation activities. These activities, already mentioned, consists essentially in the payment of social benefits to the dismissed people.

Up to the 30.11.95, the total payments made by Acenor/Foarsa on behalf of the state amounted to 14.38 billion ptas. all covered by loans.

2. Financial Performance

As already mentioned above, on November 30,1995 the assets and liabilities of Acenor and Foarsa have been separated from the one of Sidenor which has been privatized. Immaditely before Acenor had absorbed Foarsa. Final results of these operations are summarized in the balance sheet of the new Acenor SA company and compared with previous situations as shown in the following table.

(billions ptas.)

	Acenor+Foarsa 31.12.94	Acenor+Foarsa 30.11.95	Acenor SA 31.12.95	variance : 30.11.95 versus 31.12.95
Fix assets	.25	.1	.46	+.45
Deferred expenses	54.5	54.0	49.2	-4.8
Current assets	.26	.03	1.86	+1.83
Total assets	55.018	55.91	50.63	-5.28
Equity	(46.04)	(53.84)	(23.98)	+29.86
Equity loans	16.15	0.00	0.00	-
Funds	41.50	36.98	41.25	+4.27
L/T Debts	10.29	25.55	7.32	-18.23
S/T Debts	33.11	47.22	26.02	-21.2
Total Liabilities	55.01	55.91	50.63	-5.28

The variations in the fixed and current assets are mainly due to the addition of the assets of the two subsidiaries F-ASUA and F-Basauri which were not included in the Acenor+Foarsa figures.

The variations in the L/T and S/T debts are due to cancellations of debts with the old shareholder partially compensated by debts brought in by the two subsidiaries. These debts cancellations will be accounted in the total amount of aids paid (see below under the "Aid Payment" section of this report).

3. *Terms and conditions of new loans*

At the end of 1995, the reported loans for Acenor SA show new loans for 3.9 billion ptas. at market rates and with a state guarantee for which the normal premium has been charged. Total loans (capital +interests) at 31.12.95 amounted to 23.0 billion ptas. According to the Spanish authorities, the State will pay most of it at the beginning of 1996 and new loans will be contracted for the current needs of Acenor. The Commission services will continue to close monitor this issue.

4. Aid payment

As shown in the introduction of this report, the Commission authorized aids under Article 95 ECSC totalling 80.052 billion ptas. Since the state had still to pay an outstanding balance of 18.29 billion ptas.of a BEX loan previously approved under the terms of Protocol 10 of Spain Treaty of Accession, and since, like in the case of CSI, Acenor is advancing, on behalf of the state, payments to cover social costs normally at charge of the state under general social

measures, art. 56.2b ECSC or approved under art. 4.1 SAC along with the aid approved under art. 95 ECSC, these amounts have to be taken into account in the comparison with the aids paid to Sidenor/Acenor up to 31.12.95.
The above mentioned measures include the following amounts :

		(billion ptas.)
- under Art. 95 ECSC		
- new paid-in capital		20.200
- loss compensation		25.762
-	sub total	45.962
- debt write-offs		26.300
- social aids		7.790
	total under art. 95	80.052
- Social costs under Art. 4.1 SAC		7.790
- Social costs under Art. 56.2b ECSC		3.617
- Social costs under general measures		12.798
- debt write-offs under Protocol 10		18.290
	Grand total	122.547

Against the above total amount, and including the aids used to inject new paid-in capital in Sidenor before its privatisation, as reported above, the following amounts have been paid by the Spanish state up to 31.12.95 to Sidenor/Acenor, towards the indicated purposes

		(billion ptas.)
- under art. 95 ECSC		
- new paid-in capital and loss compensation		48.462
- debt write-offs		23.525
	total aid paid under art. 95	71.987
- debt write-offs under protocol 10		18.290
	Grand total aid payments	90277

In conclusion, all the restructuring aid (i.e. excluding the social aid), either under art. 95 or under the Protocol 10 of the Treaty of Accession have been paid as of 31.12.95.

The excess of aid paid as new capital or loss compensations when compared to the approved one under the same descriptions, is more than compensated by less aid paid for debts write-offs. The Commission is satisfied by this situation since the aid payments do not exceed the total approved envelope.

Finally, it should be considered the possibility to bring the monitoring reports from four times to two times a year. The only aids left to monitor are the social ones and as to the attached conditions it is only the capacity freeze for five years. The Commission intention is therefore, after the next monitoring report in September 1996 and once the final figures for 1995 both for Sidenor and Acenor will be made available and examined by the Commission, to bring the monitoring activity down to the originally foreseen schedule of twice per year.

Monitoring of Article 95 ECSC steel cases

Fifth Report

ILVA, Italy

A. Introduction

On 12 April 1994 (Commission Decision 94/259/ECSC) the Commission authorised aids under Article 95 ECSC totalling 4790 billion lit. in the following forms :

- write-off of residual debt up to a maximum of 2943 billion lit. after sale of assets
- coverage by IRI of restructuring and liquidation expenditures of up to a maximum of 1197 billion lit.
- capital injection by IRI of 650 billion lit.

B. Outstanding questions from the previous monitoring report

No questions were outstanding after the fourth monitoring report.

C. The new monitoring report

This fifth monitoring report on ILVA is based on the information submitted by the Italian authorities on 15th March 1996 in accordance with Commission decision 94/259/ECSC.

Since as of the 1.1.94 the group Ilva was split in three distinct companies (ILP, AST and Ilva in Liquidazione) and the privatisation of the operating units is completed, their analysis is treated separately.

I. ILP

1. Capacity reductions

According to art. 2.3 of Commission decision 94/259/ECSC the Italian authorities had the obligation to ensure that the ILVA group further *reduces capacity by 0.5 millions tonnes per year either throught the demolition of a reheating furnace at mill No 2 at Taranto or through the demolition of other Italian plant situated elsewhere provided that such plant has manifactured hot-rolled finished products up to date of privatisation and belongs to the new owner of ILP.* [This capacity reduction must] *take place within a period of six months as from the date of the contract of sale.*

The contract for the sale of ILP from IRI to RILP (company created by Riva for this purpose) was signed on the 16 of March 1995. RILP, however, took full control of ILP only on 28.4.95 when the IRI general assembly gave its approval to the sale.

On 18.9.95, the Italian government indicated possible closures to DG IV. However the proposal of the Italian authorities was not judged by the Commission to be in line with the obligations set by the decision. Accepting the point of view of the Italian government, that the deadline for the closures should be considered six months after Riva took control of ILP, time was given until the end of October 1995 to come up with a new proposal.
Various other possibilities were discussed between the Italian authorities and the Commission during the following months and this issue was also matter of discussion at the Industry Council on 6/7 November 1995.

The proposal that it was finally accepted by the Commission included the closing down of the following capacities :

ALFER S.p.A.	Hot rolling capacity :	125,000 t/y
Montifer	Hot rolling capacity :	270,000 t/y
Ferriere di Barghe	Hot rolling capacity :	199,000 t/y

for a total of 594,000 tonnes/year of hot rolling capacity.

These capacities have been all acquired by Riva at the beginning of this year and were still in operation in 1994 and at the time of the acquisition of ILP by the Riva group (march 1995). According to the Italian authorities, they should be completely dismantled by the end of March 1996. The Commission services (DG XVIII) has conducted an ispection to these plants from 18 to 20, March 1996 and has concluded that two of them (Alfer and Barghe) can be considered as scrapped while for the third one (Montifer) whose dismantling started later than for the others, a second visit in April or May 1996 will be necessary to verify it dismantling and scrapping.

The cost of acquisition of these three plants was 11.3 billion Lit. all financed by the company own resources.

2. Investments

Total investments for 1995 were 129 billion Lit., mainly due to maintanance works. Out of these, 15 billion Lit. were for pollution control equipments.
This amount of investments represents less than half of the one originally foreseen. According to the company this is due to the complete recheking of the investment needs made by the new management during 1995 which resulted in a shifting in time of the interventions originally foreseen.
They have been all covered by the company's own resources.

3. Workforce reductions

As already stated in the previous monitoring report, the level of workforce of the ILP group at the end of 1995 is not directly comparable with the planned one since ILP acquired from Ilva in Liquidazione companies like ICMI and part of Sidermar. These acquisitions were not foreseen by the plan.
Nevertheless, including the workforce of these two companies in the 1995 figures, we arrive at the results summarized in the following table :

Number of workers at the end of the year :	ACTUAL	PLAN	Actual versus plan
1993	18201	18520	-319
1994	19130*	16517	2613*
1995	17285	16411	874
1996	15679	14990	689

* includes the transferred workforce from ICMI and Sidermar : 1401 and 272 workers respectively.

During the year 1995, 1845 people ware dismissed out of which 1812 workers have been put into preretirement. Total preretirements since the beginning of the restructuting were 2800. A last contingent of 1606 people are schedule to go into preretirement during 1996.

For a global comparison of the workforce reduction versus the plan, see under the section "workforce reductions" of the Ilva in Liquidazione report here below.

4. Production

Actual production for the year 1995 and comparison with previous periods can be summarized as follows :

(thousands tonnes)

	1992	1993	1994	2nd half 1995	1995	94/93 % change	95/94 % change
Pig Iron	7808	8203	8208	4069	8546	0.1	4.1
Liquid Steel	7843	8252	8457	4155	8783	2.5	3.9
H. R. Coils	6361	5916	6500	3238	6855	9.9	5.5
Plates	1074	1020	1155	511	1105	13.2	(4.3)

Production figures for 1995 are in all cases ahead of plan as follows :

(thousands tonnes)

	1995 planned	1995 actual	Actual vs Planned (% changes)
Pig Iron	7880	8546	2.8
Liquid Steel	7865	8783	7.0
Hot Rolled Coils	6400	6855	7.7
Plates	1005	1105	2.3

5. Sales

Sales of finished products during 1995 totalled 7.37 millions tons, slightly below (-1.4 %) 1994 sales, but 5.1 % above plan.

Breakdown of sales by market does not show any significant variation compared to the breakdown of the first half of 1995. They are shown in the following table :

(in % share of sales)

Markets	1992	1993	1994	2nd. H 1994	1st. H. 1995	1995
Domestic	71.8	67.9	68.9	69.4	73.1	73.1
Other EC	13.9	12.7	15.1	14.9	13.4	12.4
O. Countries	14.3	19.4	16.0	15.7	13.5	14.5

The Italian authorities have also provided averages prices charged by ILP during 1995. The Commission examined the information given and concluded that the prices are within the normal range.

