



Annual accounts of the Fuel  
Cells and Hydrogen  
Joint Undertaking

Financial year 2017

## CONTENTS

CERTIFICATION OF THE ACCOUNTS .....	3
BACKGROUND INFORMATION ON THE FCH 2 JU.....	4
FINANCIAL STATEMENTS AND EXPLANATORY NOTES .....	5
BALANCE SHEET .....	7
STATEMENT OF FINANCIAL PERFORMANCE.....	8
CASHFLOW STATEMENT.....	9
STATEMENT OF CHANGES IN NET ASSETS .....	10
REPORTS ON THE IMPLEMENTATION OF THE BUDGET .....	30

## CERTIFICATION OF THE ACCOUNTS

The final annual accounts of the Fuel Cells and Hydrogen Joint Undertaking for the year 2017 have been prepared in accordance with the Financial Regulation of the JU and the accounting rules adopted by myself in my capacity as the the Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Joint Undertaking in accordance with Article 43 of the Financial Regulation of the JU.

I have obtained from the Authorising Officer, who certified its reliability, all the information necessary for the production of the accounts that show the JU's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the FCH 2 JU.

*[signed]*

Rosa ALDEA BUSQUETS

**Accounting Officer**

June 2018

## BACKGROUND INFORMATION ON THE FCH JU

The Fuel Cells and Hydrogen Joint Undertaking (FCH 2 JU) is a public-private partnership supporting research, technological development and demonstration (RTD) activities in fuel cell and hydrogen energy technologies in Europe. The members of the Joint Undertaking are as follows: (1) the European Union (EU) represented by the European Commission<sup>1</sup>, (2) the Industry Grouping represented by the Hydrogen Europe and (3) the Research Grouping represented by the New European Research Grouping on Fuel Cells and Hydrogen. The objective of FCH JU is to combine resources from the public and private sectors to strengthen research activities with a view to increasing the overall efficiency of European research efforts and accelerating the development and deployment of fuel cell and hydrogen technologies.

FCH JU was established by the Council Regulation (EC) No 521/2008<sup>2</sup> for a period up to 31 December 2017. The interim evaluation of FCH JU confirmed a need for such a partnership and recommended an increase of the activities of FCH JU. As a result a new Joint Undertaking named Fuel Cells and Hydrogen 2 Joint Undertaking was established by Council Regulation (EU) No 559/2014<sup>3</sup>. The new Joint Undertaking should replace and succeed the Fuel Cells and Hydrogen Joint Undertaking under the EU Horizon 2020 Framework and it is established until 31 December 2024.

A first interim evaluation of the FCH 2 JU was performed by the Commission with support from an Independent Expert Group (IEG) (and in parallel with the final evaluation of the FCH JU). The overall objective was to assess the progress and midterm achievements of the FCH 2 JU in its activities during the period 2014-2016. On the basis of the findings from the evaluation, the IEG was requested to draw conclusions and to make recommendations. Their report was published by the European Commission on 06 October 2017 in the EU Bookshop and also consequently on the FCH 2 JU website: <http://www.fch.europa.eu/page/fch-ju-interim-evaluation-reports>.

In response to the recommendations raised by the evaluators, the Joint Undertaking prepared an Action Plan that was endorsed by the FCH 2 JU Governing Board in March 2018. The action plan includes a wide set of actions to be implemented by the Joint Undertaking, for which a certain number of activities have already been initiated, the majority should be implemented in 2018 and 2019, while a small number will be taken under consideration for the next programming period.

Following Article 20 of the Financial Rules of the FCH 2 JU, adopted by its Governing Board of 30 June 2014, the FCH JU is required to prepare and adopt its own annual accounts. The preparation of the annual accounts is entrusted to the FCH 2 JU Accounting Officer. Following the decision of the FCH JU's Governing Board of 30 March 2014, the Accounting Officer of the Commission shall as of 15 July 2014 also act as the Accounting Officer of FCH 2 JU.

---

<sup>1</sup> Hereinafter referred to as 'Commission'.

<sup>2</sup> Council Regulation (EC) No 521/2008 of 30 May 2008 setting up the Fuel Cells and Hydrogen Joint Undertaking.

<sup>3</sup> Council Regulation (EU) No 559/2014 of 6 May 2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking.

# **FINANCIAL STATEMENTS AND EXPLANATORY NOTES**

*It should be noted that due to the rounding of figures into thousands of euros, some financial data in the tables below may appear not to add-up.*

## CONTENTS

BALANCE SHEET.....	7
STATEMENT OF FINANCIAL PERFORMANCE .....	8
CASHFLOW STATEMENT .....	9
STATEMENT OF CHANGES IN NET ASSETS .....	10
NOTES TO THE FINANCIAL STATEMENTS .....	11
1.    SIGNIFICANT ACCOUNTING POLICIES.....	12
2.    NOTES TO THE BALANCE SHEET.....	19
3.    NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE .....	24
4.    CONTINGENT ASSETS, LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES .....	26
5.    FINANCIAL RISK MANAGEMENT .....	29

**BALANCE SHEET**

EUR '000

	Note	31.12.2017	31.12.2016
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>	2.1	59	2
<i>Property, plant and equipment</i>	2.2	128	52
<i>Pre-financing</i>	2.3	98 611	60 017
		<b>98 797</b>	<b>60 071</b>
<b>CURRENT ASSETS</b>			
<i>Pre-financing</i>	2.3	75 200	41 975
<i>Exchange receivables and non-exchange recoverables</i>	2.4	25 856	20 921
		<b>101 056</b>	<b>62 896</b>
<b>TOTAL ASSETS</b>		<b>199 853</b>	<b>122 967</b>
<b>CURRENT LIABILITIES</b>			
<i>Payables and other liabilities</i>	2.5	(86 413)	(170 205)
<i>Accrued charges</i>	2.6	(56 687)	(59 634)
		<b>(143 100)</b>	<b>(229 840)</b>
<b>TOTAL LIABILITIES</b>		<b>(143 100)</b>	<b>(229 840)</b>
<b>NET ASSETS</b>		<b>56 753</b>	<b>(106 873)</b>
<i>Contributions from Members</i>	2.7	1 038 217	763 386
<i>Accumulated deficit</i>		(870 259)	(700 941)
<i>Economic result of the year</i>		(111 206)	(169 317)
<b>NET ASSETS</b>		<b>56 753</b>	<b>(106 873)</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

EUR '000

	Note	2017	2016
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
<i>Recovery of expenses</i>	3.1	3 778	2 808
<i>Other</i>		4	37
		<b>3 782</b>	<b>2 846</b>
<b>Revenue from exchange transactions</b>			
<i>Financial revenue</i>		1	2
<i>Other exchange revenue</i>		-	17
		<b>1</b>	<b>19</b>
<b>Total revenue</b>		<b>3 782</b>	<b>2 864</b>
<b>EXPENSES</b>			
<i>Operating costs</i>	3.2	(110 156)	(167 743)
<i>Staff costs</i>	3.3	(2 760)	(2 552)
<i>Finance costs</i>	3.4	(37)	(103)
<i>Other expenses</i>	3.5	(2 036)	(1 783)
<b>Total expenses</b>		<b>(114 988)</b>	<b>(172 182)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>(111 206)</b>	<b>(169 317)</b>

**CASHFLOW STATEMENT<sup>4</sup>**

EUR '000

	2017	2016
<i>Economic result of the year</i>	(111 206)	(169 317)
<b>Operating activities</b>		
<i>Depreciation and amortization</i>	34	25
<i>(Increase)/decrease in pre-financing</i>	(71 819)	17 809
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	(4 935)	(1 696)
<i>Increase/(decrease) in payables</i>	(83 792)	(20 462)
<i>Increase/(decrease) in accrued charges</i>	(2 947)	(22 497)
<i>Increase/(decrease) in cash contributions</i>	179 314	98 339
<i>Increase/(decrease) in in-kind contributions</i>	95 518	97 833
<i>Other non-cash movements</i>	-	(13)
<b>Investing activities</b>		
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(166)	(21)
<b>NET CASHFLOW</b>	-	-
<i>Net increase/(decrease) in cash and cash equivalents</i>	-	-
<i>Cash and cash equivalents at the beginning of the year</i>	-	-
<i>Cash and cash equivalents at year-end</i>	-	-

<sup>4</sup> Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of FCH 2 JU, the treasury of FCH 2 JU was integrated into the Commission's treasury system. Because of this, FCH 2 JU does not have any bank accounts of its own. All payments and receipts are processed via the Commission's treasury system and registered on intercompany accounts which are presented under the heading exchange receivables.

## STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Contribution from Members	Accumulated Surplus/ (Deficit)	Economic result of the year	Net Assets
<b>BALANCE AS AT 31.12.2015</b>	<b>567 213</b>	<b>(535 600)</b>	<b>(165 341)</b>	<b>(133 728)</b>
<i>Allocation 2015 economic result</i>	-	(165 341)	165 341	-
<i>Cash contribution</i>	98 339	-	-	98 339
<i>Contribution in-kind</i>	97 833	-	-	97 833
<i>Economic result of the year</i>	-	-	(169 317)	(169 317)
<b>BALANCE AS AT 31.12.2016</b>	<b>763 386</b>	<b>(700 941)</b>	<b>(169 317)</b>	<b>(106 873)</b>
<i>Allocation 2016 economic result</i>	-	(169 317)	169 317	-
<i>Cash contribution</i>	179 314	-	-	179 314
<i>Contribution in-kind</i>	95 518	-	-	95 518
<i>Economic result of the year</i>	-	-	(111 206)	(111 206)
<b>BALANCE AS AT 31.12.2017</b>	<b>1 038 217</b>	<b>(870 259)</b>	<b>(111 206)</b>	<b>56 753</b>

# **NOTES TO THE FINANCIAL STATEMENTS**

# 1. SIGNIFICANT ACCOUNTING POLICIES

## 1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about financial position, performance and cashflows of an entity that is useful to a wide range of users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting Rule 1 'Financial Statements' and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

## 1.2. BASIS OF PREPARATION

### 1.2.1. Reporting period

Financial statements are presented annually. The accounting year begins on 1 January and ends on 31 December.

