



Annual accounts of the Fuel
Cells and Hydrogen 2
Joint Undertaking

Financial year 2018

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CERTIFICATION OF THE ACCOUNTS

The final annual accounts of the Fuel Cells and Hydrogen 2 Joint Undertaking for the year 2018 have been prepared in accordance with the Financial Regulation of the JU and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions and union bodies.

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

14 June 2019

BACKGROUND INFORMATION ON THE FCH 2 JU

The Fuel Cells and Hydrogen 2 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 Commission¹, (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 521/2008² 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 559/2014³. 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 2 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 2 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.

Highlights of the year

The year 2018 was marked by further progress in achievements, major events (Central and Eastern European Tour and the Hydrogen summit in Sofia, presence at the EC booth during the TEN-T days in Ljubljana, the signature of the "Hydrogen initiative"), results and initiatives, enhanced outreach activities including for the first time the FCH Awards and a publicity campaign, promising results from studies, confirmation of the significant leverage, excellent budget execution, low error rate, update of the FCH 2 JU GB strategic priorities and ambitious plans for the future.

It has also been the first year in which the proportion of validated EU operational expenditure has been higher for the H2020 Programme. This shows the phasing out of the FP7 Programme, with only 11 projects for which a final payment was still needed, compared to the maturity of the H2020 Programme, with 72 ongoing actions by year-end.

¹ Hereinafter referred to as 'Commission'

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

³ Council Regulation (EC) No. 559/2014 of 6 May 2014 setting up 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.

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BALANCE SHEET

EUR '000

| | Note | 31.12.2018 | 31.12.2017 |
|---|------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| <i>Intangible assets</i> | 2.1 | 43 | 59 |
| <i>Property, plant and equipment</i> | 2.2 | 135 | 128 |
| <i>Pre-financing</i> | 2.3 | 79 805 | 98 611 |
| | | 79 983 | 98 797 |
| CURRENT ASSETS | | | |
| <i>Pre-financing</i> | 2.3 | 79 076 | 75 200 |
| <i>Exchange receivables and non-exchange recoverables</i> | 2.4 | 25 687 | 25 856 |
| | | 104 763 | 101 056 |
| TOTAL ASSETS | | 184 746 | 199 853 |
| CURRENT LIABILITIES | | | |
| <i>Payables and other liabilities</i> | 2.5 | (57 588) | (86 413) |
| <i>Accrued charges and deferred income</i> | 2.6 | (43 454) | (56 687) |
| | | (101 042) | (143 100) |
| TOTAL LIABILITIES | | (101 042) | (143 100) |
| NET ASSETS | | | |
| <i>Contributions from Members</i> | 2.7 | 1 183 489 | 1 038 217 |
| <i>Accumulated deficit</i> | | (981 465) | (870 259) |
| <i>Economic result of the year</i> | | (118 320) | (111 206) |
| NET ASSETS | | 83 704 | 56 753 |

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

| | Note | 2018 | 2017 |
|---|------|------------------|------------------|
| REVENUE | | | |
| Revenue from non-exchange transactions | | | |
| <i>Recovery of expenses</i> | 3.1 | 4 795 | 3 778 |
| <i>Other</i> | | 38 | 4 |
| Total | | 4 833 | 3 782 |
| Revenue from exchange transactions | | | |
| <i>Financial income</i> | | 11 | 1 |
| <i>Other exchange revenue</i> | | 4 | - |
| Total | | 15 | 1 |
| | | 4 848 | 3 782 |
| EXPENSES | | | |
| <i>Operating costs</i> | 3.2 | (118 158) | (110 156) |
| <i>Staff costs</i> | 3.3 | (2 900) | (2 760) |
| <i>Finance costs</i> | 3.4 | - | (37) |
| <i>Other expenses</i> | 3.5 | (2 109) | (2 036) |
| | | (123 167) | (114 988) |
| ECONOMIC RESULT OF THE YEAR | | (118 320) | (111 206) |

CASHFLOW STATEMENT⁴

EUR '000

| | 2018 | 2017 |
|---|-----------|-----------|
| <i>Economic result of the year</i> | (118 320) | (111 206) |
| Operating activities | | |
| <i>Depreciation and amortization</i> | 50 | 34 |
| <i>(Increase)/decrease in pre-financing</i> | 14 930 | (71 819) |
| <i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i> | 169 | (4 935) |
| <i>Increase/(decrease) in payables</i> | (28 825) | (83 792) |
| <i>Increase/(decrease) in accrued charges and deferred income</i> | (13 234) | (2 947) |
| <i>Increase/(decrease) in cash contributions</i> | 102 366 | 179 314 |
| <i>Increase/(decrease) in in-kind contributions</i> | 42 905 | 95 518 |
| Investing activities | | |
| <i>(Increase)/decrease in intangible assets and property, plant and equipment</i> | (42) | (166) |
| NET CASHFLOW | - | - |
| <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> | - | - |

⁴ Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of FCH, the treasury of FCH was integrated into the Commission's treasury system. Because of this, FCH 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 |
|--|---------------------------|--------------------------------|-----------------------------|------------------|
| BALANCE AS AT 31.12.2016 | 763 386 | (700 941) | (169 317) | (106 873) |
| <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) |
| BALANCE AS AT 31.12.2017 | 1 038 217 | (870 259) | (111 206) | 56 753 |
| <i>Allocation 2017 economic result</i> | - | (111 206) | 111 206 | - |
| <i>Cash contribution</i> | 102 366 | - | - | 102 366 |
| <i>Contribution in-kind</i> | 42 905 | - | - | 42 905 |
| <i>Economic result of the year</i> | - | - | (118 320) | (118 320) |
| BALANCE AS AT 31.12.2018 | 1 183 489 | (981 465) | (118 320) | 83 704 |

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the 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 | 31.12.2018 | 31.12.2017 | Currency | 31.12.2018 | 31.12.2017 |
|------------|-----------------|------------|------------|-----------------|------------|
| BGN | 1.9558 | 1.9558 | PLN | 4.3014 | 4.177 |
| CZK | 25.7240 | 25.5350 | RON | 4.6635 | 4.6585 |
| DKK | 7.4673 | 7.4449 | SEK | 10.2548 | 9.8438 |
| GBP | 0.8945 | 0.8872 | CHF | 1.1269 | 1.1702 |
| HRK | 7.4125 | 7.4400 | JPY | 125.8500 | 135.01 |
| HUF | 320.9800 | 310.3300 | USD | 1.145 | 1.1993 |

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; amounts for employee benefit liabilities, 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

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. During this financial year, the entity did not hold any investments in this category.