6. Financial Performance

The provided financial data for the entire year 1995 cover only the activity of ILP S.p.A. or about 70 % of the activities of the ILP Group. Nevertheless, a part for the turnover, they show already a substancial increase compared with the one for 1994 as summarized in the following table :

(billions Lit.)

	1994	1st half 1995	1995*	1995/1994 % change
Turnover	9779.9	4059.0	6422	(34.3
Gr. operative margin	1337.7	1100.0	1792	34
Depreciation	211.3	232.0	343	62.3
Operating results	1108.2	867.0	1438	29.8
Net fin. charges	131.1	46.0	108	(17.6)
Net results	867.1	540.0	965	11.3
Net Financial Debts	1593.6	1441.0	408	(74.4)

* represent only approx. 70 % of total activity of the ILP group

Comparison with the plan figures for 1995 are summarized in the following table :

(billions lit.)

	1995 Actual	1995 PLAN	Actual versus PLAN
Turnover	6422	7066	(9.1)
Gr. operative margin	1792	823	117.7
Depreciation	343	281	22.1
Operating results	1438	542	165.3
Net fin. charges	108	194	(44.3)
Net results	965	147	556.5
Net Financial Debts	408	1570	(74.0)

7. Terms and condition of new loans

During the second half of 1995, ILP has contracted a loan for 300 billion Lit. with a private Italian bank at market rate without any state guarantee.

8. Privatisations

With the fulfillment of the obligation to close down 500,000 tonnes of production capacity as required by the Commission's decision 94/259/ECSC of 12.4.94, the privatisation of ILP can be considered concluded.

The controversy between IRI and the Riva group on the amount of 1994 profit to be considered as part of the final price for the sale, is not settled yet.
As already mentioned in the previous report, depending on which amount is finally considered, the final price could vary between 2440 and 2565 billion Lit.

This amount is, in all cases, well above the income of 1300 billion Lit. expected in the plan for this privatisation. This difference will be taken into consideration by the Commission services when calculating the total remaining indebtedness to be covered by state aid.

II. AST

As already stated in the last report, the sale of AST to a private consortium was finalized on 23.12.94

with the transfer of the shares from IRI to the new owner. AST from that date has to be considered a fully private company.

1. Capacity reductions

In accordance with the approved restructuring plan, no capacity reductions have been performed during 1995.

2. Investments

The investment budget for 1995 was for 62.2 billion Lit. mainly related to the hot strip mill at Terni and stainless steel production lines in Torino. Actual investments were 70.2 billion Lit. (12.9 % above budget) all paid from the company's own resources. Major variations were in the safety and pollution control areas and in various small projects. These investments do not modify the production capacity of the company.

3. Workforce reductions

During 1995 AST has continued its programme of workforce reductions. 456 people was put in preretirement compared with 227 in 1994. 76 more are foreseen in 1996 to conclude the preretirement programme.
Developments in the AST group workforce since 1993 are summarized and compared to the plan as follows :

Number of workers at the end of the year :	ACTUAL	PLAN	Actual versus Plan
1993	4373	4457	(84)
1994	4454	4108	346
1995	4332	4068	156
1996	4191 est.	4078	113

The increase at the end of 1994 is due to the acquisition from Ilva in Liquidazione of the company ICROT (Metalworking and service activities) not initially foreseen from the plan. This acquisition brought in AST group 85 people.
Net reduction of the AST's workforce during 1995 was 122 people,

4. Production

Actual production for the year 1995 and comparison with previous years can be summarized as follows :

(thousands tonnes)

	1992	1993	1994	2nd Half 95	1995	94/93 % change	95/94 % change
Liquid Steel	775	811	954	473	1037	17.6	8.7
H. Rolled Coils	1042	860	970	490	1077	12.8	11.1
Cold R. Sheets	448	467	527	283	599	12.8	13.7
Stainless Steel	341	356	399	220	469	12.1	17.5
S.S. Hot Rolled	53	68	60	32	69	(11.8)	14.2
S.S. Cold Rolled	288	288	339	189	401	17.7	18.1

Actual production figures for the year 1995 are in all cases ahead of plan as follows :

(thousands tonnes)

	1995 Plan	1995 Actual	Actual vs.Planned (% changes)
Liquid Steel	926	1037	12.0
Hot Rolled Coils	855	1077	26.0
Cold Rolled Sheets	486	599	23.3
Stainless Steel	365	469	28.5
S.S. Hot Rolled	50	69	37.0
S.S. Cold Rolled	315	401	27.1

5. Sales

Sales of finished products during 1995 totalled 874.8 thousands tons, 6.4 % above 1994 sales. Cold rolled stainless steel sales were 387.2 thousands tons, 11.4% above 1994 corresponding sales and 18.1 above plan.
The share of domestic sales of total AST sales shows a sharp drop during the second part of 1995 totally compensated by an increase in the share of the sales to third countries, as shown in the following table :

(in % share of sales)

Markets	1993	1994	1st. H. 1995	2nd. H. 1995	1995
Domestic	60.8	64.7	65.2	58.9	62.3
Other EC	15.8	15.2	15.4	15.8	15.6
O. Countries	23.4	20.2	19.4	25.3	22.1

The Italian authorities have also provided averages prices charged by AST during the second half of 1995. The Commission examined the information given and concluded that the prices are within the normal range.(DG III to confirm)

6. Financial Performance

The financial performance of AST has been quite successful with an increase of the turnover of 54 % over the one of 1994 and net results almost ten times higher than the corresponding ones in 1994.
Main financial data and comparisons with previous year and the plan are summarized in the following tables.

(billions Lit.)

	1994	1st half 1995	1995	1995/1994 % change
Turnover	1657.8	1352.0	2553.1	54.0
Gr. operative margin	137.0	318.2	560.8	309.3
Depreciation	70.1	60.5	93.4	33.2
Operating results	35.0	252.9	506.7	1347.7
Net fin. charges	41.9	17.8	10.2	(75.7)
Net results	(52.4)	235.7	453.6	965.6
Net Financial Debts	305.9	197.6	5.3	(98.3)

(billions Lit.)

	1994 PLAN	1994/PLAN % change	1995 PLAN	1995/PLAN % change
Turnover	1718	(3.5)	1848	48.6
Gr. operative margin	186	(26.3)	209	201.5
Depreciation	56	25.2	64	66.8
Operating results	130	(73.1)	144	289.8
Net fin. charges	54	(22.4)	56	(81.1)
Net results	34	(254.1)	41	1234.1
Net Financial Debts	485	(36.9)	482	(98.9)

7. Privatisations

As reported in the third monitoring report, the privatisation of AST was finalized on 23.12.94 with the approval of the Commission and the transfer of the share to the new owner.

The disagreement between the new and the old owners on the way to calculate the 1994 results has being settled with the intervention of a third independent auditor. On the base of its assessement the final price to be paid to IRI for the sale of AST will be 623 billion Lit. (23 billion Lit. more than the previously indicated price).
The Commission services have to take this into consideration while making the calculation of the total remaining debt of Ilva in Liquidazione, since the final price paid for AST has an influence on the amount of aid needed to cover this debt.

III. ILVA in Liquidazione

1. Capacity reductions

Ilva in Liquidazione has performed all capacity reduction foreseen by the approved restructuring plan.

2. Investments

Also in accordance with the restructuring plan, no investments have been made during the period presently monitored.

3. Workforce reductions

During the year 1995, Ilva in Liquidazione has continued its programme of reductions of the workforce. Total reductions during the year were 1349 people of which 814 preretirements. Total number of preretirements for 1994 and 1995 is 3997 out of a total forecast of 4610.
Developments in the Ilva in Liquidazione workforce from 1993 and their comparison with the plan are summarized in the table below. The large variation from the plan is due to a faster than foreseen cession of the companies left in Ilva in Liquidazione (see also the section "Privatisations" here below) with a consequent transfer of workers.

Number of workers at the end of the year :	PLAN	ACTUAL
1993	11070	15939
1994	n.a.	9008
1995	n.a.	7659
1996	9308	1526

At the level of the old Ilva group (including ILP and AST), the achieved workforce reductions are summarized and compared with the 11500 reductions foreseen by the approved restructuring plan as follows :

	Old Ilva Group active workforce at the end of the year	Workforce Reductions (cumulative)	Variance from Plan
1992	40562	-	(11500)
1993	38513	2049	(9451)
1994	32592	7970	(3530)
1995	29168	11394	(106)
1996	21396 est.	19166 est	7666

As it can be seen already by the end of 1995 all planned workforce reductions were pratically achieved.

4. Production & Sales

Since the companies left in Ilva in Liquidazione are either operating in sectors others than steel, or, if in steel, they produce non ECSC products, the Commission services do not think it is appropriate to report here data about their production or sales.

5. Financial Performance

As already stated in the previous monitoring reports, the structure of the company changed significantly from one report to another due to the spinning off of the other two companies (ILP and AST) and the selling of almost all the other minor companies part of the former Ilva group (see the "Privatisation" section of this report). It is, therefore, impossible to make a meaningfull comparaison between the results of the different periods.

During 1995, the only operative company left in the group was Dalmine (steel pipes). Since this company was privatized only in January 1996 (see the "Privatisation" section of this report), the consolidated ecomomic accounts for Ilva in Liquidazione in 1995 still reflect its activity.

Major items of the profit and loss statement were as follows (in 1993 figures the activities and the results for ILP and AST are still included) :

(billions Lit.)

	1993	1994	1995
Turnover	11609	2755	1826
Operating Result	(845)	(377)	199
Financial Charges	986	450	307
Extroardinary items	(2363)	186	141
Net Result	(4352)	(641)	15

The Commission services, as in previous monitoring reports, devote most attention to monitor the **level of indebtedness** of Ilva in Liquidazione in order to follow its evolution in comparaison with the planned one.
Nevertheless, this figure is not directly comparable with the one existing at the moment of the approval of the plan.

After,

1. having made all necessary calculations to make them comparable;

2. keeping in mind that by its decision taken on 23.12.93, the Commission approved a maximum amount of aid of 4790 billion lit. for the liquidation and restructuring of Ilva, consisting of an injection of 650 billion lit. - already granted by IRI in 1992 - and of 4140 billion lit., which was the forecasted final balance of the debts to be taken over by IRI at the end of Ilva's liquidation, reduced by the income arising from the sale of ILP, AST and some other subsidiaries and the debts transferred along with their sale;

it is possible to udate the preliminary estimation of the coverage of Ilva indbtedness until the end of the liquidation process based on the preliminary results at the end of December 1995 provided by the Italian authorities. These figures take into account the preliminary value for the incomes from the sale of ILP i.e. 2500 billion Lit. and the final value for the sale of AST i.e. 623 billion Lit..
The results of these operations are summarized in the following table :

(billions lit.)