### 1.2.2. Currency and basis for conversion

The annual accounts are presented in thousands of euros, the euro being the EU's functional and reporting currency. Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December.

#### Euro exchange rates

Currency	31.12.2017	31.12.2016	Currency	31.12.2017	31.12.2016
<b>BGN</b>	<b>1.9558</b>	1.9558	<b>PLN</b>	<b>4.177</b>	4.4103
<b>CZK</b>	<b>25.5350</b>	27.0210	<b>RON</b>	<b>4.6585</b>	4.5390
<b>DKK</b>	<b>7.4449</b>	7.4344	<b>SEK</b>	<b>9.8438</b>	9.5525
<b>GBP</b>	<b>0.8872</b>	0.8562	<b>CHF</b>	<b>1.1702</b>	1.0739
<b>HRK</b>	<b>7.4400</b>	7.5597	<b>JPY</b>	<b>135.01</b>	123.4000
<b>HUF</b>	<b>310.3300</b>	309.8300	<b>USD</b>	<b>1.1993</b>	1.0541

### 1.2.3. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to; accrued and deferred revenue and charges, provisions, financial risk on accounts receivables, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are essential part of the preparation of financial statements and do not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error. The effect of a change in accounting estimate shall be recognised in the surplus or deficit in the periods in which it becomes known.

## 1.3. BALANCE SHEET

### 1.3.1. Intangible assets

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met. The costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses when incurred.

### 1.3.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the entity and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
<i>Buildings</i>	4 % to 10 %
<i>Plant and equipment</i>	10 % to 25 %
<i>Furniture and vehicles</i>	10 % to 25 %
<i>Computer hardware</i>	25 % to 33 %
<i>Other</i>	10 % to 33 %

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

### Leases

Leases of tangible assets, where the entity has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to statement of financial performance over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the assets' useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

### 1.3.3. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

#### 1.3.4. Financial assets

The financial assets are classified in the following categories: financial assets at fair value through surplus or deficit; loans and receivables; held-to-maturity investments; and available for sale financial assets. The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

##### *(i) Financial assets at fair value through surplus or deficit*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also categorised in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the entity did not hold any investments in this category.

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date. Loans and receivables include term deposits with the original maturity above three months.

##### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the positive intention and ability to hold to maturity. During this financial year, the entity did not hold any investments in this category.

##### *(iv) Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the entity expects to hold them, which is usually the maturity date.

#### **Initial recognition and measurement**

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on trade date - the date on which the entity commits to purchase or sell the asset. Cash equivalents, loans and term deposits are recognised at settlement date. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the entity has transferred substantially all risks and rewards of ownership to another party.

#### **Subsequent measurement**

Financial assets at fair value through surplus or deficit are subsequently carried at fair value with gains and losses arising changes in the fair value being included in the statement of financial performance in the period in which they arise.

Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in the fair value reserve. Interest on available for sale financial

assets calculated using the effective interest method is recognised in the statement of financial performance.

The entity assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and whether an impairment loss should be recorded in the statement of financial performance.

#### 1.3.5. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditure, he has the obligation to return the pre-financing advance to the entity. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses).

Pre-financing is, on subsequent balance sheet dates, measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

#### 1.3.6. Receivables and recoverables

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from exchange transactions and recoverables are defined as stemming from non-exchange transactions (when the entity receives value from another entity without directly giving approximately equal value in exchange).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see 1.3.4 above).

Recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) less write-down for impairment. A write-down for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the recoverables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

#### 1.3.7. Cash and cash equivalents

Cash and cash equivalents are financial instruments and include cash at hand, deposits held at call or at short notice with banks, and other short-term highly liquid investments with original maturities of three months or less.

#### 1.3.8. Provisions

Provisions are recognised when the entity has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ('expected value' method).

#### 1.3.9. Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and to non-exchange transactions e.g. to cost claims from beneficiaries, grants or other EU funding.

Where grants or other funding is provided to the beneficiaries, the cost claims are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the entity.

#### 1.3.10. Accrued and deferred revenue and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the entity or a contractual agreement exists (e.g. by reference to a contract), an accrued revenue will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Accounting Officer which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent. By analogy, if a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

## 1.4. STATEMENT OF FINANCIAL PERFORMANCE

### 1.4.1. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Depending on the nature of the underlying transactions in the statement of financial performance it is distinguished between:

#### *(i) Revenue from non-exchange transactions*

Revenue from non-exchange transactions are taxes and transfers because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. The entity shall recognise an asset in respect of transfers when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources, and when the fair value can be reliably measured. An inflow of resources from a non-exchange transaction recognised as an asset (i.e. cash) is also recognised as revenue, except to the extent that the entity has a present obligation in respect of that transfer (condition), which needs to be satisfied before the revenue can be recognised. Until the condition is met the revenue is deferred and recognised as a liability (pre-financing received).

#### *(ii) Revenue from exchange transactions*

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

## 1.4.2. Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity. They include both the expenses from exchange transactions and expenses from non-exchange transactions.

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the entity. They are valued at original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are recognised in the statement of financial performance.

Expenses from non-exchange transactions relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations. Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expense.

## 1.5. CONTINGENT ASSETS AND LIABILITIES

### 1.5.1. Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

### 1.5.2. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

## 1.6. CONTRIBUTIONS FROM MEMBERS

The contributions from the Members of the joint undertakings (JU) form the funding of the JU and are treated as contributions from owners. An owner in this context does not mean an owner in the sense of owning shares (no shares are issued) of the JU but rather in the sense of political interest and governance of the JU by exercising the voting rights linked to these contributions

### 1.6.1. Financial contributions

Financial contributions are contributions of Members made in cash in order to provide funding of the operational or administrative needs of the JU. The financial contributions are recognised in the net assets in the period in which the right to receive the payment was established.

### 1.6.2. In-kind contributions

Members other than the EU (i.e. 'Private Members') can also contribute resources other than cash, e.g. laboratory equipment, specialised staff, etc. These in-kind contributions consist of the costs incurred by Private Members in implementing indirect actions.

The Regulation distinguishes between two types of in-kind contributions: (1) In-kind contributions to operational activities (IKOP) and (2) in-kind contributions to additional activities (IKAA).

The IKOP represents in-kind contributions made to the JU linked to its work plan and co-financed by the EU. The IKOP are recognised in the net assets of the JU in the period when the conditions for Members' contributions stipulated by the Regulation were met.

The expenses related to the IKOP incurred in the financial year are recognised in the statement of financial performance. At year-end, incurred IKOP not yet reported are estimated and recorded as other liabilities ('Contributions of Members to be validated').

The IKAA relate to contributions linked to implementing additional activities outside the work plan of the JU that contribute to the objectives of the JU. Because the outflow of resources related to those activities is outside of control of the JU, the contributions are not recognised in the financial statements of the JU.

## 2. NOTES TO THE BALANCE SHEET

### ASSETS

#### 2.1. INTANGIBLE ASSETS

'000 EUR

<i>Gross carrying amount at 31.12.2016</i>	21
<i>Additions</i>	66
<b>Gross carrying amount at 31.12.2017</b>	<b>87</b>
<i>Accumulated amortisation at 31.12.2016</i>	(20)
<i>Amortisation charge for the year</i>	(9)
<b>Accumulated amortisation at 31.12.2017</b>	<b>(29)</b>
<b>NET CARRYING AMOUNT AT 31.12.2017</b>	<b>59</b>
<i>NET CARRYING AMOUNT AT 31.12.2016</i>	2

The above amounts relate primarily to computer software with the amortisation rate 25 %.

#### 2.2. PROPERTY, PLANT AND EQUIPMENT

'000 EUR

	Plant and equipment	Furniture and vehicles	Computer hardware	Other	TOTAL
<i>Gross carrying amount at 31.12.2016</i>	39	29	114	-	181
<i>Additions</i>	1	28	23	48	101
<b>Gross carrying amount at 31.12.2017</b>	<b>39</b>	<b>57</b>	<b>137</b>	<b>48</b>	<b>282</b>
<i>Accumulated depreciation at 31.12.2016</i>	(31)	(10)	(88)	-	(129)
<i>Depreciation charge for the year</i>	(2)	(5)	(16)	(2)	(25)
<b>Accumulated depreciation at 31.12.2017</b>	<b>(33)</b>	<b>(15)</b>	<b>(104)</b>	<b>(2)</b>	<b>(155)</b>
<b>NET CARRYING AMOUNT AT 31.12.2017</b>	<b>6</b>	<b>43</b>	<b>33</b>	<b>46</b>	<b>128</b>
<i>NET CARRYING AMOUNT AT 31.12.2016</i>	8	19	26	-	52

#### 2.3. PRE-FINANCING

EUR '000

	31.12.2017	31.12.2016
<i>Non-current pre-financing</i>	98 611	60 017
<i>Current pre-financing</i>	75 200	41 975
<b>Total</b>	<b>173 811</b>	<b>101 992</b>

For all pre-financing amounts open at 31 December 2017 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2018 was classified as non-current pre-financing.

The estimation of clearing of pre-financing (related to the estimated operating expenses for on-going or ended projects) is aligned to the way in which pre-financing is actually cleared for expenses incurred

during the year. The clearing of pre-financing with cut off expenses amounted to kEUR 52 055. The remaining portion of cut off expenses is recorded in accrued charges (see note **2.6**).

Guarantees received covering pre-financing amounted to kEUR 9 255 at year-end.

The substantial increase of pre-financing relates mainly to the new Horizon 2020 projects starting in 2018 for which the initial prefinancing was paid in 2017. The overall high balance of open pre-financing stems from the fact that in accordance with the programme rules, pre-financing is only cleared when the payments to the beneficiary reach a certain threshold of the grant agreement amount. The threshold for Horizon 2020 projects is 90 % of the grant agreement amount. For FP7 it is 80 %. In the first years of the project life there is thus significant open pre-financing that will be only cleared in the later stages.