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 and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. 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 from 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).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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 31.12.2017</i> | 87 |
| <i>Additions</i> | 2 |
| Gross carrying amount at 31.12.2018 | 89 |
| <i>Accumulated amortisation at 31.12.2017</i> | (29) |
| <i>Amortisation charge for the year</i> | (17) |
| Accumulated amortisation at 31.12.2018 | (46) |
| NET CARRYING AMOUNT AT 31.12.2018 | 43 |
| <i>NET CARRYING AMOUNT AT 31.12.2017</i> | 59 |

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

2.2. PROPERTY, PLANT AND EQUIPMENT

'000 EUR

| | Plant and equipment | Furniture and vehicles | Computer hardware | Other | TOTAL |
|---|------------------------|------------------------------|----------------------|------------|--------------|
| <i>Gross carrying amount at 31.12.2017</i> | 39 | 57 | 137 | 48 | 282 |
| <i>Additions</i> | - | 8 | 29 | - | 37 |
| <i>Disposals</i> | (4) | (4) | (10) | - | (18) |
| <i>Other changes</i> | - | - | 4 | - | 4 |
| Gross carrying amount at 31.12.2018 | 35 | 62 | 161 | 48 | 306 |
| <i>Accumulated depreciation at 31.12.2017</i> | (33) | (15) | (104) | (2) | (155) |
| <i>Depreciation charge for the year</i> | (2) | (6) | (17) | (5) | (30) |
| <i>Disposals</i> | 4 | 2 | 9 | - | 15 |
| <i>Other changes</i> | - | - | (1) | - | (1) |
| Accumulated depreciation at 31.12.2018 | (32) | (19) | (113) | (7) | (171) |
| NET CARRYING AMOUNT AT 31.12.2018 | 3 | 43 | 48 | 41 | 135 |
| <i>NET CARRYING AMOUNT AT 31.12.2017</i> | 6 | 43 | 33 | 46 | 128 |

2.3. PRE-FINANCING

EUR '000

| | 31.12.2018 | 31.12.2017 |
|----------------------------------|----------------|----------------|
| <i>Non-current pre-financing</i> | 79 805 | 98 611 |
| <i>Current pre-financing</i> | 79 076 | 75 200 |
| Total | 158 881 | 173 811 |

For all pre-financing amounts open at 31 December 2018 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2019 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 58 018. The remaining portion of cut off expenses is recorded in accrued charges (see note **2.6**).

Guarantees received covering pre-financing amounted to kEUR 5 152 at year-end.

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

The amounts included under this heading are fully composed of current receivables from exchange transactions.

EUR '000

| | 31.12.2018 | 31.12.2017 |
|---|---------------|---------------|
| <i>Central treasury liaison accounts</i> | 25 169 | 25 170 |
| <i>Customers</i> | 438 | 681 |
| <i>Deferred charges relating to exchange transactions</i> | 67 | 4 |
| <i>Others</i> | 12 | 2 |
| Total | 25 687 | 25 856 |

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 | |
|---|---------------|---------------|
| | 31.12.2018 | 31.12.2017 |
| <i>Contribution in kind to be validated</i> | 46 289 | 70 130 |
| <i>Current payables</i> | 8 993 | 14 411 |
| <i>Sundry payables</i> | 2 306 | 1 872 |
| Total | 57 588 | 86 413 |

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 2018. 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 2018: the in-kind contributions estimated based on cost claims received but not validated amounted to kEUR 12 262; the in-kind contributions estimated based on the pro-rata method amounted to kEUR 33 969. The estimated EU contributions related to those projects are included under accrued charges (see note **2.6**). The decrease in the estimated in kind contributions to be validated is due to the phasing out of Programme FP7 and the reduced number of projects for which an estimation is needed. Also included in this header are kEUR 58 of audit adjustments of the FP7 programme contributions to be validated.

The sub-heading current payables is composed of liabilities to suppliers (kEUR 8 485) and to public bodies (kEUR 508). The large decrease of current payables is due to the fact that in 2018 there was a reduced number of cost claims submitted but not yet paid at year end than in 2017.

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 2018 represents automatically retained amounts from the pre-financing of 16 Horizon 2020 beneficiaries' projects, which have not yet been collected by the Participants Guarantee Fund.

2.6. ACCRUED CHARGES

| | EUR '000 | |
|------------------------|------------|------------|
| | 31.12.2018 | 31.12.2017 |
| <i>Accrued charges</i> | 43 454 | 56 687 |

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2018 but not yet invoiced or processed by the end of the year. They are mainly composed of estimated operating expenses of kEUR 42 849 for on-going or ended projects without a validated cost statement where the 2018 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2018: the accrued charges estimated based on cost claims received but not validated amounted to kEUR 18 630; the accrued charges estimated based on the pro-rata method amounted kEUR 24 219. 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 550 relating mainly to communication and publication expenses (kEUR 208), other services provided by third parties (kEUR 187), missions costs (kEUR 88) and experts related costs (kEUR 54). This heading also includes accrued charges for untaken leave (kEUR 54).

The reduction in FCH JU contribution is due to the estimation made for expenses of the 2 projects:

- Reduction of 13.4 million Eur on the estimates incurred for FP7 projects: from 34 projects and an estimation of 24.3 million Eur in 2017 (made based on either cost claims received but not validated or on prorated) to an estimation made only for 11 projects and amounted to 8.2 MEur in 2018.
- Increase of 2.8 million Eur on the estimates incurred for H2020 projects: from 47 projects and 31.7 MEur in 2017 to 72 projects and 34.5 MEur in 2018.

NET ASSETS

2.7. CONTRIBUTIONS FROM MEMBERS

| Programming period | 2018 | | | 2017 | | | EUR '000 |
|--------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------|
| | Cash | in-Kind | Total | Cash | in-Kind | Total | |
| FP7 | 420 132 | 439 120 | 859 253 | 404 546 | 397 413 | 801 959 | |
| H2020 | 322 411 | 1 825 | 324 236 | 235 631 | 628 | 236 259 | |
| Total | 742 543 | 440 946 | 1 183 489 | 640 177 | 398 041 | 1 038 217 | |

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

Unlike for Horizon 2020 (see below **2.7.2**), under FP7 programme all services in-kind (except those provided by JRC – see note **4.3.2**) validated by the Executive Director of FCH 2 JU are considered in-kind contribution.

| Member | Commission | | Industry Grouping | | Research Grouping | | Total | | EUR '000 |
|---|----------------|---------------|-------------------|----------------|-------------------|----------------|----------------|----------------|----------|
| | Cash | In kind | Cash | In kind | Cash | In kind | Cash | In kind | |
| <i>Running costs contributions at 31.12. 2017</i> | 9 253 | 1 808 | 15 329 | – | 2 555 | – | 27 137 | 1 808 | |
| <i>Current year contributions</i> | – | – | – | – | – | – | – | – | |
| Running costs contributions at 31.12. 2018 | 9 253 | 1 808 | 15 329 | – | 2 555 | – | 27 137 | 1 808 | |
| <i>Operating costs contributions at 31.12. 2017</i> | 377 409 | 17 299 | – | 253 683 | – | 124 622 | 377 409 | 395 604 | |
| <i>Adjustments of prior years contributions</i> | – | – | – | (2 729) | – | (304) | – | (3 033) | |
| <i>Current year contributions</i> | 15 586 | – | – | 27 801 | – | 16 939 | 15 586 | 44 740 | |
| Operating costs contributions at 31.12. 2018 | 392 995 | 17 299 | – | 278 756 | – | 141 257 | 392 995 | 437 312 | |
| <i>TOTAL contributions at 31.12. 2017</i> | 386 662 | 19 107 | 15 329 | 253 683 | 2 555 | 124 622 | 404 546 | 397 413 | |
| TOTAL contributions at 31.12. 2018 | 402 249 | 19 107 | 15 329 | 278 756 | 2 555 | 141 257 | 420 132 | 439 120 | |
| <i>% of total contributions (by type)</i> | 95.74% | 4.35% | 3.65% | 63.48% | 0.61% | 32.17% | 100.00% | 100.00% | |
| <i>Total contribution in %</i> | 49.04% | | | 34.23% | | 16.74% | 100.00% | 100.00% | |
| <i>Voting rights %</i> | 41.67% | | | 50.00% | | 8.33% | 100.00% | 100.00% | |