	PLAN	at the end of liquid. based on results at 31.12.93	at the end of liquid. based on results at 31.12.94	at the end of liquid. based results at 31.12.95 (prelimin.)
Total comparable Ilva indebtednss	(10067)	(10889)	(11426)	(11327)
Incomes from the sales of ILP,AST,Sofin.	2806	2760	2960	4183
Debts transf. to ILP,AST,Sofin.	1897	2546	2546	2546
Other debts to be transferred	1061	923	592	541
Expected incomes from sales of companies	1425	1425	1400	792
Expected incomes from the liquidation process	448	448	1253	762
Foreseen disboursements during the liquidation	(645)	(654)	(616)	(370)
Expected liquidation costs	(1065)	(1065)	(640)	(316)
Total residual Indebtedness	(4140)	(4506)	(3931)	(3189)
Var. from plan		366	(209)	(951)

As it can be seen, when the liquidation process will be completed and the prices for the sales of all the companies which have been privatized, cashed in, the total amount of aid finally necessary to cover the resulting indebtedness, is expected to be 951 billion Lit. less than the amount approved under the art. 95 decision.

The Commission services will continue to update these figures as soon as final figures for 1995 will be available.

6. Terms and conditions of Ilva in Liquidazione's financing

In considering the financing of Ilva in Liquidazione indebtedness, the following facts have to be taken into consideration, as alredy recalled in last monitoring report :

a) At the end of 1993, time at which the liquidation started, Ilva in Liquidazione accounts showed a debts towards IRI for 1538 billion lit (included in the total Ilva indebtedness to be covered by IRI according to the plan), which could be considered as a first tranche of aid already grated under the art. 95 ECSC decision, since IRI will never ask for its repayment.

b) Also during 1994 and the first six months of 1995, IRI has provided funds to Ilva in Liquidazione for 2418 billions lit. which have been mainly used to repay old long term loans and stand by credits with financial institutions.

c) During the second half of 1995, Ilva in Liquidazione has continued to pay back its old debts and stand by credits with funds coming from IRI. Up to the end of 1995, therefore, the funds provided by IRI to Ilva in Liquidazione are 3443 billion Lit., net of the incomes already received from the sale of ILP and AST (1997 billion Lit.) - directly cashed in by IRI. This amount can be considered as the aid so far received by Ilva in

Liquidazione from IRI to accomplish its restructuring.
In the previous monitoring report the 3956 billion Lit. reported as aid already paid by IRI to Ilva at the end of June 1995, was a gross figure since the part of the prices already paid up to that date for ILP and AST were not known at that time.

c) At the end of 1995, the stand by credits with financial institutions remaining were 1233 billion Lit. They will be all paid back within the end of 1996 or the beginning of 1997. Old long term loans (obtained before 1993) still remaining at December 1995, amount to 221 billion Lit.

d) All the above amounts are included in the 11327 billions lit. total indebtedness of Ilva (see first line of previous table). If the preliminary results reported are confirmed, **the final amount of indebtedness to be covered by aid will be 3189 billion Lit. well below the approved amount of 4140 billion Lit.**

7. Privatisations

Up to now, Ilva in Liquidazione has sold the ownership or its partecipation in the following companies (this list do not includes ILP and AST which were owned and sold directly by IRI):

(billions lit.)

Companies	Buyer	Price	Debts transferred (applies only to companies fully owned)
*Cogne Acc. Speciali	Marzorati Group	7.0	75.0
*ICMI	ILP	105.0	89.7
*TDI	ILP	30.0	50.3
ISE	Edison-EDF, ILP	420.0	3.6
*ICE	Valle d'Aosta Region	86.0	(0.3)
*Sidermar di Navig.	Coe&Clerici	60.8	
*Sidermar Serv. Acc.	ILP	0.6	
*Sidermar Trasp. Costieri	ILP	22.8	
*Lovere Sidermecc.	Lucchini Group	25.0	
*Verres	Finaosta	1.8	
*Nitco	Expertise srl	0.3	
*Thainox	Ugine, Thaismart Plus Ltd.	40.0	
*SISH	Sahavirya Steel Holding	158.8	
*Sahavirya	Supatra Eaucheevalkul	28.1	
*Soc. Off. Savigliano	Uninvest srl	0.6	
*P. Port	WIT	2.51	
*Tad Fin	PIM	3.8	
*TSSI	WPG	6.6	
TOTAL		999.7	218.3

* Companies for which price payments have already been received up to the end of 1995.

These totals of 999.7 billion Lit. of incomes and 218.3 billion Lit. of debts transferred compare with planned expected incomes for the same companies of 1025 billions lit. and expected transfers of debts for 479 billions lit.,
Major company not yet included in this table is Dalmine whose sale, however, has been concluded in January 1996. Details will be reported in the next monitoring report. According to the Italian authorities with the sale of Dalmine and few other minor companies, the forecasted amount of income from these sales of 1400 billion Lit. should be reached while the figure for the transfer of debts will be approx. 300 billion Lit. under the planned one.

STEEL MONITORING REPORT No 5, May 1996, IRISH STEEL

Monitoring of Article 95 ECSC steel aid cases

Fifth Report, May 1996

Irish Steel, Ireland

A. Introduction

The Commission decided on 7 February 1996 (decision not yet published) to approve aids under Article 95 ECSC linked to the sale of Irish Steel Ltd (ISL) to Ispat International amounting to a maximum of IRL£ 38.298 million, serving the following purposes:

- up to a maximum of IRL£ 17 million for the writing-off of an interest-free Government loan;
- a cash contribution of up to a maximum of IRL£ 2.831 million to cover a balance sheet deficit;
- a cash contribution of up to a maximum of IRL£ 2.36 million to cover specific remedial environmental works;
- a cash contribution of up to a maximum of IRL£4.617 million towards the costs of servicing debts;
- a cash contribution of up to a maximum of IRL£ 0.628 million to cover a deficit in the pension scheme;
- a further cash contribution of up to a maximum of IRL£ 7.2 million;
- indemnities of up to a maximum of IRL£ 2.445 million in respect of possible residual taxation and other costs and financial claims arising from the past;
- up to a maximum of IRL£ 1.217 million, representing the aid element contained in State guarantees on two loans amounting to IRL£ 12 million.

Under the terms of the decision these aids are approved subject to various conditions in particular as regards production and sales.
The relevant provisions of article 2 read as follows :

2. *[The new company] shall not extend its current range of finished products, (...), in the first five years and shall not produce beams of a larger size than its current range of sizes in that period.*
   Within its current range of beams it shall limit production for the Community market of its largest U beams (Imperial), HE beams (metric) and IPE beams to a cumulative 35,000 tonnes per annum during that period.

3. *[The new company] shall not exceed the following levels of production per financial year [from 1st July to 30 June] :*

STEEL MONITORING REPORT No 5, May 1996, IRISH STEEL

(thousands tonnes)

Max. level of Production	*1995/96*	*1996/97*	*1997/98*	*1998/99*	*1999/2000*
Hot-rolled finished products	*320*	*335*	*350*	*356*	*361*
Billets	*30*	*50*	*70*	*80*	90

4. *[The new company] shall not exceed the following levels of European sales (Community, Switzerland and Norway) in hot-rolled finished products per financial year [from 1 July to 30 June] :*

(thousands tonnes)

Max. European sales :	*1995/96*	*1996/97*	*1997/98*	*1998/99*	*1999/2000*
Hot-rolled finished products	*298*	*302*	*312*	*320*	*320*

B. The Monitoring Report

The first monitoring report on Irish Steel essentially covers the position of ISL as at 31 December 1995, based on information submitted by the Irish authorities on 15 March 1996 in accordance with the Commission's decision together with supplementary information provided subsequently. Exceptionally, the report also includes information on the company's production and sales up until the end of February 1996 (sections 5 and 6 refer). During the period covered by the report ISL remained in public ownership, the sale agreement with Ispat not having been concluded (see section 8 privatisation for details of latest position).

1. Capacity Reductions

No capacity reductions are required as a condition of the aid authorised under Article 95 ECSC.

2. Investments

Since the sale agreement with Ispat has not yet been concluded, no investments foreseen in Ispat's business plan have been undertaken.
During the period 1 July 1995 to 31 December 1995 capital expenditure on routine maintenance and replacements was incurred totalling IRL£362,000. These investments were funded from the company's internal resources.

3. Workforce Reductions

It will be recalled that under ISL's own 1994 "stand alone" restructuring plan, a reduction in the workforce from 561 to 356 was foreseen. The majority of the redundancies took place prior to 30 June 1995, with only 9 remaining after that date. The total cost of the redundancies amounts to IRL£ 4.8 million and was funded by the company.

4. Production

Actual production of finished products in the period 1 July 1995 to end of February1996 was 174,228 tonnes. If this level of performance is maintained, thiswould suggest an outturn for financial year 1995/96 (1 July 1995 to 30 June 1996) of approximately 261,000 tons. This outturn would be slightly above the level of production in 1994/95 and is well within the production limitation of 320,000 tons for 1995/96 laid down by the Commission decision as can be seen from the following table.

(thousands tonnes)

Finished Products Production			
1994/95	1995/96	1995/96	1991/96
actual	actual year to date	forecast outturn	production limitation /year
258	174	261	320

Sizes of beams produced were within the current range of sizes as communicated to the Commission in November 1995.

Total billet production was 187,429 tonnes. Production of billets for sale outside the company was 2710.9 tonnes.

5. Sales

Sales of finished products in the period 1 July 1995 to the end of February 1996 totalled 170,000 tons. If these levels of sales were maintained for the remainder of the financial year, the annual total world be approximately 255,000 tons, compared with total sales in 1994/95 of 258,000 tons.
The breakdown of sales by market for the first six months of the financial year shows that approximately 98% of sales were to European markets as defined under the decision (i.e. Community, including domestic market in Ireland, plus Switzerland and Norway). If this pattern is maintained total sales to European markets for the financial year could be expected to be around 250,000 tons, below the 298,000 ton limitation for 1995/96 imposed by the Commission decision.

The Irish authorities have also provided information on prices. The Commission has examined this information and concluded that the prices are within the normal range.