## 2.4. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

At 31 December 2017 FCH 2 JU did not have any balances related to non-exchange recoverables. The amounts included under this heading are fully composed of current receivables from exchange transactions.

	EUR '000	
	31.12.2017	31.12.2016
<i>Central treasury liaison accounts</i>	25 170	20 483
<i>Customers</i>	681	1 455
<i>Impairment on receivables from customers</i>	–	(1 024)
<i>Deferred charges relating to exchange transactions</i>	4	7
<i>Others</i>	2	–
<b>Total</b>	<b>25 856</b>	<b>20 921</b>

The main element concerns the treasury liaison/intercompany accounts with the Commission that represent a virtual bank account of the FCH 2 JU. Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of FCH 2 JU, the treasury of FCH 2 JU was integrated into the Commission's treasury system. Because of this, FCH 2 JU does not have any bank accounts of its own. All payments and receipts are processed via the Commission's treasury system and registered on intercompany accounts which are presented under this heading. The result of the incoming and outgoing payments represents the available cash balance of FCH 2 JU.

## LIABILITIES

### 2.5. PAYABLES AND OTHER LIABILITIES

	EUR '000	
	31.12.2017	31.12.2016
<i>Contribution in kind to be validated</i>	70 130	136 342
<i>Current payables</i>	14 411	33 864
<i>Sundry payables</i>	1 872	–
<b>Total</b>	<b>86 413</b>	<b>170 205</b>

Included under the sub-heading 'contribution in-kind to be validated' are the in-kind contributions from Members relating to on-going or ended projects without a validated cost statement at 31 December 2017. The amount of in-kind contribution was estimated on a case-by-case basis using the best available information on the projects at 31 December 2017: the in-kind contributions estimated based on cost claims received but not validated amounted to kEUR 28 528; the in-kind contributions estimated based on the pro-rata method amounted to kEUR 41 603. The estimated EU contributions related to those projects are included under accrued charges (see note **2.6**). The large decrease in the estimated in kind contributions to be validated is due to concluded FP7 projects for which the final in kind contributions declarations were received in 2017 and thus no new in kind contribution had to be estimated.

The sub-heading current payables is composed of liabilities to suppliers (kEUR 7 433) and to public bodies (kEUR 6 977). The large decrease of current payables in 2017 is due to the fact that in 2016 many

cost claims for the final payments related to FP7 projects were submitted but not yet paid at 31 December 2016.

Sundry payables mainly consists of amounts retained from the beneficiaries of the Horizon 2020 pre-financing. For all H2020 grant agreements there is an automatic retention of 5 % of the total grant in the pre-financing payment which is transferred to the Participant Guarantee Fund (accounted for in the sundry payables) and paid back to the beneficiary by the Participants Guarantee Fund when the project is successfully accomplished. Since the integration of FCH 2 JU into Sygma, the EU IT tool for H2020 grant management, the retained amounts are collected automatically by DG RTD that is in charge of the Participants Guarantee Fund. The payable as at 31 December 2017 represents automatically retained amounts from the pre-financing of 8 Horizon 2020 beneficiaries' projects, which have not yet been collected by the Participants Guarantee Fund. In 2016 the payments to the Participants Guarantee Fund were initiated by FCH 2 JU and therefore there were no outstanding amounts at 31 December 2016.

## 2.6. ACCRUED CHARGES

EUR '000

	31.12.2017	31.12.2016
<i>Accrued charges</i>	56 687	59 634

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2017 but not yet invoiced or processed by the end of the year. They are mainly composed of estimated operating expenses of kEUR 56 078 for on-going or ended projects without a validated cost statement where the 2017 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2017: the accrued charges estimated based on cost claims received but not validated amounted to kEUR 1 047; the accrued charges estimated based on the pro-rata method amounted kEUR 55 031. The portion of the estimated accrued charges which relates to pre-financing paid has been recorded as a reduction of the pre-financing amounts (see note **2.3**).

Included under this heading are also accrued administrative expenses of kEUR 577 relating mainly to other services provided by third parties (kEUR 266) and communication and publication expenses (kEUR 311) and accrued charges for untaken leave (kEUR 33).

The substantial increase of the accruals compared to last year relates to the new projects under Horizon 2020 for which no cost claims have been received and validated yet and the entire underlying 2017 expense had thus to be estimated during the closure (cut-off) exercise (see note **3.1**).

## NET ASSETS

### 2.7. CONTRIBUTIONS FROM MEMBERS

Programming period	2017			2016			EUR '000	
	Cash	In-kind	Total	Cash	In-kind	Total		
FP7	404 546	397 413	801 959	380 093	302 523	682 615		
H2020	235 631	628	236 259	80 770	-	80 770		
<b>Total</b>	<b>640 177</b>	<b>398 041</b>	<b>1 038 217</b>	<b>460 863</b>	<b>302 523</b>	<b>763 386</b>		

#### 2.7.1. Research and Innovation funding programme for 2007-2013 (FP7)

Unlike for Horizon 2020 (see below **2.6.2**), under FP7 programme all services in-kind (except those provided by JRC – see note **4.3.2**) validated by the Executive Director of FCH JU are considered in-kind contribution.

Member	EU		Industry Grouping		Research Grouping		Total		EUR '000	
	Cash	In-kind	Cash	In-kind	Cash	In-kind	Cash	In-kind	Cash	In-kind
<i>Running costs contributions at 31.12. 2016</i>	7 509	1 808	13 319	-	2 220	-	<b>23 048</b>	<b>1 808</b>		
<i>Current year contributions</i>	1 745	-	2 010	-	335	-	<b>4 089</b>	-		
<b>Running costs contributions at 31.12. 2017</b>	<b>9 253</b>	<b>1 808</b>	<b>15 329</b>	-	<b>2 555</b>	-	<b>27 137</b>	<b>1 808</b>		
<i>Operating costs contributions at 31.12. 2016</i>	357 045	17 299	-	183 584	-	99 831	<b>357 045</b>	<b>300 715</b>		
<i>Adjustments of prior years contributions</i>	-	-	-	(2 375)	-	(423)	-	<b>(2 798)</b>		
<i>Current year contributions</i>	20 364	-	-	72 474	-	25 214	<b>20 364</b>	<b>97 688</b>		
<b>Operating costs contributions at 31.12. 2017</b>	<b>377 409</b>	<b>17 299</b>	-	<b>253 683</b>	-	<b>124 622</b>	<b>377 409</b>	<b>395 604</b>		
<i>TOTAL contributions at 31.12. 2016</i>	364 554	19 107	13 319	183 584	2 220	99 831	380 093	302 523		
<b>TOTAL contributions at 31.12. 2017</b>	<b>386 662</b>	<b>19 107</b>	<b>15 329</b>	<b>253 683</b>	<b>2 555</b>	<b>124 622</b>	<b>404 546</b>	<b>397 413</b>		
<i>% of total contributions (by type)</i>	95.58%	4.81%	3.79%	63.83%	0.63%	31.36%	<b>100.00%</b>	<b>100.00%</b>		
<i>Total contribution in %</i>	50.60%		33.54%		15.86%		<b>100.00%</b>			
<i>Voting rights %</i>	41.67%		50.00%		8.33%		<b>100.00%</b>			

## 2.7.2. Research and Innovation funding programme for 2014-2020 (Horizon 2020)

With regard to the Horizon 2020, Council Regulation (EC) No 559/2014 distinguishes between Members (European Commission, Industry Grouping and Research Grouping) and non-members of the JU. In addition, only certified in-kind contributions from the Members validated by the Executive Director of FCH 2 JU are considered in-kind contribution.

Member	EU		Industry Grouping		Research Grouping		Total	
	Cash	In kind	Cash	In-kind	Cash	In-kind	Cash	In-kind
<i>Running costs contributions at 31.12. 2016</i>	1 248	–	1 073	–	175	–	<b>2 496</b>	–
<i>Current year contributions</i>	57	–	49	–	8	–	<b>114</b>	–
<b>Running costs contributions at 31.12. 2017</b>	<b>1 305</b>	–	<b>1 122</b>	–	<b>183</b>	–	<b>2 610</b>	–
<i>Operating costs contributions at 31.12. 2016</i>	78 274	–	–	–	–	–	<b>78 274</b>	–
<i>Adjustments of prior years contributions</i>	–	–	–	–	–	–	–	–
<i>Current year contributions</i>	154 747	–	–	628	–	–	<b>154 747</b>	<b>628</b>
<b>Operating costs contributions at 31.12. 2017</b>	<b>233 021</b>	–	–	<b>628</b>	–	–	<b>233 021</b>	<b>628</b>
<i>TOTAL contributions at 31.12. 2016</i>	79 522	–	1 073	–	175	–	<b>80 770</b>	–
<b>TOTAL contributions at 31.12. 2017</b>	<b>234 326</b>	–	<b>1 122</b>	<b>628</b>	<b>183</b>	–	<b>235 631</b>	<b>628</b>
<i>% of total contributions (by type)</i>	99.45%	0.00%	0.48%	100.00%	0.08%	0.00%	<b>100.00%</b>	<b>100.00%</b>
<i>Total contribution in %</i>	99.18%		0.74%		0.08%		<b>100.00%</b>	
<i>Voting rights %</i>	50.00%		43.00%		7.00%		<b>100.00%</b>	

### 3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

#### NON-EXCHANGE REVENUE

##### 3.1. RECOVERY OF EXPENSES

EUR '000

	2017	2016
<i>Recovery of expenses</i>	3 778	2 808

This heading is composed of the operating expenses recovered from beneficiaries during the year and adjustments on operating expenses coming from audits that will be collected in 2018.