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 | Commission | | Industry Grouping | | Research Grouping | | Total | |
|---|----------------|---------|-------------------|--------------|-------------------|---------|----------------|----------------|
| | Cash | In kind | Cash | In kind | Cash | In kind | Cash | In kind |
| <i>Running costs contributions at 31.12. 2017</i> | 1 305 | - | 1 122 | - | 183 | - | 2 610 | - |
| <i>Current year contributions</i> | 2 342 | - | 2 014 | - | 328 | - | 4 684 | - |
| Running costs contributions at 31.12. 2018 | 3 647 | - | 3 136 | - | 511 | - | 7 294 | - |
| <i>Operating costs contributions at 31.12. 2017</i> | 233 021 | - | - | 628 | - | - | 233 021 | 628 |
| <i>Adjustments of prior years contributions</i> | - | - | - | - | - | - | - | - |
| <i>Current year contributions</i> | 82 096 | - | - | 1 197 | - | - | 82 096 | 1 197 |
| Operating costs contributions at 31.12. 2018 | 315 117 | - | - | 1 825 | - | - | 315 117 | 1 825 |
| <i>TOTAL contributions at 31.12. 2017</i> | 234 326 | - | 1 122 | 628 | 183 | - | 235 631 | 628 |
| TOTAL contributions at 31.12. 2018 | 318 764 | - | 3 136 | 1 825 | 511 | - | 322 411 | 1 825 |
| <i>% of total contributions (by type)</i> | 98.87% | 0.00% | 0.97% | 100.00% | 0.16% | 0.00% | 100.00% | 100.00% |
| <i>Total contribution in %</i> | 98.31% | | 1.53% | | 0.16% | | 100.00% | |
| <i>Voting rights %</i> | 50.00% | | 43.00% | | 7.00% | | 100.00% | |

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

NON-EXCHANGE REVENUE

3.1. RECOVERY OF EXPENSES

EUR '000

| | 2018 | 2017 |
|-----------------------------|-------|-------|
| <i>Recovery of expenses</i> | 4 795 | 3 778 |

This heading is composed of the operating expenses recovered from beneficiaries during the year and adjustments coming from audits that will be collected in 2019.

EXPENSES

3.2. OPERATING COSTS

Included under this heading are operating expenses related to projects that were carried out in 2018. 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 provisional 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 provisional annual accounts, the estimates are based on reports of services of worked 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

| | 2018 | 2017 |
|---|----------------|----------------|
| <i>Operating costs incurred (validated cost claims)</i> | 155 938 | 198 516 |
| <i>Estimated in kind contributions</i> | (23 286) | (62 195) |
| <i>estimated EU contributions</i> | (14 494) | (26 165) |
| Total | 118 158 | 110 156 |

The reason for the negative amount of the operating costs estimated in 2018 relates to the fact that more FP7 projects were closed compared to the estimated amount relating to H2020 projects.

The increase in the operating costs estimated is due to the phasing out of the FP7 Programme (meaning finalisation of expenses and clearing of pre-financing) and the increased number of H2020 projects that are still in an early stage of implementation and for which an estimation is needed.

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 in 2017 were 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

| | 2018 | 2017 |
|---|--------------|--------------|
| <i>External non IT services</i> | 483 | 492 |
| <i>Communications & publications</i> | 464 | 463 |
| <i>Experts expenses</i> | 377 | 327 |
| <i>Operating lease expenses</i> | 302 | 317 |
| <i>External IT services</i> | 228 | 190 |
| <i>Property, plant and equipment related expenses</i> | 56 | 52 |
| <i>Losses on realisation of trade debtors</i> | - | 17 |
| <i>Foreign exchange losses</i> | - | (2) |
| <i>Other</i> | 199 | 181 |
| Total | 2 109 | 2 036 |

The operating lease expenses are related to the FCH 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> | 349 | 1 468 | 386 | 2 203 |

4. CONTINGENT ASSETS, LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

4.1. CONTINGENT ASSETS

EUR '000

| | 31.12.2018 | 31.12.2017 |
|---|------------|------------|
| <i>Positive adjustments of operating expenses</i> | - | 205 |

The amounts included under this heading in 2017 related to positive adjustment of operating expense (i.e. in favour of FCH 2 JU) arising from ex-post audits for which the audit reports have been approved but not yet sent to the beneficiaries by 31 December 2017. No amounts are disclosed under this heading during the preparation of the 2018 annual accounts.

4.2. CONTINGENT LIABILITIES

EUR '000

| | 31.12.2018 | 31.12.2017 |
|---|------------|------------|
| <i>Negative adjustments of operating expenses</i> | - | (94) |

Negative adjustments of operating expenses (i.e. in favour of the beneficiary) arising from ex-post audits for which the audit reports have been approved but not yet sent to the beneficiaries by 31 December 2017. No amounts recorded under this heading during the preparation of the 2018 annual accounts.

4.3. OTHER SIGNIFICANT DISCLOSURES

4.3.1. Outstanding commitments not yet expensed

At 31 December 2018 the outstanding commitments not yet expensed amounted to kEUR 151 927 (2017: kEUR 174 405). The amount comprises the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the 2018 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 2018 the Executive Director of FCH 2 JU validated services in-kind provided by the Joint Research Centre (JRC) for a total value of kEUR 4 278 (2017: kEUR 4 078). 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 2018 amounted to kEUR 13 267.

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 third reporting exercise for IKAA took place in 2018 with total certified IKAA for 2014-2017 amounting to kEUR 486 300. The 2018 additional activities plan adopted by the FCH 2 JU GB on 15 December 2017 amounted to kEUR 250 160. The preliminary report on estimated amounts effectively implemented in 2018 submitted to the FCH 2 JU GB on 31 January 2019 in accordance with the Council Regulation indicates an amount of kEUR 186 830 that will be subject to certification expected by 30 April 2019 with validation process up to mid June 2019.

Taking into account certified and reported IKAA figures for 2014 – 2018, resulting cumulative IKAA reaches amount of kEUR 673 130, more than twice 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 annual accounts the annual IKAA certification for 2018 was in progress. Based on the previous year experience, the expectations are that from kEUR 186 830 reported in the Preliminary Report as of 31 January 2019, up to kEUR 150 000 will be certified.

The Additional Activities Plan covering the period of 1 January 2019 – 31 December 2019 was submitted by the members other than the Union for review in December 2018 and included certifiable Additional Activities of an amount of kEUR 198 490. Following the review process, adoption of the IKAA Plan 2019 by the FCH 2 JU GB took place on 9 April 2019.

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 2014-2019 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.

| | 2018 | 2017 |
|---------------------------|-------------|-------------|
| <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.

4.3.6. Events after reporting date

The in-kind contributions validated between 31.12.2018 and the preparation of the annual accounts amounted to kEUR 1 668. Out of this amount kEUR 1 281 relates to in-kind contributions from the Industry Grouping and kEUR 387 to in-kind contributions of the Research Grouping. The validated contributions are recorded as additions to net assets in 2019.

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 31.12.2018 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 25 687 at 31.12.2018.

Financial assets by risk category

At 31.12.2018 the financial assets of kEUR 25 687 are entirely composed of receivables against entities with a prime external credit rating.

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.

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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

In 2018, budget implementation of commitment and payment appropriations reached 94% and 83% respectively, showing a decrease compared to 2017 figures (96% and 89% respectively).

Administrative expenditure

FCH 2 JU's administrative costs rate of use reached 91%. Unused appropriations came mainly from staff costs and communication budget lines.

The unused appropriations will be all reactivated in 2019 in accordance with FCH 2 JU financial rules.

The execution of payment appropriations (78%) was also kept at the high rates of 2017.

The implementation of commitment appropriations is higher than for payment appropriations due to the fact that payments for certain services contracted in 2018 will only be due in 2019.

Operational expenditure

H2020 appropriations are used to cover for the call, procurement plan (studies), the work of JRC and the experts participating in the European Hydrogen Safety Panel. Their commitment implementation rate reached 94%. The decrease compared to 2017 (96%) is due to outcome of the call where 1 topic (Hydrogen admixtures) was not covered and to the delay in the procurement plan. The biggest part of the unused appropriations is already re-activated in the 2019 budget whereas the remaining will be re-activated in 2019 and 2020 according to FCH 2 JU needs.