In the period from 1 July 1995 up to end February 1996 production for sale to Community markets of ISL's largest U beams (Imperial), HE beams (metric) and IPE beams totalled a cumulative 10,398 tons. If this level of performance stays unchanged the annualized figure for financial year 1995/96 would be approximately 15,600 tons, compared with an annual limitation of 35,000 tons as laid down in the decision.

6. Financial Performance

The Irish authorities presented a full range of financial data as requested by the Commission.

In the period 1 July 1995 to 31 December 1995 on a turnover of IRL 27.8 million ISL made a net loss of IRL 3.789 million (13.6%). A comparison with recent past performance can be seen in the following table:

(million IRL£)

	1992/93	1993/94	1994/95	1995/96 (1st H)
Turnover	58.845	62.291	66.978	27.8
Net loss	12.979	18.764	5.83	3.789
%	22%	30%	8.7%	13.6%

7. Privatisation

At the time of the submission of the first monitoring report, the sale of ISL to Ispat had not been concluded. The final sales contract was expected to be signed between the parties by the end of March. The necessary draft legislation had been prepared and was submitted to the Seanad (Senate) on 20 March 1996. The Parliamentary procedures were expected to be completed by the end of April. The Commission will in due course be examining the final sales contract to ensure that all the conditions attached to the aid authorisation are respected, including the requirement that the new company must at the outset have a level of net financial charges of at least 3.5 % of turnover. The next monitoring report will cover this.

8. Terms and conditions of new loans

During the period up until 31 December 1995 ISL did not obtain any new loans.

9. Aids

Since the sale contract has not yet been finalised, no aids have yet been paid with the exception of the IRL£1.217 aid element in the State guarantees previously granted on the 1993 IRL£10m loan with ACC Bank and the 1994 IRL£2m note issuance facility with the Bank of Ireland.

Monitoring of Article 95 ECSC steel aid cases
Fifth Report, May 1996

Siderurgia Nacional, Portugal

I. Introduction

The Commission decided on 12 April 1994 to approve aids in favour of *Siderurgia Nacional* totalling 60.12 bn Esc (309.6 MECU) under Article 95 ECSC Treaty[1] of which 38 bn Esc (191.5 MECU) were earmarked for a capital injection and 22.12 bn Esc (113.9 MECU) for debt write-off. The Commission approved in September 1994 social (4.925 bn Esc) and environmental aid (1 bn Esc) totalling 5.925 bn Esc (30.51 MECU) under the Steel Aids Code[2]. The authorization of aid was made subject to the condition that the Portugese authorities would fully cooperate in the monitoring of the implementation of this decision.

II. The new monitoring report

The present report covers the developments up until 31 December 1995 based on the information provided by the Portugese Government in its fifth monitoring report, which was submitted, in line with the request of the Commission, on 15 March 1996.

1. Capacity reductions

The production of the light section mill and the continuous casting installations (Seixal) had been stopped by 31 October 1993 thus providing the first part (60 kt/y) of the total capacity reduction required (140 kt/y) by the Article 95 ECSC decision of the Commission. The medium section mill in Seixal with a capacity of 80 kt/y was closed by 31 December 1995. Therefore, the closure of installations was achieved in line with Article 2 of the Commission's decision of 12 April 1994. A company specialized in the marketing of used installations was charged to find a purchaser.

2. Investments

The management of *Siderurgia Nacional* decided not to carry out major investments before privatization of *SN Longos* and *SN Planos* in order not to jeopardize the industrial plans

[1] O.J. No. L 112 of 3 May 1994, p. 52
[2] O.J. C 390 of 31.12.1994, p. 18

of the new owners. The new managements of *SN Longos* and *Lusosider* (the former *SN Planos*[3]) are about to draft their investment plans.

Lusosider intends to carry out, until the year 2000, the following investments:

modernization of the installations and improvement of product quality	6.0 bn Esc[4]
flexibilization of production	4.0 bn Esc
environment	1.5 bn Esc

SN Longos intends to carry out the following investments:

Seixal	
installation of electric arc furnace, improvement of the other installations	9.4 bn Esc
environment	1.1 bn Esc
Maia	
improvement of the installations	2.0 bn Esc
environment	0.8 bn Esc

During the second half of 1995 investments of the following amounts were carried out:

SN Serviços	environmental investments	12.0 mio Esc
	regular investments and maintenance	75.0 mio Esc
SN Longos	regular investments and maintenance	
	Seixal	83.0 mio Esc
	Maia	323.0 mio Esc
SN Planos	regular investments and maintenance	108.0 mio Esc

3. Reduction of workforce

The reduction of workforce remains to be a major problem for the Portugese authorities. The main obstacle is the fact that, due to the depressed situation on the labour market, it turned out to be more difficult than expected to achieve mutual agreements with the

[3] see II.7.
[4] 1 bn Esc = 5.0935 MECU; 1 mio Esc = 5093.5 ECU (1.3.1996)

workers. The evolution of workforce and the newly revised plan for the reduction of workforce on *SN Serviços* and *SN SGPS* is shown in the following table.

Evolution of workforce

	1993	1994	1995	1996	1997	1998
	real			forecast		
SN Longos, of which in *Seixal*	2056	445	509	*	*	*
in *Maia*	429	402	385	*	*	*
TOTAL SN Longos	2485	847	894	*	*	*
SN Planos	530	471	454	440	440	440
TOTAL SN Longos + SN Planos	3015	1318	1348	*	*	*
SN Serviços	-	1423	1216	1051	911	63
SN SGPS	-	36	25	10	0	0
TOTAL SN group	3015	2777	2589	*	*	*
Reduction per year	193	238	188	*	*	*
Total planned initially	2925	2380	1682	1410	1410	1410
Deviation from initial plan	+ 90	+ 397	+ 907	*	*	*

* No forecast available for SN Longos

As explained in the previous monitoring report, a number of measures were taken to catch up with the plan. In order to achieve a higher number of mutual agreements, *SN Serviços* maintains the financial insentives offered. In the framework of the measures supported under the RESIDER II programme, an office has been created to support workers that intend to create small own businesses.

The new Industrial Parc Setubal, supported by means of RESIDER I, would also help to to find new jobs for the employees of *SN Serviços* in the region. The Portugese authorities offer special conditions to those companies taking over workers of *SN Serviços* and support professional training and adaptation.

Nevertheless, the situation by the end of 1995 as regards workforce reduction is even worse than initially forecasted. In the previous monitoring report, the Portugese authorities presented an expected total number of employees of 2492. The real figure achieved by the end of the year is 2589. Therefore, the deviation from the initial plan amounts to 907, while the deviation from the modified plan presented in the third monitoring report increased from 178 to 275.

The Portugese authorities stressed that the initial plan was drafted under the assumption that the authorization of the Commission could be expected much earlier than by April 1994. Therefore, the closure of the blast furnace and its replacement by the new electric arc furnace, initially planned for the end of 1995, has been postponed in order not to interfere into the investment decisions of the new management after privatization. Without this deviation form the plan, the total deviation in reduction of workforce could, according to the Portugese authorities, be at 460 instead of 907.

The privatized company *SN Longos* intends to carry out a further reduction of workforce, but has not created a precise plan so far. *Lusosider* (the former *SN Planos*) does not consider further workforce reductions.

Financing of redundancies

	nature	no of workers	56 ECSC	State (Art. 56 ECSC)	company *	TOTAL
			costs in mio. Esc			
1993	early ret.	138	52.8	52.8	-	105.6
	releases	28	17.1	17.1	8.3	42.5
	others	27	-	-	-	-
	TOTAL	193	69.9	69.9	8.3	148.1
1994	early ret.	111	43.6	43.6	0	87.2
	releases	114	67.3	67.3	245.0	379.6
	others	20	0	0	0	0
	TOTAL	245	110.9	110.9	245.0	466.8
1995	early ret.	133	52.0	52.0	34.3	138.4
	releases					
	others	51	29.7	29.7	136.9	196.4
	TOTAL	11	-	-	-	-
TOTAL		633	262.5	262.5	424.5	949.7

* to which the States contributes up to 50% authorized under Article 4.1 Steel Aids Code.

4. Production

Overview of production 1993 - 1995 (in kt)

	production in kt			
Product	1993	1994	1995	1995/1994
Crude steel total	**745.3**	**722.8**	**796.3**	**+ 10.0 %**
SN Serviços		439.4	443.6	+ 1.0 %
SN Longos		283.4	352.7	+ 24.5 % *
Finished prod. total	**919.6**	**930.4**	**922.2**	**- 0.38 %**
SN Longos	709.9	701.1	704.8	+ 0.5 %
Lusosider	209.7	229.3	217.4	- 5.2 %

Evolution of monthly production in 2. half of 1995 (in kt)

	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
crude steel							
SN Serviços	40.5	35.8	41.2	35.5	33.9	34.4	221.3
SN Longos	32.9	32.9	30.0	33.1	31.9	30.0	190.8
Total	**73.4**	**68.7**	**71.2**	**68.6**	**65.8**	**74.4**	**412.1**
SN Longos							
rebars	64.9	44.8	61.7	55.8	62.3	34.5	324.0
profiles	2.5	1.4	4.8	4.1	4.0	3.2	20.0
Total	**67.4**	**46.2**	**66.5**	**59.9**	**66.3**	**37.7**	**344.0**
Lusosider							
cold rolled plate	4.8	3.0	3.3	2.9	5.5	2.8	22.3
galvanized sheet	8.2	7.1	7.6	10.9	7.6	2.8	44.1
tinplate	6.8	6.1	6.1	7.6	6.0	4.5	37.2
Total	**19.8**	**16.2**	**17.0**	**21.4**	**19.1**	**10.1**	**103.6**
Total finished products	**87.2**	**62.4**	**83.5**	**81.3**	**85.4**	**47.8**	**447.6**

Evolution of half-yearly production (in kt)

	1994		1995		1995 / 1994
	1. sem.	2. sem.	1. sem.	2. sem.	2. sem. (%)
crude steel	309.6	413.2	384.2	412.1	- 0.3
finished products	425.4	504.8	474.3	447.6	- 11.3
SN Longos	318.9	382.0	360.8	344.0	- 10.0
Lusosider	106.5	122.8	113.5	103.6	- 15.6

In 1995, the production of crude steel was 10% higher than in the year 1994, thus coming back to the normal amount of production of the previous years. In 1994, production was lower due to the technical problems in the electric arc furnace in the Maia works.