#### EXPENSES

##### 3.2. OPERATING COSTS

Included under this heading are operating expenses related to projects that were carried out in 2017. A part of the operating costs related to on-going or ended projects without any validated cost claims (or equivalent) available at 31 December was estimated using the best information available at the time of the preparation of the annual accounts. The estimation is based on the case-by-case assessment of completion which ensures that only costs that reflect the services or work performed by 31 December are included in the operating costs of the year. Depending on the availability of information at the time of the preparation of the annual accounts, the estimates are based on reports of services or work performed (e.g. Report of the member of the Joint Undertaking other than the EU on the in-kind contributions in the meaning of Article 4(3) and 4(4) of Regulation (EU) No 559/2014) or costs incurred to date as a proportion of the estimated total costs of the projects ("pro-rata temporis").

The break-down of the operating costs between operating costs incurred on the basis of validated cost claims (or equivalent) and estimated operating costs is given in the table below. It should be noted that in line with the accounting rules (see note 1.2.3) the portion of the estimated cost also includes a revision of accounting estimates made in the previous periods.

EUR '000

	2017	2016
<i>Operating costs incurred (validated cost claims)</i>	198 516	191 788
<i>Operating costs: estimated in-kind contributions</i>	(62 195)	(24 624)
<i>Operating cost: estimated EU contributions</i>	(26 165)	579
<b>Total</b>	<b>110 156</b>	<b>167 743</b>

The reason for the negative amount of the operating costs estimated in 2017 relates to the fact that more FP7 projects were closed compared to the estimated amount relating to H2020 projects and therefore, for H2020 projects less accruals were needed.

The decrease in the operating costs estimated is due to the phasing out of the FP7 Programme - in 2016 estimates were done for 74 projects whereas in 2017 this number has been reduced to 34. The projects of this programme are coming to an end and only 15 will continue in 2018 and beyond.

##### 3.3. STAFF COSTS

Included under this heading are expenses for salaries, other employment-related allowances and benefits. The calculations related to staff costs are, based on the service level agreement, entrusted to the Office for Administration and Payment of Individual Entitlements (also known as the Paymaster's Office-PMO).

The staff members of the FCH 2 JU are part of the Pensions Scheme of European Officials. The administration of pensions is entrusted to the Commission which also accounts for the underlying pension expenses and liabilities.

A defined benefit plan is a pension plan that generally defines an amount of benefit an employee will receive on retirement, usually dependent on one or more factors such as age and years of service. Both FCH 2 JU staff and the Commission contribute to the pension scheme in the function of the basic salary of the staff. The contribution percentage is yearly revised to reflect the changes in staff regulation. The cost to the Commission is not reflected in the FCH 2 JU's accounts.

Future benefits payable to the FCH 2 JU staff under the Pension Scheme of European Officials are accounted for in the accounts of the Commission, as it is the Commission who will pay these benefits. No provisions for such pensions are made in these accounts.

### 3.4. FINANCE COSTS

Included under this heading are expenses related to the write down of the pre-financing of one of the beneficiaries due to likelihood of bankruptcy.

### 3.5. OTHER EXPENSES

EUR '000

	2017	2016
<i>External non IT services</i>	492	518
<i>Communications &amp; publications</i>	463	211
<i>Experts expenses</i>	327	447
<i>Operating lease expenses</i>	317	284
<i>External IT services</i>	190	112
<i>Property, plant and equipment related expenses</i>	52	25
<i>Losses on realisation of trade debtors</i>	17	51
<i>Foreign exchange losses</i>	(2)	3
<i>Other</i>	181	133
<b>Total</b>	<b>2 036</b>	<b>1 783</b>

The increase in the communication & publication costs is due to more communication activities mainly related to the 10th anniversary of the creation of the FCH JU, the publication of one commemorative book and video and the organization of the Stakeholder Forum and Programme Review Days.

The operating lease expenses are related to the FCH 2 JU building "White Atrium". Amounts committed to be paid during the remaining term of this lease contract include rent and related charges and are as follows:

'000 EUR

	Future amounts to be paid			Total
	< 1 year	1- 5 years	> 5 years	
<i>Buildings</i>	331	1 391	738	2 459
<i>IT materials and other equipment</i>	-	-	-	-

## 4. CONTINGENT ASSETS, LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

### 4.1. CONTINGENT ASSETS

EUR '000

	31.12.2017	31.12.2016
<i>Positive adjustment of operating expenses</i>	205	162

Positive adjustments of operating expense (i.e. in favour of FCH 2 JU) arise from ex-post audits for which the audit reports have been approved but not yet sent to the beneficiaries by 31 December 2017.

### 4.2. CONTINGENT LIABILITIES

EUR '000

	31.12.2017	31.12.2016
<i>Legal cases</i>	–	(235)
<i>Negative adjustment of operating expenses</i>	(94)	(385)
<b>Total</b>	<b>(94)</b>	<b>(620)</b>

Negative adjustments of operating expenses (i.e. in favour of the beneficiary) arise from ex-post audits for which the audit reports have been approved but not yet sent to the beneficiaries by 31 December 2017. The decrease is due to a fewer beneficiaries that qualified for a potential additional payment in 2017 compared to 2016.

### 4.3. OTHER SIGNIFICANT DISCLOSURES

#### 4.3.1. Outstanding commitments not yet expensed

At 31 December 2017 the outstanding commitments not yet expensed amounted to kEUR 174 405 (2016: kEUR 205 191). The amount comprises the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the 2017 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

#### 4.3.2. Services in-kind

At 31 December 2017 the Executive Director of FCH 2 JU validated services in-kind provided by the Joint Research Centre (JRC) for a total value of kEUR 4 078 (2016: kEUR 2 947). According to Council Regulation (EC) No 521/2008 Article 5(4) the services in kind provided by JRC are not to be considered as a contribution in kind.

With regard to the Horizon 2020, Council Regulation (EC) No 559/2014 distinguishes between members (European Commission, Industry Grouping and Research Grouping) and non-members of the JU and only contributions of Members are to be considered in-kind contributions. Additional amounts contributed by the non-members based on the cost claims validated by 31 December 2017 amounted to kEUR 16 211.

#### 4.3.3. In-Kind in Additional Activities (IKAA)

Besides in-kind contributions in projects (IKOP) –see notes **1.6.2** and **2.7.2**, in accordance with Council Regulation (EU) 559/2014 of 6 May 2014 establishing the FCH 2 JU, members other than the Union shall provide under H2020 programme, in-kind contributions of at least kEUR 285 000 over the period 2014

2024 consisting of the costs incurred by them in implementing additional activities outside the work plan of the FCH 2 Joint Undertaking contributing to the objectives of the FCH Joint Technology Initiative.

A second reporting exercise for IKAA took place in 2017 with total certified IKAA for 2014-2016 amounting to kEUR 382 210. The 2017 additional activities plan adopted by the FCH 2 JU GB on 21 December 2016 amounted to kEUR 176 290<sup>5</sup>, resulting in cumulative IKAA for 2014-2017 of kEUR 558 500, well above the minimum kEUR 285 000 set in the FCH 2 JU founding regulation for the entire duration of H2020.

At the moment of preparation of the final accounts the annual IKAA certification for 2017 was in progress. Based on the previous year experience, the expectations are that from kEUR 176 290 reported in the IKAA Plan, up to kEUR 120 000 will be certified.

The fourth Additional Activities Plan covering the period of 1 January 2018 – 31 December 2018, including certifiable Additional Activities for an amount of EUR 250.16 million was adopted by the FCH 2 JU GB on 15 December 2017.

The additional activities consist of investments in the following main fields:

- Transportation (FC cars, FC buses, FC range extenders, material handling vehicles, Auxiliary Power Units for aviation and trucks);
- Transport Infrastructure (hydrogen refuelling infrastructure, including on-site green H2 production);
- Hydrogen production (large scale green hydrogen production via electrolysis, hydrogen purification, power-to-hydrogen and storage of renewables);
- Heat and power equipment (distributed power generation FC applications, self-sufficient household systems, back-up systems, manufacturing facilities);
- Regulations, standards and education (energy storage roadmaps, including dissemination activities and awareness, commercialisation strategies, patents).

Further information is available in the 2014-2018 reports on IKAA that are published on FCH 2 JU website.

#### 4.3.4. Related parties

The related parties of the FCH 2 JU are the venturers and key management personnel of these entities. Transactions between these entities take place as part of the normal operations of FCH 2 JU and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

#### 4.3.5. Key management entitlements

The highest ranked civil servant of FCH 2 JU is the Executive Director, who executes the role of the Authorising Officer.

	2017	2016
<i>Executive Director</i>	<i>AD14</i>	<i>AD14</i>

The Executive Director is remunerated in accordance with the Staff Regulations of the European Union that is published on the Europa website which is the official document describing the rights and the obligation of all officials of the EU. The Executive Director has not received any preferential loans from FCH 2 JU.

---

<sup>5</sup> The preliminary report on estimated amounts effectively implemented in 2017 submitted to the FCH 2 JU GB on 31 January 2018 in accordance with the Council Regulation indicates an amount of EUR 144 million that will be subject to certification expected by 30 April 2018.

#### 4.3.6. Events after reporting date

The in-kind contributions validated between 31.12.2017 and the preparation of the annual accounts amounted to kEUR (7). Out of this amount kEUR 2 relates to in-kind contributions from the Industry Grouping and kEUR (9) to in-kind contributions of the Research Grouping. The validated contributions are recorded as additions to net assets in 2018.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1. TYPES OF RISK

**Market risk** is the risk that the fair value or future cashflows of a financial instrument will fluctuate, because of variations in market prices. Market risk embodies not only the potential for loss, but also the potential for gain. It comprises *currency risk, interest rate risk and other price risk* (the FCH 2 JU has no significant other price risk).

- (1) *Currency risk* is the risk that the FCH 2 JU operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.
- (2) *Interest rate risk* is the possibility of a reduction in the value of a security, especially a bond, resulting from an increase in interest rates. In general, higher interest rates will lead to lower prices of fixed rate bonds, and vice versa. FCH 2 JU does not have any securities thus it is not exposed to the interest rate risk.