In terms of H2020 payments, the execution rate (84%) was lower than in 2017 (90%) due to the delays in the Grant Agreement preparation for 2 major demo projects; therefore their respective pre-financings (estimated at EUR 9.2 M) were not disbursed. The unused payment appropriations will be re-entered in 2019 and 2020 according to the estimated additional payment needs.

Regarding FP7 operational costs, the implementation rate on the payment appropriations has risen compared to 2017 (80% from 74%). The unused payment appropriations will be also re-entered in 2019 and 2020 according to the payment needs.

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 | |
|----------------------------------|------|------------------|------------------|
| | Titl | 2018 | 2017 |
| Revenue | | 104 632 | 179 964 |
| <i>of which:</i> | | | |
| Subsidies and revenues | A-2 | 104 632 | 179 964 |
| Expenditure | | (105 068) | (177 149) |
| <i>of which:</i> | | | |
| Staff expenditure | A-1 | (3 164) | (3 016) |
| Admin expenditure | A-2 | (1 834) | (1 751) |
| Operational expenditure | B0-3 | (100 070) | (172 382) |
| Exchange rate differences | | 1 | 2 |
| Budget result | | (435) | 2 817 |

3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR 000

| | 2018 | 2017 |
|--|------------------|------------------|
| ECONOMIC RESULT OF THE YEAR | (118 320) | (111 206) |
| Adjustment for accrual items (items not in the budgetary result but included in the economic result) | | |
| <i>In-kind contributions validated in the year</i> | 42 905 | 95 518 |
| <i>Adjustments for accrual cut-off (net)</i> | (36 324) | (103 762) |
| <i>Unpaid invoices at year end but booked in expenses</i> | 3 960 | |
| <i>Depreciation, amortization and impairment of intangible and tangible assets</i> | 47 | 34 |
| <i>Movement in provisions</i> | | |
| <i>Recovery orders issued in the year and not yet cashed</i> | (388) | |
| <i>Correction of recovery orders issued last year</i> | - | 1 235 |
| <i>Pre-financing given in previous year and cleared in the year</i> | 41 039 | 52 641 |
| Adjustment for budgetary items (item included in the budgetary result but not in the economic result) | | |
| <i>Members' cash contributions collected in the year</i> | 102 366 | 179 314 |
| <i>Asset acquisitions (less unpaid amounts)</i> | (39) | (167) |
| <i>Payments made from non-budget lines</i> | | |
| <i>New pre-financing paid in the year and remaining open as at 31 December</i> | (35 770) | (110 835) |
| <i>New pre-financing received in the year and remaining open as at 31 December</i> | | |
| <i>Entitlements established in previous year and cashed in the year</i> | 88 | 52 |
| <i>Other individually immaterial</i> | | (6) |
| BUDGET RESULT OF THE YEAR | (435) | 2 817 |

4. IMPLEMENTATION OF BUDGET REVENUE

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

EUR '000

| | | Income appropriations | | Entitlements established | | | Revenue | | | | |
|---------------------------|--|-----------------------|----------------|--------------------------|--------------|----------------|---------------------------------|------------------------------|----------------|--------------|-------------|
| | | Initial budget | Final budget | Current year | Carried over | Total | On entitlements of current year | On entitlements carried over | Total | % | Outstanding |
| | | 1 | 2 | 3 | 4 | 5=3+4 | 6 | 7 | 8=6+7 | 9=8/2 | 10=5-8 |
| A-2001 | EC subsidy for operational expenditure | 25 686 | 15 586 | 15 586 | - | 15 586 | 15 586 | - | 15 586 | 100 % | - |
| A-2002 | EC subsidy for administrative expenditure | 2 342 | 2 342 | 2 342 | - | 2 342 | 2 342 | - | 2 342 | 100 % | - |
| A-2003 | IG contribution for administrative expenditure | 2 014 | 2 014 | 2 014 | - | 2 014 | 2 014 | - | 2 014 | 100 % | - |
| A-2004 | RG contribution for administrative expenditure | 328 | 328 | 328 | - | 328 | 328 | - | 328 | 100 % | - |
| A-2005 | EC subsidy for operational expenditure (H2020) | 95 296 | 82 096 | 82 096 | - | 82 096 | 82 096 | - | 82 096 | 100 % | - |
| A-2006 | JTI revenues | - | - | 2 291 | 399 | 2 690 | 1 867 | 399 | 2 265 | - | 424 |
| Total chapter A-20 | | 125 666 | 102 366 | 104 657 | 399 | 105 056 | 104 233 | 399 | 104 632 | 102 % | 424 |
| Total Title A-2 | | 125 666 | 102 366 | 104 657 | 399 | 105 056 | 104 233 | 399 | 104 632 | 102 % | 424 |

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

EUR '000

| | Income appropriations | | Entitlements established | | | Revenue | | | | | |
|------------------------|---|----------------|--------------------------|----------------|------------|---------------------------------|------------------------------|------------|----------------|-------------|------------|
| | Initial budget | Final budget | Current year | Carried over | Total | On entitlements of current year | On entitlements carried over | Total | % | Outstanding | |
| | 1 | 2 | 3 | 4 | 5=3+4 | 6 | 7 | 8=6+7 | 9=8/2 | 10=5-8 | |
| A-3012 | C2 reactivation of appropriations for administrative expenditure (2017) | - | 1 000 | - | - | - | - | - | - | 0 % | - |
| A-3013 | C2 reactivation of appropriations for operational expenditure (2017) | - | 20 127 | - | - | - | - | - | - | 0 % | - |
| Total chapter A-30 | | - | 21 127 | - | - | - | - | - | - | 0 % | - |
| Total Title A-3 | | - | 21 127 | - | - | - | - | - | - | 0 % | - |
| GRAND TOTAL | | 125 666 | 123 493 | 104 657 | 399 | 105 056 | 104 233 | 399 | 104 632 | 85 % | 424 |

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 | | | | Additional appropriations | | | Total approp. available |
|------------------------|---|------------------------------|----------------------|-------------|----------------------------|---------------------------|---------------------|------------|----------------------------|
| | | Initial adopted budget | Amendin g budgets | Transfers | Final budget adopted | Carry- overs | Assigned revenue | Total | |
| | | 1 | 2 | 3 | 4=1+2+3 | 5 | 6 | 7=5+6 | |
| A-1100 | Staff in active employment | 2 575 | (11) | (15) | 2 549 | 778 | 0 | 778 | 3 327 |
| Total chapter A-11 | | 2 575 | (11) | (15) | 2 549 | 778 | 0 | 778 | 3 327 |
| A-1200 | Expenditure related to recruitment | 46 | - | - | 46 | - | - | - | 46 |
| Total chapter A-12 | | 46 | - | - | 46 | - | - | - | 46 |
| A-1300 | Missions and travel | 138 | - | - | 138 | - | 1 | 1 | 138 |
| Total chapter A-13 | | 138 | - | - | 138 | - | 1 | 1 | 138 |
| A-1400 | Sociomedical infrastructure | 40 | - | 5 | 45 | - | - | - | 45 |
| Total chapter A-14 | | 40 | - | 5 | 45 | - | - | - | 45 |
| A-1500 | Entertainment and representation expenses | 6 | - | - | 6 | - | - | - | 6 |
| Total chapter A-15 | | 6 | - | - | 6 | - | - | - | 6 |
| Total Title A-1 | | 2 804 | (11) | (10) | 2 783 | 778 | 1 | 779 | 3 562 |