The production of flat products in 1995 was reduced by approx. 5% compared to 1994. This development is related to the focussing on more higher value added products. The production of long products throughout the year of 1995 remained nearly the same compared to 1994. The relatively good market situation up until mid 1995 was balanced by the development during the second half of the year.

5. Sales

Sales in 2. half 1995 per product category

	Portugal		EU 14		3rd Countries		TOTAL kt
	kt	%	kt	%	kt	%	
SN Serviços - slabs	172.7	88.97	21.4	11.03	0	0	194.1
SN Longos							
- rebars	172.9	81.14	33.4	15.67	6.8	3.19	213.1
- wire rod	35.9	54.65	22.7	34.55	7.1	10.80	65.7
- profiles	7.1	46.40	8.2	53.60	0	0	15.3
Total long pr.	215.9	73.41	64.3	21.86	13.9	4.73	294.1
Lusosider							
cold-r. sheet	20.4	92.30	1.7	7.7	0	0	22.1
galv. sheet	30.1	73.41	8.1	19.76	2.8	6.83	41.0
tin plate	21.1	59.27	14.5	40.73	0	0	35.6
total flat prod.	71.6	72.54	24.3	24.62	2.8	2.84	98.7
TOTAL finished prod.	287.5	73.20	88.60	22.55	16.7	4.25	392.8

Comparison of sales with plan

	1994		1995		plan 1995 *	
	kt	mio Esc	kt	mio esc	kt	mio Esc
Portugal	**667.4**	**40.5**	**634.3**	**42.1**	**717**	
long	511.2	27.6	483.9	27.4	565	
flat	156.2	12.9	150.4	14.7	152	
other markets	**255.9**	**15.6**	**221.8**	**14.4**	**272**	
long	185.3	9.4	160.7	8.6	180	
flat	70.6	6.2	61.1	5.8	92	
TOTAL	**923.3**	**56.1**	**856.1**	**56.5**	**989**	**61.87**

* these figures show the plan figure minus 27 kt light profiles because the light section mill was closed down by end October 1993

Evolution of sales and markets

	1. half 1995		2. half 1995	
	kt	%	kt	%
Portugal	346.8	74.87	287.5	73.4
EU 14	85.5	18.46	88.6	22.6
3rd Countries	30.9	6.67	16.7	4.0
TOTAL	**463.2**	**100**	**392.8**	**100**

	1993		1994		1995	
	kt	%	kt	%	kt	%
Portugal	653	70	667.7	72.3	634.3	74.2
EU 14	112	12	159.8	17.3	174.2	20.4
3rd Countries	168	18	96.1	10.4	47.6	5.4
TOTAL	**933**	**100**	**923.6**	**100**	**856.1**	**100**

The figures show an important decline in sales compared to 1994, which is, according to the Porugese authorities, due to the depressed market, mainly during the second half of 1995, and fierce competition with other EU steel producers. The Portugese Government

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also provided information concerning pricing. The Commission examined the information given and concluded that the prices are within the normal range.

6. Financial Performance

The consolidated balance sheet of the group *Siderurgia Nacional* (*SN SGPS* and *SN Serviços*) per 31 December 1995 does not include the results of *SN Longos* and *Lusosider* (the former *SN Planos*). Only for the purposes of the monitoring, the results of the four companies were joined in an artificial consolidation to allow the comparison of results in 1995 with the year 1994.

The consolidated figures are shown in the following table:

In Mlo Esc	1994	1995
Sales, services perf.	57577	65959
other products	117	5
costs of sales	39506	44642
personnel costs	9240	9411
depreciation+ provisions	6749	17761
financial charges	7257	7390
other costs	8206	8724
operating result	- 13264	- 21964
gross benefit	-13683	- 26090

The figures reflect also the loss of *SN SGPS* related to the privatization of its shares in *SN Longos* and *Lusosider*.

The Portugese authorities provided also detailed financial data concerning the four different companies, based on the provisional balance sheets:

	1995 (in Mio Esc)			
	SN SGPS	SN Serviços	SN Longos	Lusosider
Sales, services perf.	529	23144	40231	21194
other products	0	4		1099
costs of sales	0	14668	28629	18800
personnel costs	264	4262	3134	1694
depreciation+ provisions	12185	1087	2763	1898
financial charges	5000	625	930	785
other costs	282	3879	6388	2009
operating result	- 17174	- 1373	- 1613	- 2893
gross benefit	- 21263	- 1140	- 1709	- 2944

7. Privatization

a) SN Planos

On 31 August 1995 the Portugese Government decided to sell 90% of the shares in *SN Planos* to *Lusosider Produtos Siderúrgicos S.A.*, a company controlled by *Hoogovens Groep BV* and *Sollac S.A.*, a subisidary of *Usinor Sacilor S.A.*, with a small participation of *DHS France* (4.97%). The remaining 10% of the shares in SN Planos will be offered to workers and small individual investors. On 9 January 1996, the first assembly of shareholders, held immediately after the entering into force of the privatization contract, appointed the new management and decided to rename the company ***Lusosider - Aços Planos, S.A.***.

b) SN Longos

On 28 September 1995, the Portugese Government decided to sell 80% of the shares in *SN Longos* to a group consisting of *Metalúrgica Galaica S.A.*, *Erisider Holland B.V.* (a company of the *Riva* group) and *Atlansider SGPS*. The latter holds

0.8% of the shares, the two other new shareholders keep 39.6% of the shares each. 10% of the shares in *SN Longos* will be offered to workers and small individual investors. 10% of the shares are kept by the Portugese state. The first assembly of shareholders, held immediately after the entering into force of the privatization contract, appointed the new management on 18 December 1995.

8. Aid

The Commission approved aids of up to 38 bn Esc (191.5 MECU) for capital injection and 22.12 bn Esc (111 MECU) for debt write-off under Article 95 ECSC. The Portugese Government informed the Commission that these approved aids were granted as follows:

date of payment	amount in Esc
30.3.1994	12 365 569 078
6.5.1994	9 497 055 622
12.5.1994	10 000 000 000
28.6.1994	10 645 119 306
6.7.1994	7 492 255 994
22.6.1995	10 120 000 000
TOTAL	**60 120 000 000**

Thereby, the entire amount of aid authorized under Article 95 ECSC has been granted. The approved aid of 1 bn Esc under Article 3 of the Steel Aid Code (environmental aid) has not been paid so far. The use of the approved aid of 4.925 bn Esc under Article 4.1 of the Steel Aid Code is being explained above under III.3. (financing of redundancies). Up until June 1995, the company received 1.77 bn esc of social aid authorized under Article 4.1 of the Steel Aids Code. During the second half of 1995, no aid authorized under Article 4.1 was disbursed.

9. Minimum net financial charges

In its decision to authorize State aid in favour of *Siderurgia Nacional* the Commission included, similar to the other Article 95 ECSC decisions, the provision that the "level of net financial charges of the new company at the outset will be set at least at 3.5% of annual turnover".

The Portuguese authorities understood the "new company" to be *SN SGPS* as the successor of *Siderurgia Nacional S.A.* and reported the net financial charges of the entire group with *SN SGPS* (holding), *SN Longos, SN Planos* and *SN Serviços* as to be at around 16% of turnover. During discussions concerning details of the privatisation of *SN Longos* and *SN Planos* it has been discovered that the net financial charges of these two operating companies were at the outset in April 1994 set at only ± 1% of annual turnover. In the Commissions' view, since the sense of the provision is to avoid an undue advantage of the aided companies at the production level compared to its competition, the fulfilment of this provision shall not only cover the holding/group (which is formally covered by the decision itself) but also the single operating companies that are active on the market.

During the discussions with the Portugese authorities it was consequently examined whether it would be possible to achieve a solution which would ensure that *SN Planos* and *SN Longos* would have net financial charges of at least 3.5% of turnover *at the time of privatization.*

Concerning ***Lusosider - Aços Planos, S.A.*** (ex *SN Planos*) it could be concluded that the company accumulated debts by end 1995 leading to a level of net financial charges of **3.52%** of turnover. Therefore, the requested minimum level of net financial charges was achieved at the time of privatization. The Portugese authorities stressed that the company envisages investment of 11.5 bn Esc during the next four years, so that the level of financial charges would be increased shortly.

Concerning ***SN Longos*** the Portugese authorities stressed that the minimum level of net financial charges requested by the Commission is set for an integrated producer while *SN Longos* has no own crude steel production and has to buy slabs from *SN Serviços*. It would therefore be adequate to take the calculated financial charges related to the value of the slabs purchased from *SN Serviços* into account for *SN Longos*. A calculation to attain comparability with real integrated producers was also presented for *EKO Stahl* in the third Monitoring Report.

SN Serviços sold slabs at 15.4 bn Esc to *SN Longos* in 1995. A calculated amount of 3.5% financial charges in this amount leads to 539 mio Esc. The sum of these financial charges, related to the slabs purchased by *SN Longos*, and the direct financial charges of *SN Longos*, 930 mio Esc, lead to 1469 mio Esc, i.e. **3.65 %** of turnover of *SN Longos*.

A calculation in which the total net financial charges of *SN Longos* and *SN Serviços* (930 + 625 mio Esc = 1555 mio Esc) would be compared with the turnover of *SN Longos* and the turnover of *SN Serviços* that is not achieved by sales of slabs to *SN Longos* (40231 + 1200 mio Esc = 41431 mio Esc) leads to a level of financial charges of **3.75 %**.

The Portugese authorities stressed that the company envisages investment of 13.5 bn Esc during the next two years, so that the level of financial charges would be increased shortly.

Monitoring of Article 95 ECSC steel aid cases
Fifth Report, May 1996

EKO Stahl GmbH, Germany

I. Introduction

On 21 December 1994, the Commission decided to approve State aid of up to DM 900.62 million (ECU 492 million) under Article 95 ECSC to back the privatization and restructuring plan for *EKO Stahl GmbH* under participation of the Belgian *Cockerill Sambre SA*[1]. DM 362.2 million (ECU 198.1 million) were earmarked to cover losses accumulated until the end of 1994, up to DM 220 million (ECU 120.2 million) to cover losses during the restructuring period 1995 - 1997, up to DM 314 million (ECU 171.6 million) to cover costs of investments and repairs and a guarantee of the public THA representing an aid element of up to DM 4.02 million (ECU 2.2 million).

Since *EKO Stahl GmbH* has no own hot-rolling capacities, the Commission accepted the closure of a hot-rolling mill of *Hennigsdorfer Elektrostahlwerke GmbH* (Brandenburg) with a capacity of 320 kt/y and of another hot-rolling mill with a capacity of 41 kt/y of *Walzwerke Burg GmbH* (Brandenburg) as sufficient to reduce the distortive effect of the aid approved.