**Credit risk** is the risk of loss due to a debtor's/borrower's non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation. The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

**Liquidity risk** is the risk that arises from the difficulty in selling an asset; for example, the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or meet an obligation.

### 5.2. CURRENCY RISKS

#### Exposure of the FCH 2 JU to currency risk at year end

At 31 December 2017 the ending balances of financial assets and financial liabilities did not include any material amounts quoted in different currencies than euro.

### 5.3. CREDIT RISK

#### Financial assets that are neither past due nor impaired

The financial assets that are neither past due nor impaired entirely compose of receivables and recoverables that amounted to kEUR 25 859 at 31 December 2017.

#### Financial assets by risk category

At 31 December 2017 the financial assets are entirely composed of receivables and recoverables against entities without external credit rating. The entire amount of kEUR 25 859 relates to entities who never defaulted in the past.

### 5.4. LIQUIDITY RISK

#### Maturity analysis of financial liabilities by remaining contractual maturity

The financial liabilities entirely compose of current payables and financial liabilities relating to in-kind contributions to be validated. All the financial liabilities have a remaining contractual maturity of less than 1 year.

## **REPORTS ON THE IMPLEMENTATION OF THE BUDGET**

*It should be noted that due to the rounding of figures into thousands of euros, some financial data in the tables below may appear not to add-up.*

## CONTENTS

1.	BUDGETARY PRINCIPLES, STRUCTURE AND IMPLEMENTATION .....	32
2.	BUDGET RESULT .....	34
3.	RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT .....	35
4.	IMPLEMENTATION OF BUDGET REVENUE .....	36
5.	IMPLEMENTATION OF BUDGET EXPENDITURE .....	38
6.	COMMITMENTS OUTSTANDING .....	50
7.	GLOSSARY .....	53

# 1. BUDGETARY PRINCIPLES, STRUCTURE AND IMPLEMENTATION

## 1.1. BUDGETARY PRINCIPLES

The establishment and implementation of the budget of FCH 2 JU is governed by the following basic principles set out in the Chapter 2 of the Financial Rules of FCH 2 JU:

### **Principles of unity and budget accuracy**

This principle means that no revenue shall be collected and no expenditure effected unless booked to a line in the budget of FCH 2 JU. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget. An appropriation may be entered in the budget only if it is for an item of expenditure considered necessary.

### **Principle of annuality**

The appropriations entered in the budget shall be authorised for a financial year which shall run from 1 January to 31 December.

### **Principle of equilibrium**

Revenue and payment appropriations shall be in balance.

### **Principle of unit of account**

The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro.

### **Principle of universality**

Total revenue shall cover total payment appropriations and all revenue and expenditure shall be entered in full without any adjustment against each other.

### **Principle of specification**

Appropriations shall be earmarked for specific purposes at least by title and chapter.

### **Principle of sound financial management**

Appropriations shall be used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness.

### **Principle of transparency**

The budget shall be established and implemented and the accounts presented in accordance with the principle of transparency. The budget and any amending budgets shall be published on the internet site of the FCH 2 JU within four weeks of their adoption and shall be transmitted to the Commission and the Court of Auditors.

## 1.2. STRUCTURE AND PRESENTATION OF THE BUDGET

Since 1 January 2015, no distinction between non-dissociated and dissociated appropriations is made. All appropriations follow the dissociated logic.

Following the provisions of the Financial rules of FCH 2 JU, the budget accounts shall consist of a statement of revenue and a statement of expenditure. The budget is distributed in the following titles:

**Title 1 budget lines** relate to staff expenditure such as salaries and allowances for personnel working with FCH 2 JU. It also includes recruitment expenses, staff missions, expenses for the socio-medical infrastructure and representation costs.

**Title 2 budget lines** relate to all infrastructure, equipment and miscellaneous administrative expenditure.

**Title 3 budget lines** provide for the implementation of the activities and tasks assigned to FCH 2 JU in accordance with its establishing Council Regulation (EC) No 559/2014.

### **1.3. HIGHLIGHTS OF THE BUDGETARY IMPLEMENTATION**

Overall, in 2017, budget implementation of commitment and payment appropriations reached 96 % and 89 % respectively, being the highest rates in FCH 2 JU history. The high commitment rate was achieved thanks to the use of the reserve list for financing two additional projects in the 2017 call, consuming therefore the entire budget for the call.

#### **Administrative expenditure**

FCH 2 JU's administrative costs recorded the highest rate of use (92 %). Unused appropriations came mainly from staff costs and rental budget lines.

Most of the unused appropriations will be reactivated in 2017 and 2018 in accordance with FCH 2 JU financial rules.

Payment implementation rate (78 %) is also the highest in FCH 2 JU history.

The implementation of commitment appropriations is higher than the implementation rate of payment appropriations due to the fact that payments for certain services contracted in 2017 will only be due in 2018.

#### **Operational expenditure**

Regarding H2020 operational costs (call, studies, JRC), the commitment implementation rate reached 96 %, being also the best performance of FCH 2 JU. The total unused appropriations amount to EUR 2 023 470 which is mainly due to the outcome of the call and the implementation of procurement plan, where some studies were awarded for less amount than initially budgeted whereas others were not awarded at all. An amount of EUR 1 752 086 is already re-introduced in the voted 2018 budget.

The available payment appropriations accounted for 24 % of the total H2020 envelope (EUR 154.7 million over EUR 646 million) since the pre-financing for two calls were scheduled (and actually) paid. In total pre-financing payments for 40 projects were made. Despite the huge amount of appropriations, FCH 2 JU achieved the highest payment rate ever (90 %). The unused payment appropriations (EUR 10 473 280) will be re-entered in the 2018 budget through amendment.

Regarding FP7 operational costs, the implementation rate on the payment appropriations reached 74 % (similar to 2016 rate). The unused payment appropriations (EUR 9 653 457) will be also re-entered in the 2018 budget through amendment.

Detailed information regarding the budget implementation is provided in the 'Report on the budgetary and financial management' of the year.

## 2. BUDGET RESULT

		EUR '000	
	Title	2017	2016
<b>Revenue</b>		<b>179 964</b>	<b>98 863</b>
of which:			
Subsidies and Revenues	A-2	179 964	98 863
<b>Expenditure</b>		<b>(177 149)</b>	<b>(96 922)</b>
of which:			
Staff expenditure	A-1	(3 016)	(2 829)
Admin expenditure	A-2	(1 751)	(1 525)
Operational expenditure	B0-3	(172 382)	(92 568)
<b>Exchange rate differences</b>		<b>2</b>	<b>0</b>
Evolution of assigned revenue		- <sup>6</sup>	523
<b>Budget result of the year</b>		<b>2 817</b>	<b>2 465</b>

<sup>6</sup> In accordance with the *Guidelines for EU bodies on budgetary accounts and the report on budgetary and financial management 2017* as agreed with the Court of Auditors (ref. Ares(2017)3672326)), the methodology of the calculation of the budget result for Joint Undertakings was changed and the calculation of the evolution of assigned revenue removed for Joint Undertakings.

### 3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

	2017	2016
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>(111 206)</b>	<b>(169 317)</b>
<b>Adjustment for accrual items (items not in the budgetary result but included in the economic result)</b>		
<i>In-kind contributions validated in the year</i>	95 518	97 833
<i>Adjustments for accrual cut-off (net)</i>	(103 761)	(23 453)
<i>Unpaid invoices at year end but booked in expenses</i>	-	100
<i>Depreciation, amortization and impairment of intangible and tangible assets</i>	34	12
<i>Recovery orders issued in the year and not yet cashed</i>	-	(2)
<i>Correction of recovery orders issued last year</i>	1 235	10
<i>Pre-financing given in previous year and cleared in the year</i>	52 641	46 632
<i>Other individually immaterial</i>	(0)	0
<b>Adjustment for budgetary items (item included in the budgetary result but not in the economic result)</b>		
<i>Members' cash contributions collected in the year</i>	179 314	98 339
<i>Asset acquisitions (less unpaid amounts)</i>	(167)	(23)
<i>Payments made from non-budget lines</i>		
<i>New pre-financing paid in the year and remaining open as at 31 December</i>	(110 835)	(48 225)
<i>Entitlements established in previous year and cashed in the year</i>	52	36
<i>Payment appropriations carried over to next year</i>		523
<i>JUs: Budget result N-1</i>	(6)	
<b>BUDGET RESULT OF THE YEAR</b>	<b>2 817</b>	<b>2 465</b>

## 4. IMPLEMENTATION OF BUDGET REVENUE

### 4.1. Implementation of the budget revenue - Title A-2

EUR '000

		Income appropriations		Entitlements established			Revenue				Outstanding
		Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%	
		1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	
A-2001	EC subsidy for operational expenditure	32 178	20 364	20 364	-	20 364	20 364	-	20 364	100 %	-
A-2002	EC subsidy for administrative expenditure	1 801	1 801	1 801	-	1 801	1 801	-	1 801	100 %	-
A-2003	IG contribution for administrative expenditure	2 058	2 058	2 058	-	2 058	2 058	-	2 058	100 %	-
A-2004	RG contribution for administrative expenditure	343	343	343	-	343	343	-	343	100 %	-
A-2005	European commission subsidy for operational expenditure (H2020)	142 934	154 747	154 747	-	154 747	154 747	-	154 747	100 %	-
A-2006	JTI revenues	-	109	(145)	1 193	1 048	570	80	650	593 %	399
Total chapter A-20		179 314	179 424	179 169	1 193	180 362	179 884	80	179 964	100 %	399
<b>Total Title A-2</b>		<b>179 314</b>	<b>179 424</b>	<b>179 169</b>	<b>1 193</b>	<b>180 362</b>	<b>179 884</b>	<b>80</b>	<b>179 964</b>	<b>100 %</b>	<b>399</b>