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

EUR '000

| | | Budget appropriations | | | Additional appropriations | | | Total 8=4+7 | |
|------------------------|---|-----------------------------------|---------------------------|----------------|---------------------------------------|----------------------|--------------------------|----------------|----------------|
| | | Initial adopted budget 1 | Amendin g budgets 2 | Transfers 3 | Final budget adopted 4=1+2+3 | Carry- overs 5 | Assigned revenue 6 | | Total 7=5+6 |
| A-2000 | Investments in immovable property, rental of buildings and associated costs | 370 | (17) | - | 354 | - | 1 | 1 | 355 |
| Total chapter A-20 | | 370 | (17) | - | 354 | - | 1 | 1 | 355 |
| A-2100 | Information technology | 209 | 28 | 118 | 355 | - | 6 | 6 | 361 |
| Total chapter A-21 | | 209 | 28 | 118 | 355 | - | 6 | 6 | 361 |
| A-2200 | Movable property and associated costs | 5 | - | 8 | 13 | - | - | - | 13 |
| Total chapter A-22 | | 5 | - | 8 | 13 | - | - | - | 13 |
| A-2300 | Current administrative expenditure | 7 | - | - | 7 | - | - | - | 7 |
| Total chapter A-23 | | 7 | - | - | 7 | - | - | - | 7 |
| A-2400 | Correspondence, postage and telecommunications | 12 | - | - | 12 | - | - | - | 12 |
| Total chapter A-24 | | 12 | - | - | 12 | - | - | - | 12 |
| A-2500 | Expenditure on formal and other meetings | 90 | - | - | 90 | - | 5 | 5 | 95 |
| Total chapter A-25 | | 90 | - | - | 90 | - | 5 | 5 | 95 |
| A-2600 | Communication costs | 440 | - | 87 | 527 | - | - | - | 527 |
| Total chapter A-26 | | 440 | - | 87 | 527 | - | - | - | 527 |
| A-2700 | Service contracts | 282 | - | (110) | 172 | 200 | - | 200 | 372 |
| Total chapter A-27 | | 282 | - | (110) | 172 | 200 | - | 200 | 372 |
| A-2800 | Expert contracts and meetings | 464 | - | (93) | 371 | - | - | - | 371 |
| Total chapter A-28 | | 464 | - | (93) | 371 | - | - | - | 371 |
| Total Title A-2 | | 1 880 | 11 | 10 | 1 901 | 200 | 12 | 212 | 2 113 |

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

EUR '000

| | | Budget appropriations | | | | Additional appropriations | | | Total apprpr. available 8=4+7 |
|-------------------------|---|-----------------------------------|---------------------------|----------------|---------------------------------------|---------------------------|--------------------------|----------------|--|
| | | Initial adopted budget 1 | Amendin g budgets 2 | Transfers 3 | Final budget adopted 4=1+2+3 | Carry- overs 5 | Assigned revenue 6 | Total 7=5+6 | |
| B3-001 | Implementing the research agenda of FCH JU: FP7 | - | - | - | - | 368 | 1 669 | 2 037 | 2 037 |
| B3-002 | Implementing the research agenda of FCH JU: H2020 | 75 100 | - | - | 75 100 | 2 120 | 574 | 2 693 | 77 793 |
| Total chapter B3-0 | | 75 100 | - | - | 75 100 | 2 488 | 2 242 | 4 730 | 79 830 |
| Total Title B0-3 | | 75 100 | - | - | 75 100 | 2 488 | 2 242 | 4 730 | 79 830 |
| GRAND TOTAL | | 79 784 | - | - | 79 784 | 3 466 | 2 255 | 5 721 | 85 504 |

5.2. Breakdown and changes in payment appropriations

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

EUR '000

| | Initial budget adopted | Budget appropriations | | | Final adopted budget 4=1+2+3 | Additional appropriations | | | Total approp. available 8=4+7 |
|--|------------------------|-----------------------|-------------|--------------|---------------------------------|---------------------------|------------------|----------------|----------------------------------|
| | | Amending budgets | Transfers | | | Carry-overs | Assigned revenue | Total 7=5+6 | |
| | 1 | 2 | 3 | | 5 | 6 | 7=5+6 | 8=4+7 | |
| A-1100 Staff in active employment | 2 575 | (11) | (15) | 2 549 | 834 | 0 | 834 | 3 383 | |
| Total chapter A-11 | 2 575 | (11) | (15) | 2 549 | 834 | 0 | 834 | 3 383 | |
| A-1200 Expenditure related to recruitment | 46 | - | - | 46 | 2 | - | 2 | 48 | |
| Total chapter A-12 | 46 | - | - | 46 | 2 | - | 2 | 48 | |
| A-1300 Missions and travel | 138 | - | - | 138 | 31 | 1 | 32 | 170 | |
| Total chapter A-13 | 138 | - | - | 138 | 31 | 1 | 32 | 170 | |
| A-1400 Sociomedical infrastructure | 40 | - | 5 | 45 | 14 | - | 14 | 59 | |
| Total chapter A-14 | 40 | - | 5 | 45 | 14 | - | 14 | 59 | |
| A-1500 Entertainment and representation expenses | 6 | - | - | 6 | 3 | - | 3 | 8 | |
| Total chapter A-15 | 6 | - | - | 6 | 3 | - | 3 | 8 | |
| Title A-1 | 2 804 | (11) | (10) | 2 783 | 884 | 1 | 885 | 3 668 | |

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 approp. available 8=4+7 |
|--------------------|---|-----------------------------|-----------------------|----------------|---------------------------------|---------------------------|-----------------------|----------------|----------------------------------|
| | | Initial budget adopted 1 | Amending budgets 2 | Transfers 3 | | Carry-overs 5 | Assigned revenue 6 | Total 7=5+6 | |
| A-2000 | Investments in immovable property, rental of buildings and associated costs | 370 | (17) | – | 354 | 20 | 1 | 22 | 375 |
| Total chapter A-20 | | 370 | (17) | – | 354 | 20 | 1 | 22 | 375 |
| A-2100 | Information technology | 209 | 28 | 118 | 355 | 103 | 6 | 109 | 464 |
| Total chapter A-21 | | 209 | 28 | 118 | 355 | 103 | 6 | 109 | 464 |
| A-2200 | Movable property and associated costs | 5 | – | 8 | 13 | – | – | – | 13 |
| Total chapter A-22 | | 5 | – | 8 | 13 | – | – | – | 13 |
| A-2300 | Current administrative expenditure | 7 | – | – | 7 | 1 | – | 1 | 8 |
| Total chapter A-23 | | 7 | – | – | 7 | 1 | – | 1 | 8 |
| A-2400 | Correspondence, postage and telecommunications | 12 | – | – | 12 | 9 | – | 9 | 21 |
| Total chapter A-24 | | 12 | – | – | 12 | 9 | – | 9 | 21 |
| A-2500 | Expenditure on formal and other meetings | 90 | – | – | 90 | 14 | 5 | 19 | 109 |
| Total chapter A-25 | | 90 | – | – | 90 | 14 | 5 | 19 | 109 |
| A-2600 | Communication costs | 440 | – | 87 | 527 | 334 | – | 334 | 861 |
| Total chapter A-26 | | 440 | – | 87 | 527 | 334 | – | 334 | 861 |
| A-2700 | Service contracts | 282 | – | (110) | 172 | 344 | – | 344 | 516 |
| Total chapter A-27 | | 282 | – | (110) | 172 | 344 | – | 344 | 516 |
| A-2800 | Expert contracts and meetings | 464 | – | (93) | 371 | 69 | – | 69 | 440 |
| Total chapter A-28 | | 464 | – | (93) | 371 | 69 | – | 69 | 440 |
| Title A-2 | | 1 880 | 11 | 10 | 1 901 | 894 | 12 | 906 | 2 806 |