The creation of a new hot-rolling mill with a capacity of 900 kt/y (limited at this capacity for a period of five years) by *EKO Stahl GmbH* shall be balanced by capacity reductions in hot-rolled finished products elsewhere in the territory of the former GDR. The authorization of aid was made subject to the condition that the German authorities would fully cooperate in the monitoring of the implementation of this decision.

Also on 21 December, the Commission authorized investment aid in favour of *EKO Stahl GmbH* of up to DM 385 million (ECU 210.4 million) under general regional investment aid schemes, applying Article 5 indent 3 of the Steel Aids Code[2].

II. The new monitoring report

The present report covers the developments up until 31 December 1996 based on the information provided by the German Government in its third monitoring report covering the new privatization and restructuring plan under participation of *Cockerill Sambre S.A.*, which was submitted, in line with the request of the Commission, on 12 March 1996.

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(1) State aid No N 572/94, O.J. No. L 386 of 31.12.1994, p. 18

(2) State aid No N 728/94, not published in the O.J. so far, see IP (94) 1275
For further details regarding the background of the case the 3rd Monitoring Report of May 1995, p. 36

1. Capacity

Capacity reduction

The Commission decided that a hot-rolling mill of *Hennigsdorfer Elektrostahlwerke GmbH* with a capacity of 320 kt/y and a hot-rolling mill of *Walzwerke Burg GmbH* shall be closed down to reduce the distortive effect of the aid authorized under Article 95 of the ECSC Treaty. The required capacity closures were carried out by the end of February 1995.

Capacity limitation

The Commission, with unanimous assent of the Council, allowed the installation of a new hot-rolling mill under the following conditions: The production at the new hot wide strip mill is to be built up to reach a capacity of 900 kt/y only after 3 years starting at the beginning of 1995. The capacity limitation at 900 kt/y shall be retained throughout a period of five years following the date of the last closure, or, if this will be later, the last payment of aid to investment under the present concept. Upon the expiry of the aforementioned five-year period another five-year period will start to run, during which the production capacity for hot wide strip at *EKO Stahl GmbH* shall be limited to 1.5 mt/y.

The last payment of aid to investment took place by the end of 1994 (see the third monitoring report). Therefore, the capacity of the new mill shall be limited at 900 kt/y up until the end of February 2000 and at 1.5 mt/y up until the end of February 2005. The initial maximal capacity shall not be reached before the end of 1997. Consequently, an effective and reliable technical sollution to bottleneck the developing capacity throughout the 10 years period had to be found.

In the framework of the investment declaration in line with Article 54 § 3 of the ECSC Tretay, the German Government presented a technical proposal that was, after intense discussions with representatives of the company and the German Government, accepted by the responsible Commission services.

The accepted technical sollution providing the capacity limitation necessary is part of the overall electronic control device of the new hot-rolling mill. The system registers the amount of production at different points of the process and compares the total production achieved with the maximum capacity predefined in a file that can only be changed by or with the cooperation of the Commission services. Once the maximum capacity is used, the system blocks a signal which is necessary for the functioning of major parts of the installation. The mill is thereby stopped and further production is technically impossible. Only a re-initialization by or with the cooperation of the Commission services allows the restart of the mill.

The German Government and the company submitted a detailed technical description of the system as well as a study of independent technical experts (TÜV - *Technischer Überwachungs-Verein Südwestdeutschland e.V., Fachbereich Elektro- und Fördertechnik* together with *Technischer Überwachungs-Verein Berlin-Brandenburg e.V., Niederlassung Cottbus*), which confirmed that the system is not manipulable and provides the most effective technical capacity limitation with up-to-date engeneering methods. The redundant high availability structure of the necessary electronic devices provides for the upmost reliability of the system. In case of a total failure of the system, the mill will be blocked and may only be restarted by or with the cooperation of the Commission services.

Furthermore, the system will provide every data necessary for an effective monitoring of the use of the new hot-rolling capacity by the Commission.

2. Investments

The investment plan of the company is shown in the following table:

in Mio DM	1995	1996	1997	TOTAL
modernization of sinter facilities	1	27	11	39
construction of blast furnace	28	141	113	282
new hot-rolling mill	70	275	326	671
modernization cold-rolling mill (remaining works)	51	57	0	108
TOTAL	150	500	450	1100

The following investments were carried out:

in Mio DM	Total plan	plan 1995	orders	realized
modernization of sinter facilities	39	1	5.8	2.5
construction of blast furnace	282	28	130.3	18.0
new hot-rolling mill	671	70	366.9	84.7 *
modernization cold-rolling mill	108	51	64.8	25.0
TOTAL	1100	150	567.8	130.2

* down payment for contracted installations

The investments during the first and the second half of 1995 are shown in the following table:

	1. half 1995		2. half 1995	
in Mio DM	orders	realized	orders	realized
modernization of sinter facilities	5.6	2.4	0.2	0.1
construction of blast furnace	122.4	14.3	7.9	3.7
new hot-rolling mill	365.9	84.6 *	1.0	0.1
modernization cold-rolling mill	41.9	19.3	22.9	5.7
TOTAL	535.8	120.6	32.0	9.6

The formal laying of the foundation for the new hot-rolling mill took place on 26 February 1995. The orders for the mechanic parts of the hot-rolling mill were given in September 1995. The orders for the electric parts were given in November 1995. It is intended to start the mill in July 1997. The formal laying of the foundation for the new blast furnace N° 5A took place on 12 July 1995. Construction begun shortly after.

3. Reduction of workforce

On 1 January 1995, EKO Stahl had 2933 employees (including trainees) and reduced this number down to 2632 on 1 July 1995. This reduction of workforce by 301 persons was mainly achieved through the outsourcing of certain activities, such as data processing. Between July 1995 and 1 January 1996, the number of employees was increased up to 2720. The company hired additional employees for the installation of the hot-rolling mill and the blast furnace.

The number of trainees remained unchanged throughout the year 1995 at 188. The main fields of professional training are metallurgy, electronics and business. The trainees benefit of an own training center of the company and, since privatization to *Cockerill Sambre*, of an intense cooperation and exchange with the region of Eupen in Belgium.

The workforce reduction necessary for the restructuring of the company was mainly implemented before the privatization. It is not intended to carry out a further important reduction of workforce.

The following table gives an overview of the evolution of workforce.

date	number of employees
1.1.1990	11 405
1.1.1991	9 650
1.1.1992	5 721
1.1.1993	3 475
1.1.1994	3 300
1.1.1995	2 933
1.1.1996	2 720

4. Production, sales, turnover

Jan - Jun, Jul - Dec 1995

Finished product	production in kt		sales in kt		turnover in Mio DM	
	1. sem	2. sem	1. sem	2. sem	1. sem	2. sem
pig iron	665.3	820.3	0.0	0.0	0.0	0.0
slabs	749.9	909.2	533.5	640.6	219.3	254.0
cold strip	17.4	12.7	17.5	12.8	13.0	9.5
fine plates cold-rolled	343.9	267.6	331.7	274.5	269.0	227.9
magnetic steel sheets	16.2	12.1	15.3	12.8	12.5	10.3
fine plate galvanized	144.1	125.5	148.6	122.6	133.0	116.2
fine plate coated	47.6	49.9	47.0	45.6	56.8	56.8
Total finished cold-rolled products	**569.2**	**467.8**	**560.1**	**466.3**	**484.3**	**420.7**
miscellaneous turnover					**26.5**	**34.8**
TOTAL turnover					**730.1**	**709.5**

Jan - Dec 1995

Finished product	production in kt	sales in kt	turnover in Mio DM
pig iron	1485.6	0.0	0.0
slabs	1659.1	1174.1	**473.3**
cold strip	30.1	30.3	22.5
fine plates cold-rolled	611.5	606.2	496.9
magnetic steel sheets	28.3	28.1	22.8
fine plate galvanized	269.6	271.2	249.2
fine plate coated	97.5	92.6	113.6
Total finished cold-rolled products	**1037.0**	**1028.4**	**905.0**
miscellaneous turnover			**61.3**
TOTAL turnover			**1439.6**

5. Sales and markets

Sale of finished products 1995

in Mio DM	1995 I. quarter	1995 II. quarter	1995 III. quarter	1995 IV. quarter	1995 total
Germany	161.4	174.1	157.9	123.8	617.2
Export total	76.6	72.2	69.3	69.7	287.8
of which					
- EU	68.7	65.8	57.1	57.8	249.4
- CIS	2.7	0.0	0.1	0.7	3.5
- Eastern Eur.	4.4	5.8	6.6	8.4	25.2
- other countr.	0.8	0.6	5.5	2.8	9.7
TOTAL	**238.0**	**246.3**	**227.2**	**193.5**	**905.0**

Comparison of semesters

in Mio DM	1994 2. sem	1995 1. sem	1995 2. sem	2. sem 95 / 2. sem 94	2. sem 95 / 1. sem 95
Germany	287.0	335.5	281.7	- 1.84 %	- 16.03 %
Export total	135.0	148.8	139.0	+ 2.96 %	- 6.58 %
of which					
- EU	123.8	134.5	114.9	- 7.18 %	- 14.57 %
- CIS	0.0	2.7	0.8		- 70.37 %
- Eastern Eur.	7.3	10.2	15.0	+ 105.47 %	+ 47.05 %
- other countr.	3.9	1.4	8.3	+ 112.82 %	+ 492.85 %
TOTAL	**422.0**	**484.3**	**420.7**	**- 0.30 %**	**- 13.13 %**

Comparison of years

in Mio DM	1994	1995	95 / 94 total	95 / 94 in %
Germany	535.0	617.2	+ 82.2	+ 15.36
Export total	239.0	287.8	+ 48.8	+ 20.41
of which				
- EU	217.1	249.4	+ 32.8	+ 0.15
- CIS	2.2	3.5	+ 1.3	+ 59.09
- Eastern Eur.	11.7	25.2	+ 13.5	+ 115.38
- other countr.	8.0	9.7	+ 1.7	+ 21.25
TOTAL	**774.0**	**905.0**	**+ 131.0**	**+ 16.92**

The figures reflect the recovery of the market in 1995 compared to 1994. The increase of sales in slabs was exclusively achieved by sales to markets outside the Union. The demand for flat steel in November and December was very low, so that sales in the second half of 1995 were lower than during the first half.