## 4.2. Implementation of the budget revenue - Title A-3

EUR '000

	Income appropriations		Entitlements established			Revenue					Outstanding
	Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%		
	1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10	
A-3008 C2 reactivation of appropriations for administrative expenditure (2015)	912	912	-	-	-	-	-	-	0 %	-	
A-3010 C2 reactivation of appropriations for administrative expenditure (2016)	-	825	-	-	-	-	-	-	0 %	-	
A-3011 C2 reactivation of appropriations for operational expenditure (2016)	-	17 050	-	-	-	-	-	-	0 %	-	
Total chapter A-30	912	18 788	-	-	-	-	-	-	0 %	-	
<b>Total Title A-3</b>	<b>912</b>	<b>18 788</b>	-	-	-	-	-	-	<b>0 %</b>	-	
<b>GRAND TOTAL</b>	<b>180 227</b>	<b>198 212</b>	<b>179 169</b>	<b>1 193</b>	<b>180 362</b>	<b>179 884</b>	<b>80</b>	<b>179 964</b>	<b>91 %</b>	<b>399</b>	

## 5. IMPLEMENTATION OF BUDGET EXPENDITURE

### 5.1. Breakdown and changes in commitment appropriations

#### 5.1.1. Breakdown and changes in commitment appropriations - Title A-1

EUR '000

	Budget appropriations			Final budget adopted 4=1+2+3	Additional appropriations			Total 7=5+6	Total approp. available 8=4+7
	Initial adopted budget 1	Amending budgets 2	Transfers 3		Carry-overs 5	Assigned revenue 6			
A-1100 <i>Staff in active employment</i>	2 175	(43)	30	2 162	912	1	914	3 076	
Total chapter A-11	2 175	(43)	30	2 162	912	1	914	3 076	
A-1200 <i>Expenditure related to recruitment</i>	115	8	(105)	18	-	-	-	18	
Total chapter A-12	115	8	(105)	18	-	-	-	18	
A-1300 <i>Missions and travel</i>	135	-	-	135	-	-	-	135	
Total chapter A-13	135	-	-	135	-	-	-	135	
A-1400 <i>Sociomedical infrastructure</i>	39	-	6	45	-	-	-	45	
Total chapter A-14	39	-	6	45	-	-	-	45	
A-1500 <i>Entertainment and representation expenses</i>	6	-	-	6	-	-	-	6	
Total chapter A-15	6	-	-	6	-	-	-	6	
<b>Total Title A-1</b>	<b>2 470</b>	<b>(35)</b>	<b>(69)</b>	<b>2 365</b>	<b>912</b>	<b>1</b>	<b>914</b>	<b>3 279</b>	

## 5.1.2. Breakdown and changes in commitment appropriations - Title A-2

EUR '000

	Budget appropriations				Final budget adopted 4=1+2+3	Additional appropriations		Total 7=5+6	Total approp. available 8=4+7
	Initial adopted budget 1	Amending budgets 2	Transfers 3	Carry-overs 5		Assigned revenue 6			
A-2000 Investments in immovable property, rental of buildings and associated costs	339	152	(8)	484	18	28	46	530	
Total chapter A-20	339	152	(8)	484	18	28	46	530	
A-2100 Information technology	223	(27)	30	226	-	1	1	227	
Total chapter A-21	223	(27)	30	226	-	1	1	227	
A-2200 Movable property and associated costs	10	-	-	10	-	-	-	10	
Total chapter A-22	10	-	-	10	-	-	-	10	
A-2300 Current administrative expenditure	11	-	4	15	-	-	-	15	
Total chapter A-23	11	-	4	15	-	-	-	15	
A-2400 Correspondence, postage and telecommunications	15	-	-	15	-	-	-	15	
Total chapter A-24	15	-	-	15	-	-	-	15	
A-2500 Expenditure on formal and other meetings	47	-	42	89	-	1	1	90	
Total chapter A-25	47	-	42	89	-	1	1	90	
A-2600 Communication costs	345	53	40	438	2	-	2	440	
Total chapter A-26	345	53	40	438	2	-	2	440	
A-2700 Service contracts	269	(26)	(9)	235	-	-	-	235	
Total chapter A-27	269	(26)	(9)	235	-	-	-	235	
A-2800 Expert contracts and meetings	473	(8)	(30)	435	-	-	-	435	
Total chapter A-28	473	(8)	(30)	435	-	-	-	435	
<b>Total Title A-2</b>	<b>1 733</b>	<b>145</b>	<b>69</b>	<b>1 947</b>	<b>20</b>	<b>29</b>	<b>49</b>	<b>1 996</b>	

5.1.3. Breakdown and changes in commitment appropriations - Title B0-3

EUR '000

	Initial adopted budget	Budget appropriations			Final budget adopted	Additional appropriations		Total	Total approp. available
		Amending budgets	Transfers	Carry-overs		Assigned revenue	Total		
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7	
B3-001 <i>Implementing the research agenda of FCH JU: FP7</i>	-	-	-	-	2 109	346	2 455	2 455	
B3-002 <i>Implementing the research agenda of FCH JU: H2020</i>	94 235	-	-	94 235	25 861	-	25 861	120 096	
Total chapter B3-0	94 235	-	-	94 235	27 970	346	28 316	122 551	
<b>Total Title B0-3</b>	<b>94 235</b>	<b>-</b>	<b>-</b>	<b>94 235</b>	<b>27 970</b>	<b>346</b>	<b>28 316</b>	<b>122 551</b>	
<b>GRAND TOTAL</b>	<b>98 437</b>	<b>109</b>	<b>-</b>	<b>98 547</b>	<b>28 902</b>	<b>377</b>	<b>29 280</b>	<b>127 826</b>	

## 5.2. Breakdown and changes in payment appropriations

### 5.2.1. Breakdown and changes in payment appropriations - Title A-1

EUR '000

	Budget appropriations			Final adopted budget 4=1+2+3	Carry-overs 5	Additional appropriations		Total 7=5+6	Total approp. available 8=4+7
	Initial budget adopted 1	Amending budgets 2	Transfers 3			Assigned revenue 6			
A-1100 Staff in active employment	2 175	(43)	30	2 162	948	1	949	3 111	
Total chapter A-11	2 175	(43)	30	2 162	948	1	949	3 111	
A-1200 Expenditure related to recruitment	115	8	(105)	18	1	-	1	18	
Total chapter A-12	115	8	(105)	18	1	-	1	18	
A-1300 Missions and travel	135	-	-	135	17	-	17	152	
Total chapter A-13	135	-	-	135	17	-	17	152	
A-1400 Sociomedical infrastructure	39	-	6	45	8	-	8	53	
Total chapter A-14	39	-	6	45	8	-	8	53	
A-1500 Entertainment and representation expenses	6	-	-	6	1	-	1	7	
Total chapter A-15	6	-	-	6	1	-	1	7	
<b>Title A-1</b>	<b>2 470</b>	<b>(35)</b>	<b>(69)</b>	<b>2 365</b>	<b>975</b>	<b>1</b>	<b>976</b>	<b>3 341</b>	

## 5.2.2. Breakdown and changes in payment appropriations - Title A-2

EUR '000

		Budget appropriations			Final adopted budget 4=1+2+3	Additional appropriations		Total 7=5+6	Total appropr. available 8=4+7
		Initial budget adopted 1	Amending budgets 2	Transfers 3		Carry-overs 5	Assigned revenue 6		
A-2000	Investments in immovable property, rental of buildings and associated costs	339	152	(8)	484	23	28	51	535
Total chapter A-20		339	152	(8)	484	23	28	51	535
A-2100	Information technology	223	(27)	30	226	148	1	148	374
Total chapter A-21		223	(27)	30	226	148	1	148	374
A-2200	Movable property and associated costs	10	-	-	10	2	-	2	12
Total chapter A-22		10	-	-	10	2	-	2	12
A-2300	Current administrative expenditure	11	-	4	15	6	-	6	21
Total chapter A-23		11	-	4	15	6	-	6	21
A-2400	Correspondence, postage and telecommunications	15	-	-	15	7	-	7	22
Total chapter A-24		15	-	-	15	7	-	7	22
A-2500	Expenditure on formal and other meetings	47	-	42	89	18	1	19	108
Total chapter A-25		47	-	42	89	18	1	19	108
A-2600	Communication costs	345	53	40	438	165	-	165	604
Total chapter A-26		345	53	40	438	165	-	165	604
A-2700	Service contracts	269	(26)	(9)	235	353	-	353	587
Total chapter A-27		269	(26)	(9)	235	353	-	353	587
A-2800	Expert contracts and meetings	473	(8)	(30)	435	40	-	40	475
Total chapter A-28		473	(8)	(30)	435	40	-	40	475
<b>Title A-2</b>		<b>1 733</b>	<b>145</b>	<b>69</b>	<b>1 947</b>	<b>763</b>	<b>29</b>	<b>792</b>	<b>2 739</b>

5.2.3. Breakdown and changes in payment appropriations - Title B0-3

EUR '000

		Budget appropriations				Additional appropriations			Total approp. available
		Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	8=4+7
		1	2	3	4=1+2+3	5	6	7=5+6	
B3-001	Implementing the research agenda of FCH JU: FP7	32 178	(11 814)	-	20 364	16 071	346	16 417	36 781
B3-002	Implementing the research agenda of FCH JU: H2020	142 934	11 814	-	154 747	980	-	980	155 727
Total chapter B3-0		175 112	-	-	175 112	17 050	346	17 397	192 508
<b>Title B0-3</b>		<b>175 112</b>	<b>-</b>	<b>-</b>	<b>175 112</b>	<b>17 050</b>	<b>346</b>	<b>17 397</b>	<b>192 508</b>
<b>GRAND TOTAL</b>		<b>179 314</b>	<b>109</b>	<b>-</b>	<b>179 424</b>	<b>18 788</b>	<b>377</b>	<b>19 165</b>	<b>198 589</b>