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

EUR '000

| | | Budget appropriations | | | Additional appropriations | | | Total apppr. available 8=4+7 | |
|--------------------|--|-----------------------------------|--------------------------|--------------------|---------------------------------------|----------------------|--------------------------|---------------------------------------|----------------|
| | | Initial budget adopted 1 | Amending budgets 2 | Transfer s 3 | Final adopted budget 4=1+2+3 | Carry- overs 5 | Assigned revenue 6 | | Total 7=5+6 |
| B3-001 | Implementing the research agenda of FCH JU: FP7 | 25 686 | (10 100) | - | 15 586 | 9 653 | 1 669 | 11 322 | 26 909 |
| B3-002 | Implementing the research agenda of FCH JU: H2020 | 95 296 | (13 200) | - | 82 096 | 10 473 | 574 | 11 047 | 93 143 |
| Total chapter B3-0 | | 120 983 | (23 300) | - | 97 683 | 20 127 | 2 242 | 22 369 | 120 052 |
| Title B0-3 | | 120 983 | (23 300) | - | 97 683 | 20 127 | 2 242 | 22 369 | 120 052 |
| GRAND TOTAL | | 125 666 | (23 300) | - | 102 366 | 21 905 | 2 255 | 24 160 | 126 526 |

5.3. Implementation of commitment appropriations

5.3.1. Implementation of commitment appropriations - Title A-1

EUR '000

| | Total approp. availab. | from final adopt. budget | Commitments made | | | | Appropriations carried over to 2019 | | | Appropriations lapsing | | | |
|--|------------------------|--------------------------|------------------|----------------------|--------------|--------------|-------------------------------------|-------------|----------|--------------------------|------------------|----------------------|-------------|
| | | | from carry-overs | from assign. revenue | Total | % | Assign. revenue | By decision | Total | from final adopt. budget | from carry-overs | from assign. revenue | Total |
| | 1 | 2 | 3 | 4 | 5=2+3+4 | 6=5/1 | 7 | 8 | 9=7+8 | 10 | 11 | 12 | 13=10+11+12 |
| A-1100 Staff in active employment | 3 327 | 2 253 | 778 | – | 3 031 | 91 % | 0 | – | 0 | 295 | – | – | 295 |
| Total chapter A-11 | 3 327 | 2 253 | 778 | – | 3 031 | 91 % | 0 | – | 0 | 295 | – | – | 295 |
| A-1200 Expenditure related to recruitment | 46 | 18 | – | – | 18 | 39 % | – | – | – | 28 | – | – | 28 |
| Total chapter A-12 | 46 | 18 | – | – | 18 | 39 % | – | – | – | 28 | – | – | 28 |
| A-1300 Missions and travel | 138 | 138 | – | – | 138 | 100 % | 1 | – | 1 | – | – | – | – |
| Total chapter A-13 | 138 | 138 | – | – | 138 | 100 % | 1 | – | 1 | – | – | – | – |
| A-1400 Sociomedical infrastructure | 45 | 39 | – | – | 39 | 86 % | – | – | – | 6 | – | – | 6 |
| Total chapter A-14 | 45 | 39 | – | – | 39 | 86 % | – | – | – | 6 | – | – | 6 |
| A-1500 Entertainment and representation expenses | 6 | 4 | – | – | 4 | 64 % | – | – | – | 2 | – | – | 2 |
| Total chapter A-15 | 6 | 4 | – | – | 4 | 64 % | – | – | – | 2 | – | – | 2 |
| Total Title A-1 | 3 562 | 2 451 | 778 | – | 3 229 | 91 % | 1 | – | 1 | 332 | – | – | 332 |

5.3.2. Implementation of commitment appropriations - Title A-2

EUR '000

| | | Commitments made | | | | | Appropriations carried over to 2019 | | | Appropriations lapsing | | | | |
|--------------------|---|------------------------|--------------------------|------------------|----------------------|---------|-------------------------------------|-----------------|-------------|------------------------|--------------------------|------------------|----------------------|-------------|
| | | 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 | Total |
| | | 1 | 2 | 3 | 4 | 5=2+3+4 | 6=5/1 | 7 | 8 | 9=7+8 | 10 | 11 | 12 | 13=10+11+12 |
| A-2000 | Investments in immovable property, rental of buildings and associated costs | 355 | 325 | - | - | 325 | 92 % | 1 | - | 1 | 29 | - | - | 29 |
| Total chapter A-20 | | 355 | 325 | - | - | 325 | 92 % | 1 | - | 1 | 29 | - | - | 29 |
| A-2100 | Information technology | 361 | 325 | - | 4 | 328 | 91 % | 3 | - | 3 | 30 | - | - | 30 |
| Total chapter A-21 | | 361 | 325 | - | 4 | 328 | 91 % | 3 | - | 3 | 30 | - | - | 30 |
| A-2200 | Movable property and associated costs | 13 | 13 | - | - | 13 | 97 % | - | - | - | 0 | - | - | 0 |
| Total chapter A-22 | | 13 | 13 | - | - | 13 | 97 % | - | - | - | 0 | - | - | 0 |
| A-2300 | Current administrative expenditure | 7 | 5 | - | - | 5 | 76 % | - | - | - | 2 | - | - | 2 |
| Total chapter A-23 | | 7 | 5 | - | - | 5 | 76 % | - | - | - | 2 | - | - | 2 |
| A-2400 | Correspondence, postage and telecommunications | 12 | 11 | - | - | 11 | 89 % | - | - | - | 1 | - | - | 1 |
| Total chapter A-24 | | 12 | 11 | - | - | 11 | 89 % | - | - | - | 1 | - | - | 1 |
| A-2500 | Expenditure on formal and other meetings | 95 | 77 | - | - | 77 | 81 % | 5 | - | 5 | 13 | - | - | 13 |
| Total chapter A-25 | | 95 | 77 | - | - | 77 | 81 % | 5 | - | 5 | 13 | - | - | 13 |
| A-2600 | Communication costs | 527 | 446 | - | - | 446 | 85 % | - | - | - | 82 | - | - | 82 |
| Total chapter A-26 | | 527 | 446 | - | - | 446 | 85 % | - | - | - | 82 | - | - | 82 |
| A-2700 | Service contracts | 372 | 172 | 200 | - | 372 | 100 % | - | - | - | 0 | - | - | 0 |

| | Total approp. availab. | from final adopt. budget | Commitments made | | | | Appropriations carried over to 2019 | | | Appropriations lapsing | | | |
|--------------------------------------|------------------------|--------------------------|------------------|----------------------|--------------|-------------|-------------------------------------|-------------|----------|--------------------------|------------------|----------------------|-------------|
| | | | from carry-overs | from assign. revenue | Total | % | Assign. revenue | By decision | Total | from final adopt. budget | from carry-overs | from assign. revenue | Total |
| | 1 | 2 | 3 | 4 | 5=2+3+4 | 6=5/1 | 7 | 8 | 9=7+8 | 10 | 11 | 12 | 13=10+11+12 |
| Total chapter A-27 | 372 | 172 | 200 | - | 372 | 100 % | - | - | - | 0 | - | - | 0 |
| A-2800 Expert contracts and meetings | 371 | 338 | - | - | 338 | 91 % | - | - | - | 32 | - | - | 32 |
| Total chapter A-28 | 371 | 338 | - | - | 338 | 91 % | - | - | - | 32 | - | - | 32 |
| Total Title A-2 | 2 113 | 1 712 | 200 | 4 | 1 915 | 91 % | 8 | - | 8 | 189 | - | - | 189 |