The average prices of the product groups were given in the monitoring report. The Commission compared these prices with the average market prices achieved and considers them to be within the normal range.

6. Financial Performance

The German authorities provided a full range of financial data and financial ratios in line with the Annex to the Commission's decision.

in Mio DM	1994	1. sem 1995	2. sem 1995	1995	Plan 1995
turnover	1 092	730	710	1 440	1 420
gross margin	80	52	86	138	147
depreciation	25	14	20	34	31
net operating result	- 17	16	4	20	- 17
net financial charges	29	9	12	21	29
net results	- 48	7	13	20	- 46

The recovery of the market and the reduction of costs allowed the company to stop its loss-making and to achieve a net result of + 20 Mio DM compared to losses of nearly 50 Mio DM in 1994 and a planned loss of 46 Mio DM for the entire year of 1995. The increase in depreciation is mainly caused by the activation of the investments in the cold-rolling facilities. The net financial charges are lower than expected because *Cockerill Sambre* was prepared to grant a shareholders' loan at favourable conditions.

7. Privatization

The privatization contract between *Cockerill Sambre S.A.* and THA, concluded on 22 December 1994, entered into force on 2 May 1995.

8. Aid

The aid authorized by the Commission under Article 95 ECSC and Article 5 of the Steel Aids Code was granted as explained in the third monitoring report. BVS and the Land Brandenburg charged independent chartered accountants to supervise the use of the contributions in line with the contractual obligations. The obligations under the Decision of the Commission were made part of the contract.

The regular reports of the independent financial expert group are being submitted to the Commission to allow the monitoring of the use of the aid in line with its decision. The quaterly reports No 1 - 3, covering the time from 1.1.1995 - 30.9.1995, have been examined and discussed with the German authorities. The Commission services had no particular objections.

The reports of the experts cover i.a. the monitoring of the use of the aid for investment granted by THA/BVS in line with the privatization contract. The experts examine the lists of intended payments prepared by EKO before the company uses the aid to cover investment expenses. By the end of September 1995, the following payments were approved and carried out:

in Mio DM	Total plan	orders	paid *	aid used
modernization of sinter facilities	39	0.36	0.22	0.05
construction of blast furnace	282	52.32	9.59	2.40
new hot-rolling mill	671	163.20	41.00	10.25
modernization cold-rolling mill	108	51.29	11.73	2.93
TOTAL	**1100**	**267.17**	**62.54**	**15.63**

* accumulated payments of EKO to suppliers, without VAT

The payment of additional 0.461 Mio DM were approved before the end of September 1995 but not carried out up until the closing date of the report.

One of the contractual obligations of *EKO Stahl* is to pay interest to BVS on the amounts received until they are effectively spend for the contractual purposes, so as to avoid the aid exceeding the maximum amount authorized by the Commission. In order to comply with that conditions the company charged the bank at which the separate accounts for the aid received are managed to transfer automatically the interest received on maturing time deposits to BVS. During the year 1995, 21.354 Mio DM of interest were transferred to BVS.

Monitoring of Article 95 ECSC steel aid cases
Fifth Report, May 1996

SEW Freital GmbH, Germany

I. Introduction

The Commission decided on 12 April 1994 to approve aids totalling 274 Mio DM (145.7 MECU) in favour of *Sächsische Edelstahlwerke GmbH*, Freital/Sachsen under Article 95 ECSC Treaty[1]. It further approved regional investment aid totalling 60.6 Mio DM (32.2 MECU), an ERP loan and a Federal/Land guarantee covering 80% of an investment loan of 100.8 Mio DM (53.6 MECU) under Article 5 Steel Aids Code. Regional investment aid totalling 11.6 Mio DM for investments related to the non - ECSC activities of the company were approved under general aid schemes [2].

II. The new monitoring report

The present report covers the information provided by the German Government in its fifth monitoring report, which was submitted, in line with the request of the Commission, on 14 March 1996.

1. Capacity reduction

The Commission requested in its decision authorizing the aid under Article 95 of the ECSC Treaty that the capacities of *SEW Freital* shall be reduced as follows:

product	capacities		capacity reduction	
	1.7.1990	31.12.1996	total	in %
crude steel	300 000 t/y	200 000 t	100 000 t/y	33 %
hot rolled finished products	340 000 t/y	180 000 t	160 000 t/y	47 %

Already in 1991, all existing crude steel facilities but one electric arc furnace were closed and dismantled with the result that the current crude steel capacity is at 145 kt/y. The remaining electric arc furnace is scheduled to be closed down in 1996 to be replaced by a new electric arc furnace with a capacity of 200 kt/y. There are still some problems related to the necessary administrative procedures to have the new furnace being permitted under public German law. These problems may cause a delay compared to the initial investment plan.

[1] O.J. No. L 112 of 3 May 1994, p. 71

[2] O.J. No. C 302 of 9.11.1993. P. 6 and O.J. No. C 401 of 31.12.1994, p. 10

The initial capacity in hot-rolled finished products was as follows:

mill No 450 (medium section mill)	170 kt/y
mill No 280 (light section mill)	80 kt/y
mill No 700	90 kt/y
total	340 kt/y

These installations were closed and dismantled before 31 December 1995. They were replaced by a combined merchant bar / wire rod mill, parts of which were moved from *Boschgotthardshütte* in Siegen to Freital, with a capacity for hot-rolled finished products of 180 kt/y.

2. Investments

The following investments have been carried out until the end of June 1995:

installation*	carried out until end 95		plan 1995	
	Mio DM	of which ECSC related investm Mio DM	Mio DM	of which ECSC related investm Mio DM
crude steel facilities (Freital)	37	37	48	45
rolling and forging facilities (Freital)	104	101	90	80
re-heating and adjusting installations	45	37	67	65
environment, infrastructure, administration and marketing (Freital)	33	33	42	40
polished steel installations, peeling and abrading installations (Lugau)	19	0	33	0
drawn wire installations (Lugau)	6	0		
environment, infrastructure, administration and marketing (Lugau)	6	0		
TOTAL	250	208	280	230

The investments were financed as follows:

	Mio DM
own capital after increase of equity	10.00
loans of shareholders	14.71
loans of suppliers	41.21
loans of banks	
DtA	20.00
ERP	100.00
regional investment aid *	56.81
tax allowance (InvZul) - regional aid *	7.27
Total	**250.00**

* including regional aid authorized for investments related to the non - ECSC activities

3. Reduction of workforce

The company carried out the following redundancies:

	1993	1994	1995	1993 - 1995
no of redundancies	990	45	300	1083
number of employees *	1123	1061	1085	
contribution THA/BVS				
general	6955	405	1026	8386
management	1595			1595
various	4000			4000
employment company	731			731
total THA/BVS	13281	405	1026	14712
Art 56 ECSC contr.	1164	144	505	1813
SEW Freital	41	239		4086
total costs **	14 486	788	5 337	20 611

* per 31.12.

** costs in thousand DM

The Commission approved a maximum of 34 Mio DM aid of THA to cover costs of redundancies. In the previous monitoring report, the German Government explained that the difference between this plan figure and the final figure of aid for redundancies is based on the fact that other sources of financing arising from general measures were available and that the plan figure was drawn under the assumption that this financing might not turn out to be available. In fact, according to the new monitoring report, the plan figure of 34 Mio DM includes payments of THA totalling 15.974 Mio DM that were disbursed already before privatization to cover costs of redundancies. Therefore, the contribution of THA to cover costs of redundancies totals 30.686 Mio DM so that there is no important deviation compared to the plan.

4. Production and Sales

1994

product (figures in tons)	production	sales	in Germany	other EU	3rd countries
ingots	37098	10514	10514	0	0
semi-finished products	31357	6542	4121	2181	240
merchant bars, wire rod	12735	10687	6740	3550	379
forged pieces	4398	3665	2460	1085	120
polished steel drawn (Lugau)	7108	5990	4190	1620	180

1995

product (figures in tons)	production	sales	in Germany	other EU	3rd countries
ingots	56676	17940	17940		
semi-finished products	41144	8901	8011	780	110
merchant bars, wire rod	25041	24051	22474	1330	247
forged pieces	5143	3901	3472	407	22
polished steel drawn (Lugau)	7750	7416	6798	218	400

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Comparison of sales 1994 and 1995

product (figures in tons)	sales 1994	sales 1995	1995 comp. to 1994 in %
ingots	10514	17940	+ 70
semi-finished products	6542	8901	+ 36
merchant bars, wire rod	10687	24051	124
forged pieces	3665	3901	+ 6.5
polished steel drawn (Lugau)	5990	7416	+ 24

The average prices achieved of the product groups were given in the monitoring report. The Commission compared these prices with the average market prices and considers them to be within the normal range.

5. Financial Performance

The German Government presented a full range of financial data as requested by the Commission. The figures show again an improvement of the economic performance of the company.

indicators	in Mio DM				comparison of periods in %	
	1994	1995	2. half 1994	2. half 1995	1995 c.t. 1994	2.sem. 95 / 2.sem 94
turnover	109.1	179.3	66.7	80.9	+ 64.34	+ 21.28
total performance*	138.4	218.9	87.1	104.6	+ 58.16	+ 20.09
total cost of sales **	126.1	196.4	79.2	94.3	+ 55.74	+ 19.06
depreciation	14.0	19.0	5.3	10.6	+ 35.71	+ 100.00
net operating res.	- 4.3	- 0.9	- 0.7	- 2.7	+ 79.06	- 285.71
long & shortterm debts	49.8	175.0	49.8	175.0	+ 251.40	+ 251.40

* turnover plus increase in stocks plus activated own performance plus miscellaneous income
** cost of sales plus personnel costs

The figures show the constant increase of turnover and the gradual reduction of losses during the total year 1995.

6. Aid

In the second monitoring report the Commission had to conclude that, according to the German Government's report, the company received loss compensation of 200 Mio DM, while only 189 Mio DM were approved. In the third monitoring report it was explained that the loss compensation reported to be granted has not completely been granted effectively. The background of this conclusion was that THA had waived own claims of 53 Mio DM and paid claims of suppliers totalling 55 Mio DM. These operations were to be considered as effective payment of parts of the loss compensation authorized. Claims of banks vis-a-vis the company totalling 92 Mio DM, however, were only taken over by THA with the result that THA became creditor of SEW Freital in so far. Only 81 Mio DM of these claims may be considered to be effectively waived because the company has a valid claim under the privatization contract together with the Commission's decision under Article 95 ECSC to receive a total loss compensation of 189 Mio DM. The remainder of 11 Mio DM, which was initially considered to represent possible excess aid, is still a valid claim of THA/BVS vis-a-vis the company.

The German Government proposed to accept the waiving of a portion of 6.1 Mio DM of this 11 Mio DM claim based on the fact that the company did not fully use the approved 9 Mio DM guarantee for the value of stocks and claims. The factual background of this proposal has been examined and the Commission adopted a positive attitude in its third monitoring report to the Council. It considered the explanation of the German Government to be sustainable. This line of argumentation would, however, not be relevant if the agreed sale of land from the company to THA/BVS would lead to a purchase price of 11 Mio DM or more.

In the privatization of East German companies it was a general principle of THA to sell companies only with the agreement that land not necessary for the operations of the company would be transferred to THA. In the former GDR, the enterprises very often had land and buildings not related to their production. Since the public real estate registers had to be re-organized after German unification and due to the principle of restitution of expropriated land it was in general easier to separate and transfer the land back to THA after privatization rather than before. The purchase price to be paid by THA/BVS is established by independent experts. In the case of *SEW Freital* the privatization contract provided that the purchase price would be set off against claims of THA/BVS related to the takeover of claims of banks, and that in case the price would be higher than the difference between such claims of THA/BVS and the agreed loss-compensation the latter would be reduced accordingly. In effect, THA/BVS would not have to pay the purchase price for the land in cash to the company. It may always cover the entire purchase price, at whatever amount it might finally be established through the waiving of the debts taken over from banks.

In January 1996 the company and BVS agreed, based on the evaluations of independent experts, that the market value of the land to be transferred to TLG (the real estate agency of the former THA) is 19.883 Mio DM. The relevant documents, in particular the expert evaluations covering the value of the sites, were presented by the German authorities and were examined in detail.

The following table gives an overview concerning the aids:

	notified and authorized	granted
waiving of liquidity loans (banks) *		72.52
waiving of loans of THA		52.77
total loans waived	147.00	125.29
covering of claims of suppliers	42.00	60.69
guarantee for value of stock and claims	9.00	1.78
subtotal covering of old debts	198.00	187.76
maintenance	42.00	42.00
reduction of workforce	34.00	30.68
Total	274.00	260.44

The BVS took over claims totalling 92 Mio DM which were not formally waived. A portion of 19.88 Mio DM of these claims is set-off against the purchase price BVS/TLG have to pay for the land taken over from SEW Freital. Therefore, a remaining portion of 72.52 Mio DM is covered by the agreed waiving of debts.

During the second half of 1995 the BVS had to pay 5.69 Mio DM in relation to the obligation to cover claims of suppliers founded before the privatization arising from the privatization contract.

Although there is a slight deviation compared to the notified plan concerning the different grounds on which old debts are based, it may be concluded that the total waiving of debts authorized by the Commission has not been surpassed. The total amount of aid paid by BVS/THA is still 13.56 Mio DM lower than the total amount authorized.

Monitoring of Article 95 ECSC steel aid cases
First Report, May 1996

Voest Alpine Erzberg GmbH

I. Introduction

The Commission decided on 29 November 1995 to approve aids in favour of *Voest Alpine Erzberg GmbH* (VAEG) in order to allow the gradual closure of its mining activities until the year 2002[1]. The aid approved totals 272 Mio ÖS (20.65 MECU) to cover operating losses during the period 1995 until 2002 and 136 Mio ÖS (10.32 MECU) to cover costs for a safe and environmentally friendly retreat from the ore mining.

The following yearly maximum amounts of aid for the different purposes were approved:

	Total aid		Operating aid		Closing aid	
	mio ÖS	MECU	mio ÖS	MECU	mio ÖS	MECU
1995	50	3.80	45	3.42	5	0.38
1996	50	3.80	42	3.19	8	0.61
1997	50	3.80	39	2.96	11	0.84
1998	47	3.56	36	2.73	11	0.84
1999	57	4.33	34	2.58	23	1.75
2000	52	3.95	30	2.28	22	1.68
2001	52	3.95	26	1.97	26	1.97
2002	50	3.80	20	1.52	30	2.28
Total	**408**	**31.00**	**272**	**20.65**	**136**	**10.35**

The operating aid was further limited to the actual difference between the revenue from sale of the produced iron ore and the production costs. The price agreed with the customers of VAEG shall be in line with the average market price and schall not be lower than the price these customers pay for imported iron ore of compatible quality from third countries.

[1] O.J. No. L. xx, xx.xx.1996, p. x

The approval of aid was made subject to Austria's full cooperation in the monitoring of the implementation of the decision.

II. The first monitoring report

The present report covers the developments up until 31 December 1995 based on the information provided by the Austrian Government in its first monitoring report, which was submitted, in line with the request of the Commission, on 15 March 1996.

1. The company

The *Voest Alpine Erzberg Gesellschaft mbh* (VAEG) is held by *ÖIA Bergbauholding Aktiengesellschaft*, which belongs to the *Österreichische Industrieholding Aktiengesellschaft*. The Austrian State holds 100% of the shares of the latter. VAEG is involved in the mining of ore of low iron density (~32% Fe). The open pit mine consists of 23 layers with a height of approximately 24 m and 860 m length.

The company has only one client, the *Voest Alpine Stahl AG* (VASA), which was, as announced, privatized in autumn 1995.

2. Operating aid

a) Production

In 1995 VAEG supplied VASA with 1.3 mio tons iron ore with a minimum quality of 33.04% Fe. In addition, 0.77 mio tons low quality products, usable for the burden of VASA were sold.

b) Production costs

The production costs for the standard quality iron ore totalled 218.478 mio ÖS[2] (170.78 ÖS/ton). The production costs for the low quality products were 23.827 mio ÖS (30.94 ÖS/ton). A detailed overview on production costs is given in the Annex.

[2] 1 mio ÖS = 75200 ECU

c) Pricing

In 1995, the iron ore of standard quality was sold at 139 ÖS/ton, the low quality material was sold at 78 ÖS/ton. The price per ton pure ferrum including costs of transport to VASA was 625 ÖS/ton.

This price is higher than the average price for iron ore imports to Austria in 1994: 2.01 mio tons iron ore with 62% Fe were imported at a total purchase price of 715 mio ÖS[3] (including costs of transport to Austrian border), i.e. 574 ÖS/ton Fe. The price paid is also higher than the general market prices in 1995. Published prices for iron ore CIF Rotterdam were at 36.55 US$ per ton Fe in December 1995. Taking into account the transport costs, the price for an Austrian importer would be 589.9 ÖS/ton Fe.

The Austrian authorities stressed that a comparison on the basis of cost per ton pure Fe does not reflect the higher costs for the processing of the Austrian iron ore with a low percentage of 32 - 33% Fe compared to the costs for the processing of imported iron ore with a percentage of around 62% Fe.

It may therefore be concluded that the prices charged in 1995 were not lower than required under Article 2 of the Commission's decision of 29 November 1995.

d) Operating aid paid in 1995

The total losses of VAEG in 1995 were at 53.318 mio ÖS, of which 5.173 mio ÖS were related to closing activities. The company applied for an aid of 52.68 mio ÖS. The Austrian Government agreed and paid 42 mio ÖS operating aid . Thereby, the operating aid was 3 mio ÖS lower than authorized by the Commission for 1995. For details as regards the losses see the Annex.

[3] data of the Austrian Central Statistic Agency

3. Closing aid

The following table shows the planned total costs for closing activities, the planned total aid and the planned aid for closure paid in 1995 as well as the expenses of VAEG for closing activities in 1995.

	planned cost up to 2002	authorized closing aid	aid planned 1995	costs in 1995
securing of endangered layers	26.7	13.4	3.0	3.67
securing of the edges of layers	41.7	8.3	1.0	
relief of the roofs of deposits	54.0	0	0	
creation of collecting compartment for falling material	4.5	3.6	0.5	1.087
closure of open cast sites	1.0	0.1	0	
diversion of surfacial water	3.5	1.4	0	
pulling down of processing plant, transport facilities and buildings	45.0	40.5	0	
demolition of equipment and buildings	25.0	18.3	0	
demolition of other mining facilities	16.2	2.4	0	
redevelopment of dumphills and basins of mud	1.4	0	0	
recultivation and forestry activities	50.2	12.6	0.5	0.416
sanitation of polluted soil	35.0	0	0	
sanitation of plluted slaghill	10.0	0	0	
social measures	140.3	35.4	0	
TOTAL	454.5	136.0	5.0	5.173

Except for the creation of collecting compartments for falling material the costs were in line with the plan or lower than planned. The total costs were slightly higher than planned. The Austrian authorities paid 5 mio ÖS aid at the end of 1995 to cover costs of closure. The closing aid met the maximum amount approved.

4. The development of the area

The Commission, with the unanimous assent of the Council, approved the aid to allow a gradual closure of the mining activities in order to allow an environmentally friendly process and to allow the Austrian authorities to ease the social problems related to the, in the long term unavoidable, loss of jobs in the disfavoured region *Eisenerz*. In 1995 the unemployment rate in the region was at 9.4%. Young workers have to move to the regions of Vienna (200 km) or Graz (100 km) to find a job. The number of inhabitants of the city *Eisenerz* decreased from 7466 to 7411. More than 4% of the inhabitants work at VAEG.

It was not possible so far to create sufficient alternative jobs, e.g. in the tourism sector, so that the aided preservation of jobs in the iron ore industry is still considered to be necessary.

Annex

Costs

production in tons	iron ore 1 300 000 tons		low quality material 770 000 tons		closing and securing	transfer to reserve	total	
	in 1000 ÖS	in ÖS/ton	in 1000 ÖS	in ÖS/ton	in 1000 ÖS	in 1000 ÖS	in 1000 ÖS	in 1000 ÖS
production	48768	37.51	2115	2.75			50883	24.15
extraction	63282	52.66	3387	4.40			118442	56.21
processing	44828	34.48	10274	13.34	5173	46600	55102	26.15
quality control	11894	9.15	1936	2.51			13830	6.56
dispatch	16512	12.70	6115	7.94			22627	10.74
overhead	33194	24.28					33194	15.75
total cost of sales	**218478**	**170.78**	**23827**	**30.94**	**5173**	**46600**	**294078**	**139.56**

Revenue

from sales	180700	139.00	60060	- 78.00			240760	
from aid	42000				5000		47000	
total	**222700**		**60060**		**5000**		**287760**	

Difference

	4222		**36233**		**- 173**	**- 46600**	**- 6318**	