## 5.3. Implementation of commitment appropriations

### 5.3.1. Implementation of commitment appropriations - Title A-1

EUR '000

	Total approp. availab.	Commitments made				Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11+12	
		from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs		from assign. revenue
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
A-1100 Staff in active employment	3 076	1 975	912	-	2 887	94 %	1	-	1	187	-	-	187
Total chapter A-11	3 076	1 975	912	-	2 887	94 %	1	-	1	187	-	-	187
A-1200 Expenditure related to recruitment	18	4	-	-	4	24 %	-	-	-	13	-	-	13
Total chapter A-12	18	4	-	-	4	24 %	-	-	-	13	-	-	13
A-1300 Missions and travel	135	135	-	-	135	100 %	-	-	-	-	-	-	-
Total chapter A-13	135	135	-	-	135	100 %	-	-	-	-	-	-	-
A-1400 Sociomedical infrastructure	45	37	-	-	37	82 %	-	-	-	8	-	-	8
Total chapter A-14	45	37	-	-	37	82 %	-	-	-	8	-	-	8
A-1500 Entertainment and representation expenses	6	4	-	-	4	73 %	-	-	-	2	-	-	2
Total chapter A-15	6	4	-	-	4	73 %	-	-	-	2	-	-	2
<b>Total Title A-1</b>	<b>3 279</b>	<b>2 155</b>	<b>912</b>	<b>-</b>	<b>3 067</b>	<b>94 %</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>210</b>	<b>-</b>	<b>-</b>	<b>210</b>

## 5.3.2. Implementation of commitment appropriations - Title A-2

EUR '000

	Commitments made						Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11 +12
	Total approp. availab.	from final adopt. budget	from carry- overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry- overs	from assign. revenue	
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
A-2000 Investments in immovable property, rental of buildings and associated costs	530	392	18	26	437	82 %	2	-	2	92	-	-	92
Total chapter A-20	530	392	18	26	437	82 %	2	-	2	92	-	-	92
A-2100 Information technology	227	190	-	-	190	84 %	1	-	1	36	-	-	36
Total chapter A-21	227	190	-	-	190	84 %	1	-	1	36	-	-	36
A-2200 Movable property and associated costs	10	-	-	-	-	0 %	-	-	-	10	-	-	10
Total chapter A-22	10	-	-	-	-	0 %	-	-	-	10	-	-	10
A-2300 Current administrative expenditure	15	6	-	-	6	37 %	-	-	-	9	-	-	9
Total chapter A-23	15	6	-	-	6	37 %	-	-	-	9	-	-	9
A-2400 Correspondence, postage and telecommunications	15	11	-	-	11	73 %	-	-	-	4	-	-	4
Total chapter A-24	15	11	-	-	11	73 %	-	-	-	4	-	-	4
A-2500 Expenditure on formal and other meetings	90	79	-	1	80	89 %	-	-	-	10	-	-	10
Total chapter A-25	90	79	-	1	80	89 %	-	-	-	10	-	-	10
A-2600 Communication costs	440	429	2	-	431	98 %	-	-	-	9	-	-	9
Total chapter A-26	440	429	2	-	431	98 %	-	-	-	9	-	-	9
A-2700 Service contracts	235	233	-	-	233	99 %	-	-	-	1	-	-	1
Total chapter A-27	235	233	-	-	233	99 %	-	-	-	1	-	-	1
A-2800 Expert contracts and meetings	435	390	-	-	390	90 %	-	-	-	45	-	-	45
Total chapter A-28	435	390	-	-	390	90 %	-	-	-	45	-	-	45
<b>Total Title A-2</b>	<b>1 996</b>	<b>1 731</b>	<b>20</b>	<b>27</b>	<b>1 778</b>	<b>89 %</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>216</b>

## 5.3.3. Implementation of commitment appropriations - Title B0-3

EUR '000

	Commitments made						Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11 +12
	Total approp. availab.	from final adopt. budget	from carry- overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry- overs	from assign. revenue	
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
<i>B3-001</i> Implementing the research agenda of FCH JU: FP7	2 455	-	17	74	91	4 %	272	-	272	-	2 091	-	2 091
<i>B3-002</i> Implementing the research agenda of FCH JU: H2020	120 096	92 211	25 861	-	118 073	98 %	-	-	-	2 023	-	-	2 023
Total chapter B3-0	122 551	92 211	25 879	74	118 164	96 %	272	-	272	2 023	2 091	-	4 115
<b>Total Title B0-3</b>	<b>122 551</b>	<b>92 211</b>	<b>25 879</b>	<b>74</b>	<b>118 164</b>	<b>96 %</b>	<b>272</b>	<b>-</b>	<b>272</b>	<b>2 023</b>	<b>2 091</b>	<b>-</b>	<b>4 115</b>
<b>GRAND TOTAL</b>	<b>127 826</b>	<b>96 097</b>	<b>26 811</b>	<b>101</b>	<b>123 009</b>	<b>96 %</b>	<b>277</b>	<b>-</b>	<b>277</b>	<b>2 450</b>	<b>2 091</b>	<b>-</b>	<b>4 541</b>

## 5.4. Implementation of payment appropriations

### 5.4.1. Implementation of payment appropriations - Title A-1

EUR '000

	Total approp. availab.	from final adopt. budget	Payments made		Total	%	Appropriations carried over to 2018			Total	from final adopt. budget	Appropriations lapsing		Total
			from carry-overs	from assign. revenue			Autom. carry-overs	By decision	Assigned rev.			from carry-overs	from assign. rev.	
	1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
A-1100 Staff in active employment	3 111	1 916	948	-	2 864	92 %	-	-	1	1	246	-	-	246
<b>Total chapter A-11</b>	<b>3 111</b>	<b>1 916</b>	<b>948</b>	<b>-</b>	<b>2 864</b>	<b>92 %</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>246</b>	<b>-</b>	<b>-</b>	<b>246</b>
A-1200 Expenditure related to recruitment	18	2	1	-	3	16 %	-	-	-	-	15	-	-	15
<b>Total chapter A-12</b>	<b>18</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>16 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>
A-1300 Missions and travel	152	99	17	-	116	76 %	-	-	-	-	36	-	-	36
<b>Total chapter A-13</b>	<b>152</b>	<b>99</b>	<b>17</b>	<b>-</b>	<b>116</b>	<b>76 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>36</b>
A-1400 Sociomedical infrastructure	53	23	8	-	30	57 %	-	-	-	-	22	-	-	22
<b>Total chapter A-14</b>	<b>53</b>	<b>23</b>	<b>8</b>	<b>-</b>	<b>30</b>	<b>57 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>22</b>
A-1500 Entertainment and representation expenses	7	1	1	-	2	34 %	-	-	-	-	5	-	-	5
<b>Total chapter A-15</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>34 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>Total Title A-1</b>	<b>3 341</b>	<b>2 041</b>	<b>975</b>	<b>-</b>	<b>3 016</b>	<b>90 %</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>324</b>	<b>-</b>	<b>-</b>	<b>324</b>

## 5.4.2. Implementation of payment appropriations - Title A-2

EUR '000

	Total approp. availab.	from final adopt. budget	Payments made				Total	%	Appropriations carried over to 2018				Appropriations lapsing			Total 14=11+12+13
			from carry-overs	from assign. revenue	Autom. carry-overs	By decision			Assigned rev.	Total	from final adopt. budget	from carry-overs	from assign. rev.			
	1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13			
A-2000 Investments in immovable property, rental of buildings and associated costs	535	398	23	-	421	79 %	-	-	28	28	86	-	-	86		
Total chapter A-20	535	398	23	-	421	79 %	-	-	28	28	86	-	-	86		
A-2100 Information technology	374	84	148	-	232	62 %	-	-	1	1	142	-	-	142		
Total chapter A-21	374	84	148	-	232	62 %	-	-	1	1	142	-	-	142		
A-2200 Movable property and associated costs	12	-	2	-	2	15 %	-	-	-	-	10	0	-	10		
Total chapter A-22	12	-	2	-	2	15 %	-	-	-	-	10	0	-	10		
A-2300 Current administrative expenditure	21	4	6	-	10	48 %	-	-	-	-	11	-	-	11		
Total chapter A-23	21	4	6	-	10	48 %	-	-	-	-	11	-	-	11		
A-2400 Correspondence, postage and telecommunications	22	1	7	-	8	38 %	-	-	-	-	14	-	-	14		
Total chapter A-24	22	1	7	-	8	38 %	-	-	-	-	14	-	-	14		
A-2500 Expenditure on formal and other meetings	108	55	18	-	73	67 %	-	-	1	1	34	-	-	34		
Total chapter A-25	108	55	18	-	73	67 %	-	-	1	1	34	-	-	34		
A-2600 Communication costs	604	41	165	-	206	34 %	-	-	-	-	397	-	-	397		
Total chapter A-26	604	41	165	-	206	34 %	-	-	-	-	397	-	-	397		
A-2700 Service contracts	587	89	353	-	441	75 %	-	-	-	-	146	-	-	146		
Total chapter A-27	587	89	353	-	441	75 %	-	-	-	-	146	-	-	146		
A-2800 Expert contracts and meetings	475	317	40	-	357	75 %	-	-	-	-	118	-	-	118		
Total chapter A-28	475	317	40	-	357	75 %	-	-	-	-	118	-	-	118		
<b>Total Title A-2</b>	<b>2 739</b>	<b>989</b>	<b>762</b>	<b>-</b>	<b>1 751</b>	<b>64 %</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>29</b>	<b>958</b>	<b>0</b>	<b>-</b>	<b>959</b>		