5.3.3. Implementation of commitment appropriations - Title B0-3

EUR '000

| | Total approp. availab. | from final adopt. budget | Commitments made | | | | Appropriations carried over to 2019 | | | Appropriations lapsing | | | |
|-------------------------|------------------------|--------------------------|------------------|----------------------|---------------|-------------|-------------------------------------|-------------|--------------|--------------------------|------------------|----------------------|--------------|
| | | | from carry-overs | from assign. revenue | Total | % | Assign. revenue | By decision | Total | from final adopt. budget | from carry-overs | from assign. revenue | Total |
| | | | 3 | 4 | 5=2+3+4 | 6=5/1 | 7 | 8 | 9=7+8 | 10 | 11 | 12 | 13=10+11+12 |
| B3-001 | 2 037 | - | 87 | - | 87 | 4 % | 1 669 | - | 1 669 | - | 281 | - | 281 |
| B3-002 | 77 793 | 72 426 | 2 120 | - | 74 546 | 96 % | 574 | - | 574 | 2 673 | - | - | 2 673 |
| Total chapter B3-0 | 79 830 | 72 426 | 2 207 | - | 74 633 | 93 % | 2 242 | - | 2 242 | 2 673 | 281 | - | 2 954 |
| Total Title B0-3 | 79 830 | 72 426 | 2 207 | - | 74 633 | 93 % | 2 242 | - | 2 242 | 2 673 | 281 | - | 2 954 |
| GRAND TOTAL | 85 504 | 76 589 | 3 185 | 4 | 79 777 | 93 % | 2 251 | - | 2 251 | 3 195 | 281 | - | 3 476 |

5.4. Implementation of payment appropriations

5.4.1. Implementation of payment appropriations - Title A-1

EUR '000

| | Payments made | | | | | | Appropriations carried over to 2019 | | | | Appropriations lapsing | | | |
|--|------------------------|--------------------------|------------------|----------------------|--------------|-------------|-------------------------------------|-------------|---------------|----------|--------------------------|------------------|-------------------|-------------|
| | Total approp. availab. | from final adopt. budget | from carry-overs | from assign. revenue | Total | % | Autom. carry-overs | By decision | Assigned rev. | Total | from final adopt. budget | from carry-overs | from assign. rev. | Total |
| | 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 | 3 383 | 2 103 | 834 | - | 2 937 | 87 % | | - | 0 | 0 | 446 | - | - | 446 |
| Total chapter A-11 | 3 383 | 2 103 | 834 | - | 2 937 | 87 % | | - | 0 | 0 | 446 | - | - | 446 |
| A-1200 Expenditure related to recruitment | 48 | 18 | 2 | - | 20 | 41 % | | - | - | - | 29 | - | - | 29 |
| Total chapter A-12 | 48 | 18 | 2 | - | 20 | 41 % | | - | - | - | 29 | - | - | 29 |
| A-1300 Missions and travel | 170 | 124 | 31 | - | 155 | 92 % | | - | 1 | 1 | 14 | - | - | 14 |
| Total chapter A-13 | 170 | 124 | 31 | - | 155 | 92 % | | - | 1 | 1 | 14 | - | - | 14 |
| A-1400 Sociomedical infrastructure | 59 | 33 | 14 | - | 47 | 79 % | | - | - | - | 12 | - | - | 12 |
| Total chapter A-14 | 59 | 33 | 14 | - | 47 | 79 % | | - | - | - | 12 | - | - | 12 |
| A-1500 Entertainment and representation expenses | 8 | 2 | 3 | - | 5 | 60 % | | - | - | - | 3 | - | - | 3 |
| Total chapter A-15 | 8 | 2 | 3 | - | 5 | 60 % | | - | - | - | 3 | - | - | 3 |
| Total Title A-1 | 3 668 | 2 280 | 884 | - | 3 164 | 86 % | | - | 1 | 1 | 504 | - | - | 504 |

5.4.2. Implementation of payment appropriations - Title A-2

EUR '000

| | Total approp. availab. | Payments made | | | | Appropriations carried over to 2019 | | | | Appropriations lapsing | | | | |
|--|------------------------|--------------------------|------------------|----------------------|--------------|-------------------------------------|--------------------|-------------|----------------|------------------------|--------------------------|------------------|-------------------|-------------|
| | | from final adopt. budget | from carry-overs | from assign. revenue | Total | % | Autom. carry-overs | By decision | Assign ed rev. | Total | from final adopt. budget | from carry-overs | from assign. rev. | Total |
| | 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-2000 Investments in immovable property, rental of buildings and associated costs | 375 | 280 | 20 | - | 301 | 80 % | | - | 1 | 1 | 74 | - | - | 74 |
| Total chapter A-20 | 375 | 280 | 20 | - | 301 | 80 % | | - | 1 | 1 | 74 | - | - | 74 |
| A-2100 Information technology | 464 | 104 | 103 | - | 206 | 44 % | | - | 6 | 6 | 251 | - | - | 251 |
| Total chapter A-21 | 464 | 104 | 103 | - | 206 | 44 % | | - | 6 | 6 | 251 | - | - | 251 |
| A-2200 Movable property and associated costs | 13 | 13 | - | - | 13 | 97 % | | - | - | - | 0 | - | - | 0 |
| Total chapter A-22 | 13 | 13 | - | - | 13 | 97 % | | - | - | - | 0 | - | - | 0 |
| A-2300 Current administrative expenditure | 8 | 4 | 1 | - | 5 | 62 % | | - | - | - | 3 | - | - | 3 |
| Total chapter A-23 | 8 | 4 | 1 | - | 5 | 62 % | | - | - | - | 3 | - | - | 3 |
| A-2400 Correspondence, postage and telecommunications | 21 | 1 | 9 | - | 9 | 45 % | | - | - | - | 11 | - | - | 11 |
| Total chapter A-24 | 21 | 1 | 9 | - | 9 | 45 % | | - | - | - | 11 | - | - | 11 |
| A-2500 Expenditure on formal and other meetings | 109 | 63 | 14 | - | 78 | 71 % | | - | 5 | 5 | 27 | - | - | 27 |
| Total chapter A-25 | 109 | 63 | 14 | - | 78 | 71 % | | - | 5 | 5 | 27 | - | - | 27 |
| A-2600 Communication costs | 861 | 194 | 334 | - | 528 | 61 % | | - | - | - | 333 | - | - | 333 |
| Total chapter A-26 | 861 | 194 | 334 | - | 528 | 61 % | | - | - | - | 333 | - | - | 333 |
| A-2700 Service contracts | 516 | - | 337 | - | 337 | 65 % | | - | - | - | 172 | 7 | - | 179 |
| Total chapter A-27 | 516 | - | 337 | - | 337 | 65 % | | - | - | - | 172 | 7 | - | 179 |
| A-2800 Expert contracts and meetings | 440 | 288 | 69 | - | 358 | 81 % | | - | - | - | 82 | - | - | 82 |
| Total chapter A-28 | 440 | 288 | 69 | - | 358 | 81 % | | - | - | - | 82 | - | - | 82 |
| Total Title A-2 | 2 806 | 947 | 887 | - | 1 834 | 65 % | | - | 12 | 12 | 954 | 7 | - | 961 |

5.4.3. Implementation of payment appropriations - Title B0-3

EUR '000

| | Total approp. availab. | from final adopt. budget | Payments made | | | | % | Appropriations carried over to 2019 | | | Appropriations lapsing | | | |
|-------------------------|------------------------|--------------------------|------------------|----------------------|----------------|--------------------|----------|-------------------------------------|---------------|--------------|--------------------------|------------------|-------------------|---------------|
| | | | from carry-overs | from assign. revenue | Total | Autom. carry-overs | | By decision | Assigned rev. | Total | from final adopt. budget | from carry-overs | from assign. rev. | Total |
| | 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 | 26 909 | 11 777 | 9 653 | - | 21 430 | 80 % | - | - | 1 669 | 1 669 | 3 809 | - | - | 3 809 |
| B3-002 | 93 143 | 68 166 | 10 473 | - | 78 639 | 84 % | - | - | 574 | 574 | 13 930 | - | - | 13 930 |
| Total chapter B3-0 | 120 052 | 79 943 | 20 127 | - | 100 070 | 83 % | - | - | 2 242 | 2 242 | 17 739 | - | - | 17 739 |
| Total Title B0-3 | 120 052 | 79 943 | 20 127 | - | 100 070 | 83 % | - | - | 2 242 | 2 242 | 17 739 | - | - | 17 739 |
| GRAND TOTAL | 126 526 | 83 170 | 21 898 | - | 105 068 | 83 % | - | - | 2 255 | 2 255 | 19 197 | 7 | - | 19 204 |

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 commitments outstanding at year-end |
|------------------------|---|--|-------------------------------------|-----------|----------|----------------------------------|--------------|---|---------------------------------|---|
| | | Comm. carried forward from prev. year | Decommit. Revaluation Cancellations | Payments | Total | Commitments made during the year | Payments | Cancellation of comm. which cannot be carried forward | Commit. outstanding at year-end | |
| | | 1 | 2 | 3 | 4=1+2-3 | 5 | 6 | 7 | 8=5-6-7 | 9=4+8 |
| A-1100 | Staff in active employment | 56 | (15) | 41 | - | 3 031 | 2 896 | - | 135 | 135 |
| Total chapter A-11 | | 56 | (15) | 41 | - | 3 031 | 2 896 | - | 135 | 135 |
| A-1200 | Expenditure related to recruitment | 2 | (0) | 2 | - | 18 | 18 | - | - | - |
| Total chapter A-12 | | 2 | (0) | 2 | - | 18 | 18 | - | - | - |
| A-1300 | Missions and travel | 31 | (12) | 19 | - | 138 | 136 | - | 1 | 1 |
| Total chapter A-13 | | 31 | (12) | 19 | - | 138 | 136 | - | 1 | 1 |
| A-1400 | Sociomedical infrastructure | 14 | (3) | 11 | - | 39 | 36 | - | 3 | 3 |
| Total chapter A-14 | | 14 | (3) | 11 | - | 39 | 36 | - | 3 | 3 |
| A-1500 | Entertainment and representation expenses | 3 | (1) | 1 | - | 4 | 4 | - | 0 | 0 |
| Total chapter A-15 | | 3 | (1) | 1 | - | 4 | 4 | - | 0 | 0 |
| Total Title A-1 | | 106 | (32) | 74 | - | 3 229 | 3 090 | - | 140 | 140 |

6.2. Commitments outstanding - Title A-2

EUR '000

| | | Commitments outstanding at the end of prev. year | | | | Commitments of the year | | | | Total commitments outstanding at year-end 9=4+8 |
|------------------------|---|--|--|---------------|------------------|---------------------------------------|---------------|--|--|--|
| | | Comm. carried forward from prev. year 1 | Decommit. Revaluation Cancellations 2 | Payments 3 | Total 4=1+2-3 | Commitments made during the year 5 | Payments 6 | Cancellation of comm. which cannot be carried forward 7 | Commit. outstanding at year-end 8=5-6-7 | |
| A-2000 | Investments in immovable property, rental of buildings and associated costs | 20 | (14) | 7 | - | 325 | 294 | - | 31 | 31 |
| Total chapter A-20 | | 20 | (14) | 7 | - | 325 | 294 | - | 31 | 31 |
| A-2100 | Information technology | 103 | (15) | 67 | 21 | 328 | 140 | - | 189 | 210 |
| Total chapter A-21 | | 103 | (15) | 67 | 21 | 328 | 140 | - | 189 | 210 |
| A-2200 | Movable property and associated costs | - | - | - | - | 13 | 13 | - | - | - |
| Total chapter A-22 | | - | - | - | - | 13 | 13 | - | - | - |
| A-2300 | Current administrative expenditure | 1 | (0) | 1 | - | 5 | 4 | - | 1 | 1 |
| Total chapter A-23 | | 1 | (0) | 1 | - | 5 | 4 | - | 1 | 1 |
| A-2400 | Correspondence, postage and telecommunications | 9 | (3) | 6 | - | 11 | 3 | - | 7 | 7 |
| Total chapter A-24 | | 9 | (3) | 6 | - | 11 | 3 | - | 7 | 7 |
| A-2500 | Expenditure on formal and other meetings | 14 | (11) | 3 | - | 77 | 74 | - | 3 | 3 |
| Total chapter A-25 | | 14 | (11) | 3 | - | 77 | 74 | - | 3 | 3 |
| A-2600 | Communication costs | 334 | (12) | 322 | 0 | 446 | 207 | - | 239 | 239 |
| Total chapter A-26 | | 334 | (12) | 322 | 0 | 446 | 207 | - | 239 | 239 |
| A-2700 | Service contracts | 144 | (18) | 115 | 10 | 372 | 222 | - | 150 | 161 |
| Total chapter A-27 | | 144 | (18) | 115 | 10 | 372 | 222 | - | 150 | 161 |
| A-2800 | Expert contracts and meetings | 69 | (27) | 42 | - | 338 | 316 | - | 23 | 23 |
| Total chapter A-28 | | 69 | (27) | 42 | - | 338 | 316 | - | 23 | 23 |
| Total Title A-2 | | 694 | (100) | 563 | 31 | 1 915 | 1 271 | - | 644 | 675 |

6.3. Commitments outstanding - Title B0-3

EUR '000

| | Commitments outstanding at the end of prev. year | | | | Commitments of the year | | | | Total commitments outstanding at year-end |
|--|--|-------------------------------------|---------------|----------------|----------------------------------|---------------|---|---------------------------------|---|
| | Comm. carried forward from prev. year | Decommit. Revaluation Cancellations | Payments | Total | Commitments made during the year | Payments | Cancellation of comm. which cannot be carried forward | Commit. 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 | 62 797 | (110) | 21 344 | 41 343 | 87 | 87 | - | - | 41 343 |
| B3-002 Implementing the research agenda of FCH JU: H2020 | 183 367 | (546) | 48 066 | 134 755 | 74 546 | 30 573 | - | 43 973 | 178 728 |
| Total chapter B3-0 | 246 164 | (656) | 69 410 | 176 098 | 74 633 | 30 660 | - | 43 973 | 220 071 |
| Total Title B0-3 | 246 164 | (656) | 69 410 | 176 098 | 74 633 | 30 660 | - | 43 973 | 220 071 |
| GRAND TOTAL | 246 964 | (788) | 70 047 | 176 129 | 79 777 | 35 021 | - | 44 756 | 220 886 |

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 approved by the Budgetary Authority. Cf. Budget.

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. Main sources of external assigned revenue are financial contributions from third countries to programmes financed by the Union. Main sources of internal assigned revenue is revenue from third parties in respect of goods, services or work supplied at their request; (c) 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.

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 result

The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences.

For agencies, the resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for agencies.

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.

Budgetary authority

Institutions with decisional powers on budgetary matters: for the EU institutions, the European Parliament and the Council of Ministers.

For the agencies and joint undertakings, their board is the budgetary authority.

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. Financial Regulation Art. 7: 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. Financial Regulation Art. 7: 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.

For reference, regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union.

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 Treaty on the Functioning of the European Union. The term can be used to describe any collaborative structure proposed for the "efficient execution 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 on the Functioning of the European Union giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain articles from the treaty 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. (Financial Regulation Art. 9). 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 (Financial Regulation Art. 7).

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.

Result

Cf. Outturn

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 (Cf. 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. However they are expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The Financial Regulation 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.