5.4.3. Implementation of payment appropriations - Title B0-3

EUR '000

	Total approp. availab.	from final adopt. budget	Payments made		Total	%	Appropriations carried over to 2018			Total	Appropriations lapsing			Total
			from carry-overs	from assign. revenue			Autom. carry-overs	By decision	Assigned rev.		from final adopt. budget	from carry-overs	from assign. rev.	
	1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
B3-001	Implementing the research agenda of FCH JU: FP7	36 781	11 057	16 071	-	27 128	74 %	-	346	346	9 307	-	-	9 307
B3-002	Implementing the research agenda of FCH JU: H2020	155 727	144 274	980	-	145 254	93 %	-	-	-	10 473	-	-	10 473
Total chapter B3-0		192 508	155 331	17 050	-	172 382	90 %	-	346	346	19 780	-	-	19 780
<b>Total Title B0-3</b>		<b>192 508</b>	<b>155 331</b>	<b>17 050</b>	<b>-</b>	<b>172 382</b>	<b>90 %</b>	<b>-</b>	<b>346</b>	<b>346</b>	<b>19 780</b>	<b>-</b>	<b>-</b>	<b>19 780</b>
<b>GRAND TOTAL</b>		<b>198 589</b>	<b>158 361</b>	<b>18 788</b>	<b>-</b>	<b>177 149</b>	<b>89 %</b>	<b>-</b>	<b>377</b>	<b>377</b>	<b>21 063</b>	<b>0</b>	<b>-</b>	<b>21 063</b>

## 6. COMMITMENTS OUTSTANDING

### 6.1. Commitments outstanding - Title A-1

EUR '000

	Commitments outstanding at the end of prev. year				Commitments of the year			Total	
	Comm. carried forward from prev. year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payment	Cancellation of comm. which cannot be carried forward	Commit. outstanding at year-end	commitments outstanding at year-end
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
<i>A-1100 Staff in active employment</i>	35	(2)	33	-	2 887	2 831	-	56	56
Total chapter A-11	35	(2)	33	-	2 887	2 831	-	56	56
<i>A-1200 Expenditure related to recruitment</i>	1	-	1	-	4	2	-	2	2
Total chapter A-12	1	-	1	-	4	2	-	2	2
<i>A-1300 Missions and travel</i>	17	(5)	13	-	135	104	-	31	31
Total chapter A-13	17	(5)	13	-	135	104	-	31	31
<i>A-1400 Sociomedical infrastructure</i>	8	(0)	8	-	37	23	-	14	14
Total chapter A-14	8	(0)	8	-	37	23	-	14	14
<i>A-1500 Entertainment and representation expenses</i>	1	(0)	1	-	4	1	-	3	3
Total chapter A-15	1	(0)	1	-	4	1	-	3	3
<b>Total Title A-1</b>	<b>62</b>	<b>(8)</b>	<b>55</b>	<b>-</b>	<b>3 067</b>	<b>2 961</b>	<b>-</b>	<b>106</b>	<b>106</b>

## 6.2. Commitments outstanding - Title A-2

		Commitments outstanding at the end of prev. year				Commitments of the year				EUR '000
		Comm. carried forward from prev. year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payment	Cancellation of comm. which cannot be carried forward	Commit. outstanding at year-end	Total commitments outstanding at year-end
		1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
A-2000	Investments in immovable property, rental of buildings and associated costs	5	-	5	-	437	416	-	20	20
Total chapter A-20		5	-	5	-	437	416	-	20	20
A-2100	Information technology	148	(3)	124	21	190	108	-	82	103
Total chapter A-21		148	(3)	124	21	190	108	-	82	103
A-2200	Movable property and associated costs	2	(0)	2	-	-	-	-	-	-
Total chapter A-22		2	(0)	2	-	-	-	-	-	-
A-2300	Current administrative expenditure	6	(1)	5	-	6	5	-	1	1
Total chapter A-23		6	(1)	5	-	6	5	-	1	1
A-2400	Correspondence, postage and telecommunications	7	(1)	6	-	11	2	-	9	9
Total chapter A-24		7	(1)	6	-	11	2	-	9	9
A-2500	Expenditure on formal and other meetings	18	(11)	7	-	80	66	-	14	14
Total chapter A-25		18	(11)	7	-	80	66	-	14	14
A-2600	Communication costs	164	(54)	86	24	431	121	-	310	334
Total chapter A-26		164	(54)	86	24	431	121	-	310	334
A-2700	Service contracts	353	(1)	328	24	233	113	-	120	144
Total chapter A-27		353	(1)	328	24	233	113	-	120	144
A-2800	Expert contracts and meetings	40	(4)	36	-	390	321	-	69	69
Total chapter A-28		40	(4)	36	-	390	321	-	69	69
<b>Total Title A-2</b>		<b>743</b>	<b>(75)</b>	<b>599</b>	<b>68</b>	<b>1 778</b>	<b>1 152</b>	<b>-</b>	<b>626</b>	<b>694</b>

### 6.3. Commitments outstanding - Title B0-3

		Commitments outstanding at the end of prev. year				Commitments of the year				EUR '000
		Comm. carried forward from prev. year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payment	Cancellation of comm. which cannot be carried forward	Commit. outstanding at year-end	Total commitments outstanding at year-end
		1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
B3-001	Implementing the research agenda of FCH JU: FP7	92 235	(2 402)	27 036	62 797	91	91	-	-	62 797
B3-002	Implementing the research agenda of FCH JU: H2020	210 645	(96)	83 151	127 398	118 073	62 103	-	55 970	183 367
Total chapter B3-0		302 880	(2 498)	110 187	190 194	118 164	62 194	-	55 970	246 164
Total Title B0-3		302 880	(2 498)	110 187	190 194	118 164	62 194	-	55 970	246 164
<b>GRAND TOTAL</b>		<b>303 685</b>	<b>(2 581)</b>	<b>110 841</b>	<b>190 263</b>	<b>123 009</b>	<b>66 308</b>	<b>-</b>	<b>56 701</b>	<b>246 964</b>

## 7. GLOSSARY

### ABAC

This is the name given to the Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts which recognise revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.

### Accounting

The act of recording and reporting financial transactions, including the creation of the transaction, its recognition, processing, and summarisation in the financial statements.

### Administrative appropriations

Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).

### Adjustment

Amending budget or transfer of funds from one budget item to another

### Adopted budget

Draft budget becomes the adopted budget as soon as it is approved by the Budgetary Authority.

### Agencies

EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.

### Amending budget

Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.

### Annuality

The budgetary principle according to which expenditure and revenue is programmed and authorised for one year, starting on 1 January and ending on 31 December.

### Appropriations

Budget funding. The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments and commitment appropriations equal payment appropriations.

### Assigned revenue External/Internal

Dedicated revenue received to finance specific items of expenditure. The main sources of external assigned revenue are financial contributions from third countries to programmes financed by the Union. The main sources of internal assigned revenue are revenue from third parties in respect of goods, services or work supplied at their request; revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium. The complete list of items constituting assigned revenue is given in the Financial Regulation Art.21.2.

### Authorising Officer (AO)

The AO is responsible in each institution for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.

## Budget

Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.

## Budget implementation

Consumption of the budget through expenditure and revenue operations.

## Budget item / Budget line / Budget position

As far as the budget structure is concerned, revenue and expenditure are shown in the budget in accordance with a binding nomenclature which reflects the nature and purpose of each item, as imposed by the budgetary authority. The individual headings (title, chapter, article or item) provide a formal description of the nomenclature.

## Budget result

The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences. The resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for Agencies.

## Budgetary authority

Institutions with decisional powers on budgetary matters: the European Parliament and the Council.

## Budgetary commitment

A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.

## Cancellation of appropriations

Unused appropriations that may no longer be used.

## Carryover of appropriations

Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under strict conditions, be exceptionally carried over for use during the following year.

## Commitment appropriations

Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Art. 7 FR: Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.

## De-commitment

Cancellation of a reservation of appropriations.

## Differentiated appropriations

Differentiated appropriations are used to finance multiannual operations; they cover, for the current financial year, the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year. Art. 7 FR: Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.

## Earmarked revenue

Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution. (Cf. Assigned revenue)

## Economic result

Impact on the balance sheet of expenditure and revenue based on accrual accounting rules.

## Entitlements established

Entitlements are recovery orders that the European Union must establish for collecting income.

### Exchange rate difference

The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area, or from the revaluation of assets and liabilities in foreign currency at the closure.

### Expenditure

Term used to describe spending the budget from all types of funds sources.

### Financial regulation (FR)

Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union. (OJ L 298, 26.10.2012)

### Funds Source

Type of appropriations (e.g.: C1, C2, etc.)

### Grants

Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.

### Implementation

Cf. Budget implementation

### Income

Cf. Revenue

### Joint Undertakings (JUs)

A legal EU-body established under the TFEU. The term can be used to describe any collaborative structure proposed for the "efficient implementation of Union research, technological development and demonstration programmes".

### Lapsing appropriations

Unused appropriations to be cancelled at the end of the financial year. Lapsing means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities which is represented by an appropriation.

Only for Joint Undertakings, as specified in their Financial Rules, any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years (the so-called "N+3" rule). Hence, lapsing appropriations for JUs could be reactivated until financial year "N+3".

### Legal base (basic act)

The legal base or basis is, as a general rule, a law based on an article in the Treaty giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain Treaty articles authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.

### Legal commitment

A legal commitment establishes a legal obligation towards third parties.

### Non-differentiated appropriations

Non-differentiated appropriations are for operations of an annual nature. (Art. 9 FR). In the EU-Budget non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments.

### Operational appropriations

Operational appropriations finance the different policies, mainly in the form of grants or procurement.

### Outstanding commitment

Legal commitments having not fully given rise to liquidation by payments. Cf. RAL.

### Outturn

Cf. Budget result

### Payment

A payment is a cash disbursement to honour legal obligations.

### Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Art. 7 FR).

### RAL

Sum of outstanding commitments. Outstanding commitments (or RAL, from the French 'reste à liquider') are defined as the amount of appropriations committed that have not yet been paid. They *stem directly* from the existence of multiannual programmes and the dissociation between commitment and payment appropriations. (Cf. Outstanding commitments)

### Recovery

The recovery order is the procedure by which the Authorising officer (AO) registers an entitlement by the Commission in order to retrieve the amount which is due. The entitlement is the right that the Commission has to claim the sum which is due by a debtor, usually a beneficiary.

### Revenue

Term used to describe income from all sources financing the budget.

### Rules of application

Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.

### Surplus

Positive difference between revenue and expenditure (see Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.

### Transfer

Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification. They are, however, expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The FR identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorization.