



Annual accounts of the
Fuel Cells and Hydrogen 2
Joint Undertaking

Financial year 2019

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CERTIFICATION OF THE ACCOUNTS

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Fuel Cells and Hydrogen 2 Joint Undertaking, FCH2 JU, in accordance with Article 52 of the Model Financial Regulation ('MFR')¹ and I hereby certify that the annual accounts of the FCH2 JU for the year 2019 have been prepared in accordance with Chapter 8 and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions and Union bodies.

I have obtained from the Authorising Officer, who certified its reliability, all the information necessary for the production of the accounts that show the FCH2 JU's assets and liabilities and the budgetary implementation. 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 FCH2 JU.

Rosa ALDEA BUSQUETS

**Accounting Officer of the Fuel Cells
and Hydrogen 2 Joint Undertaking**

¹ COMMISSION DELEGATED REGULATION (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.

BACKGROUND INFORMATION ON THE FCH 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 Commission², (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 521/2008³ 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 559/2014⁴. 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 European 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 include a wide set of actions to be implemented by the Joint Undertaking, the majority of which have been implemented in 2018 and 2019, while a small number will be taken into 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

During 2019 continuous progress was achieved in all areas of activity of FCH 2 JU, including the launching in May of the European Hydrogen Valleys Partnership (EH-S3P) aiming at enhancing the role of green hydrogen in the European energy transition process. The FCH 2 JU organised and attended a wide range of events throughout 2019, from project-oriented events to participation in major exhibitions and outreach events.

Significant leverage and excellent budget execution rates were achieved, as well as sufficient results from H2020 ex-post audits to form a solid base for declaration of assurance.

The FCH 2 JU Governing Board, the European Commission, Hydrogen Europe and Hydrogen Europe Research pursued strategic analysis and preparation of the future roadmap in the frame of the next framework programme Horizon Europe and in the international context regarding climate and energy.

The impact on the accounts of the above described activities can be observed in the increase of the operational and communication expenditures.

² Hereinafter referred to as 'Commission'

³ Council Regulation (EC) No. 521/2008 of 30 May 2008 setting up the Fuel Cells and Hydrogen Joint Undertaking

⁴ 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 (kEUR), some financial data in the tables below may appear not to add-up.

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BALANCE SHEET

EUR '000

	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
<i>Intangible assets</i>	2.1	45	43
<i>Property, plant and equipment</i>	2.2	104	135
<i>Pre-financing</i>	2.3	98 464	79 805
		98 613	79 983
CURRENT ASSETS			
<i>Pre-financing</i>	2.3	51 455	79 076
<i>Exchange receivables and non-exchange recoverables</i>	2.4	22 784	25 687
		74 239	104 763
TOTAL ASSETS		172 852	184 746
CURRENT LIABILITIES			
<i>Payables and other liabilities</i>	2.5	(69 543)	(57 588)
<i>Accrued charges and deferred income</i>	2.6	(41 036)	(43 454)
		(110 578)	(101 042)
TOTAL LIABILITIES		(110 578)	(101 042)
NET ASSETS		62 274	83 704
<i>Contribution from Members</i>	2.7	1 300 886	1 183 489
<i>Accumulated deficit</i>		(1 099 785)	(981 465)
<i>Economic result of the year</i>		(138 828)	(118 320)
NET ASSETS		62 274	83 704

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2019	2018
<i>EUR '000</i>			
REVENUE			
Revenue from non-exchange transactions			
<i>Recovery of expenses</i>	3.1	1 534	4 795
<i>Other</i>		-	38
		1 534	4 833
Revenue from exchange transactions			
<i>Financial revenue</i>		15	11
<i>Other exchange revenue</i>		10	4
		24	15
Total revenue		1 558	4 848
EXPENSES			
<i>Operational costs</i>	3.2	(135 418)	(118 158)
<i>Staff costs</i>	3.3	(3 001)	(2 901)
<i>Other expenses</i>	3.4	(1 967)	(2 109)
Total expenses		(140 386)	(123 168)
ECONOMIC RESULT OF THE YEAR		(138 828)	(118 320)

CASHFLOW STATEMENT⁵

	<i>EUR '000</i>	
	2019	2018
<i>Economic result of the year</i>	(138 828)	(118 320)
Operating activities		
<i>Depreciation and amortization</i>	72	50
<i>(Increase)/decrease in pre-financing</i>	8 962	14 930
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	2 903	169
<i>Increase/(decrease) in payables</i>	11 954	(28 825)
<i>Increase/(decrease) in accrued charges & deferred income</i>	(2 418)	(13 234)
<i>Increase/(decrease) in cash contributions</i>	104 238	102 366
<i>Increase/(decrease) in in-kind contributions</i>	13 160	42 905
Investing activities		
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(43)	(42)
NET CASHFLOW	(0)	(0)
<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>	-	-

⁵ Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of FCH JU, the treasury of FCH JU was integrated into the Commission's treasury system. Because of this, FCH JU does not have any bank accounts of its own. All payments and receipts are processed via the Commission's treasury system and registered on intercompany accounts, which are presented under the heading exchange receivables.

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Contribution from Members	Accumulated Surplus/ (Deficit)	Economic result of the year	Net Assets
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
<i>Allocation 2018 economic result</i>	-	(118 320)	118 320	-
<i>Cash contribution</i>	104 238	-	-	104 238
<i>Contribution in-kind</i>	13 160	-	-	13 160
<i>Economic result of the year</i>	-	-	(138 828)	(138 828)
BALANCE AS AT 31.12.2019	1 300 886	(1 099 785)	(138 828)	62 274

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 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	31.12.2019	31.12.2018	Currency	31.12.2019	31.12.2018
BGN	1.9558	1.9558	PLN	4.2568	4.3014
CZK	25.4080	25.7240	RON	4.783	4.6635
DKK	7.4715	7.4673	SEK	10.4468	10.2548
GBP	0.8508	0.8945	CHF	1.0854	1.1269
HRK	7.4395	7.4125	JPY	121.9400	125.8500
HUF	330.5300	320.9800	USD	1.1234	1.145

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 receivable, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are an 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

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable (i.e. it is capable of being separated or divided from the entity, e.g. by being sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so), or arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations).

Acquired intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and the expenses relate solely to the development phase of the asset. The capitalisable costs 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 as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 to 11 years). The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement.

1.3.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer 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 is not depreciated, as it is 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

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee. When entering a finance lease as a lessee, the assets acquired under the finance lease are recognised as assets and the associated lease obligations as liabilities as from the commencement of the lease term. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Over the period of the lease term, the assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The minimum lease payments are apportioned between the finance charge (the interest element) and the reduction of the outstanding liability (the capital element). The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability, which is presented as current/non-current, as applicable. Contingent rents shall be charged as expenses in the period in which they are incurred.

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term with neither a leased asset nor a leasing liability presented in the statement of financial position.

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 tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) 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. 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 presented 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 their trade date, i.e. 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. Thus, as the entity retains control over the pre-financing and is entitled to a refund for the ineligible part, the amount is presented as an asset.

Pre-financing is initially recognised on the balance sheet when cash is transferred to the recipient. It is measured at the amount of the consideration given. In subsequent periods pre-financing is 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

The EU accounting rules require a separate presentation of exchange and non-exchange transactions. To distinguish between the two categories, the term 'receivable' is reserved for exchange transactions,

whereas for non-exchange transactions, i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange, the term 'recoverables' is used (e.g. recoverables from Member States related to own resources).

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, or pre-financing received (see note **1.4.1**).

Where grants or other funding are 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 incurrance 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 the 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. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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 the control of the JU, these contributions are not recognised in the financial statements of the JU.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. INTANGIBLE ASSETS

EUR '000

	TOTAL
Gross carrying amount at 31.12.2018	89
Additions	24
Gross carrying amount at 31.12.2019	113
Accumulated amortisation at 31.12.2018	(46)
Amortisation charge for the year	(22)
Accumulated amortisation at 31.12.2019	(68)
NET CARRYING AMOUNT AT 31.12.2019	45
NET CARRYING AMOUNT AT 31.12.2018	43

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

2.2. PROPERTY, PLANT AND EQUIPMENT

EUR '000

	Plant and equipment	Furniture and vehicles	Computer hardware	Other	TOTAL
Gross carrying amount at 31.12.2018	35	62	161	48	306
Additions	10	-	9	-	20
Other changes	-	-	(23)	-	(23)
Gross carrying amount at 31.12.2019	45	62	147	48	303
Accumulated depreciation at 31.12.2018	(32)	(19)	(113)	(7)	(171)
Depreciation charge for the year	(4)	(7)	(15)	(5)	(30)
Other changes	-	-	2	-	2
Accumulated depreciation at 31.12.2019	(35)	(26)	(126)	(12)	(199)
NET CARRYING AMOUNT AT 31.12.2019	10	36	22	36	104
NET CARRYING AMOUNT AT 31.12.2018	3	43	48	41	135

2.3. PRE-FINANCING

EUR '000

	31.12.2019	31.12.2018
Non-current pre-financing	98 464	79 805
Current pre-financing	51 455	79 076
Total	149 919	158 881

The overall high amount of the open pre-financing can be explained by the fact that according to the programme rules the incurred costs (both actual and estimated) are cleared against pre-financing when the amounts paid to the beneficiary reaches certain threshold. 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 significant open pre-financing that will be only cleared in the later stages.

The outstanding pre-financing, presented under this heading, is net of estimated (cut-off) expenses for on-going projects without validated cost claims at 31 December 2019. The clearing of pre-financing with cut-off expenses amounted to kEUR 63 412. The remaining portion of the cut off expenses is recorded in accrued charges (see note **2.6**).

For all pre-financing amounts open at 31 December 2019 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2020 was classified as non-current pre-financing.

Guarantees received covering pre-financing amounted to kEUR 3 844 at year-end.

2.4. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

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

	EUR '000	
	31.12.2019	31.12.2018
<i>Central treasury liaison accounts</i>	20 884	25 169
<i>Customers</i>	1 880	438
<i>Deferred charges relating to exchange transactions</i>	18	67
<i>Others</i>	2	12
Total	22 784	25 687

The main element concerns the treasury liaison/intercompany accounts with the European 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 and registered on intercompany accounts which are presented under this heading. The result of the incoming and outgoing payments represents the cash balance of FCH 2 JU.

The increase in the customers balance is explained mainly by a recovery order issued at the end of 2019 and cashed at the beginning of 2020.

LIABILITIES

2.5. PAYABLES AND OTHER LIABILITIES

	EUR '000	
	31.12.2019	31.12.2018
<i>Contribution in kind to be validated</i>	59 901	46 289
<i>Suppliers</i>	3 697	8 485
<i>Public bodies</i>	988	508
<i>Sundry payables</i>	4 956	2 306
Total	69 543	57 588

Included under the 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 2019. According to the rules applicable to validation of in-kind contributions in Horizon 2020, the in-kind contributions can be only entered in net assets when the underlying costs have been certified by an audit and the amount has been accepted (validated) by the JU director. Until then the estimated in-kind contributions are presented under Contributions in kind contribution to be validated. The contribution is estimated on a case-by-case basis using the best available information on the projects at 31 December 2019: the in-kind contributions estimated based on cost claims received but not validated amounted to kEUR 40 885 (kEUR 12 262 in 2018). The in-kind contributions estimated based on the pro-rata method amounted to kEUR 18 992 (kEUR 33 969 in 2018). The estimated EU contributions related to those projects are included under accrued charges (see note **2.6**).

The increase of the in kind contributions to be validated is linked to the above mentioned H2020 rules for the transfer of in kind contributions to net assets. The amounts presented for under this heading are expected to continuously increase until the phase-out stage the H2020 programme when the final project reports are going to be received and it will thus be possible to validate the in-kind contributions.

The large decrease of amounts due to suppliers is due to the fact, that in 2019 there was a reduced number of cost claims submitted but not yet paid at year-end than in 2018.

Sundry payables for kEUR 4 606 consist of the automatic retention of 5% of the total pre-financing payment to H2020 beneficiaries. This money is transferred to the Participant Guarantee Fund (accounted for under sundry payables) and paid back to the beneficiaries directly 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 paid automatically by the European Commission, who is in charge of managing the Participants Guarantee Fund. The payable as at 31 December 2019 represents amounts that have been automatically retained from the pre-financing of 19 Horizon 2020 projects and that have not yet been transferred to the European Commission.

2.6. ACCRUED CHARGES

EUR '000

	31.12.2019	31.12.2018
<i>Accrued charges</i>	41 036	43 454

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2019 but not yet invoiced or processed by the end of the year. They are mainly composed of estimated operational expenses of kEUR 40 428 for on-going or ended projects without a validated cost statement where the 2019 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2019. The estimations were carried out either using a pro-rata temporis method or asking directly for the beneficiary their best estimation of expenses incurred at that date. 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 561 relating mainly to communication and publication expenses (kEUR 260), other services provided by third parties (kEUR 192) and expenses with other EU entities (kEUR 39). This heading also includes accrued charges for untaken leave (kEUR 47).

NET ASSETS

2.7. CONTRIBUTIONS FROM MEMBERS

Programming period	2019			2018			<i>EUR '000</i>
	Cash	in-Kind	Total	Cash	in-Kind	Total	
<i>FP7</i>	420 382	448 729	869 111	420 132	439 120	859 253	
<i>H2020</i>	426 399	5 376	431 775	322 411	1 825	324 236	
Total	846 781	454 105	1 300 886	742 543	440 946	1 183 489	

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

Unlike for the Horizon 2020 programme (see below **note 2.7.2**), under the FP7 programme all services in-kind (except those provided by JRC – see **note 4.1.2**) 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 31.12.2018</i>	9 253	1 808	15 329	–	2 555	–	27 137	1 808
<i>Current year contributions</i>	–	–	–	–	–	–	–	–
Running costs contributions at 31.12.2019	9 253	1 808	15 329	–	2 555	–	27 137	1 808
<i>Operating costs contributions at 31.12.2018</i>	392 995	17 299	–	278 756	–	141 257	392 995	437 312
<i>Adjustments of prior years' contributions</i>	–	–	–	(137)	–	(27)	–	(163)
<i>Current year contributions</i>	250	–	–	7 847	–	1 925	250	9 772
Operating costs contributions at 31.12.2019	393 245	17 299	–	286 466	–	143 156	393 245	446 921
<i>TOTAL contributions at 31.12.2018</i>	402 249	19 107	15 329	278 756	2 555	141 257	420 132	439 120
TOTAL contributions at 31.12.2019	402 499	19 107	15 329	286 466	2 555	143 156	420 382	448 729
<i>% of total contributions (by type)</i>	95.74%	4.26%	3.65%	63.84%	0.61%	31.90%	100.00%	100.00%
<i>Total contribution in %</i>	48.51%		34.72%		16.77%		100.00%	
<i>Voting rights %</i>	41.67%		50.00%		8.33%		100.00%	

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

With regard to the Horizon 2020 programme, 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 the in-kind contributions from the Members that are both certified by external auditors and 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 31.12.2018</i>	3 647	–	3 136	–	511	–	7 294	–
<i>Current year contributions</i>	2 685	–	2 309	–	376	–	5 370	–
Running costs contributions at 31.12.2019	6 332	–	5 445	–	886	–	12 662	–
<i>Operating costs contributions at 31.12.2018</i>	315 117	–	–	1 825	–	–	315 118	1 825
<i>Adjustments of prior years' contributions</i>	–	–	–	–	–	–	–	–
<i>Current year contributions</i>	98 618	–	–	3 405	–	146	98 618	3 551
Operating costs contributions at 31.12.2019	413 735	–	–	5 230	–	146	413 736	5 376
<i>TOTAL contributions at 31.12.2018</i>	318 764	–	3 136	1 825	511	–	322 411	1 825
TOTAL contributions at 31.12.2019	420 067	–	5 445	5 230	886	146	426 399	5 376
<i>% of total contributions (by type)</i>	98.51%	0.00%	1.28%	97.28%	0.21%	2.72%	100.00%	100.00%
<i>Total contribution in %</i>	97.29%		2.47%		0.24%		100.00%	
<i>Voting rights %</i>	50.00%		43.00%		7.00%		100.00%	

EUR '000

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

NON-EXCHANGE REVENUE

3.1. RECOVERY OF EXPENSES

EUR '000

	2019	2018
<i>Recovery of expenses</i>	1 534	4 795

This heading is composed of the operational expenses recovered from beneficiaries during the year and adjustments coming from audits that will be collected in 2020.

EXPENSES

3.2. OPERATIONAL COSTS

Included under this heading are operational expenses related to projects that were carried out during the year. A part of the operational costs related to on-going or ended projects without any validated cost claims (or equivalent) available at 31 December was estimated using the best information available at the time of the preparation of the annual accounts. The estimation is based on a 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 operational costs of the year. Depending on the availability of information at the time of the preparation of the annual accounts, the estimates are based on reports of services 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 operational costs between operational costs incurred on the basis of validated cost claims (or equivalent) and estimated operational costs is given in the table below. It should be noted that in line with the accounting rules the portion of the estimated cost also includes a revision of accounting estimates made in the previous periods.

EUR '000

	2019	2018
<i>Operational costs: validated in-kind contributions</i>	12 128	45 137
<i>Operational costs: estimated in-kind contributions</i>	14 721	(23 286)
Total operational costs from in-kind contributions	26 849	21 852
<i>Operational costs: validated EU contributions</i>	215 613	110 801
<i>Operational costs: estimated EU contributions</i>	(107 044)	(14 494)
Total operational costs from EU contributions	108 568	96 306
Total	135 418	118 158

The negative amounts of the estimated operational costs relate to the fact that reversal of estimated expenses (negative) from previous periods were higher than the amounts estimated in the current year.

The increase of the total operational costs can be explained by an increase of estimated operational costs namely related to H2020. The number of projects under this programme has been increasing and because the projects are still in the non-final stage of implementation the amounts of the underlying cost have to be estimated.

3.3. STAFF COSTS

EUR '000

	2019	2018
<i>Staff costs</i>	3 001	2 901

Included under this heading are salary expenses and other employment-related allowances and benefits. Calculations related to staff costs are, based on the service level agreement, entrusted to the European Commission's Office for administration and payment of individual entitlements (also known as the Paymaster's Office-PMO).

The pensions of the FCH 2 JU staff members are covered by the Pension Scheme of European Officials. This pension scheme is a defined benefit plan, i.e. the amount of benefit an employee will receive on retirement, depends on factors such as age and years of service. Both the FCH 2 JU staff and the Commission contribute to the pension scheme and the contribution percentage is revised yearly to reflect the changes in the Staff Regulation. The cost to the Commission is not reflected in the FCH 2 JU accounts. Similarly, the future benefits, payable to the FCH 2 JU staff, are accounted for in the liabilities of the Commission, as it is the Commission who will pay out these benefits. No provisions related to the future pensions are made in these accounts.

3.4. OTHER EXPENSES

EUR '000

	2019	2018
<i>Communications & publications</i>	533	464
<i>Experts expenses</i>	358	377
<i>Operating leasing expenses</i>	325	302
<i>External IT services</i>	241	228
<i>Other services</i>	213	483
<i>Missions</i>	166	134
Fixed assets depreciation and impairment	72	48
<i>Other</i>	59	74
Total	1 967	2 109

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:

EUR '000

	Future amounts to be paid			Total
	< 1 year	1- 5 years	> 5 years	
<i>Buildings</i>	310	1 305	-	1 615

4. OTHER SIGNIFICANT DISCLOSURES

4.1. OUTSTANDING COMMITMENTS NOT YET EXPENSED

At 31 December 2019 the outstanding commitments not yet expensed amounted to kEUR 136 119 (2018: kEUR 151 927). 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.

4.2. SERVICES IN-KIND

At 31 December 2019 the Executive Director of FCH 2 JU validated services in-kind provided by the Joint Research Centre (JRC) for a total value of kEUR 4 284 (2018: kEUR 4 278). According to Council Regulation (EC) No 521/2008 Article 5(4) the services in kind provided by JRC are not to be considered as part of the Community contribution covering running costs and operational costs and, therefore, accounted as described in the paragraph 1.6.

The maximum Community contribution to the FCH Joint Undertaking covering running costs and operational costs shall be EUR 470 million. The contribution shall be paid from the appropriations in the general budget of the European Union allocated to the 'Energy', 'Nanosciences, Nanotechnologies, Materials and New Production Technologies', 'Environment (including Climate Change)', and 'Transport (including Aeronautics)' themes of the Specific Programme 'Cooperation' implementing the Seventh Framework Programme according to the provisions of Article 54(2)(b) of Regulation (EC, Euratom) No 1605/2002

Any possible financial or in-kind contribution from the Joint Research Centre to the FCH Joint Undertaking shall not be considered as part of the Community contribution referred to in paragraph 1.

4.3. 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 fourth reporting exercise for IKAA took place in 2019 with total certified IKAA for 2014–2018 amounting to kEUR 667 001. The 2019 additional activities plan adopted by the FCH 2 JU GB on 9 April 2019 amounted to kEUR 198 492. The preliminary report on estimated amounts effectively implemented in 2019 submitted to the FCH 2 JU GB on 3 February 2020 in accordance with the Council Regulation indicates an amount of kEUR 238 262. It will be subject to certification expected by 30 April 2020 with validation process up to mid-June 2020.

Taking into account certified and reported IKAA figures for 2014 – 2020, cumulative IKAA reaches an amount of kEUR 1 218 827, significantly more than 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 2019 was in progress. Based on the previous year's experience, the expectations are that from kEUR 238 262 reported in the Preliminary Report as of 31 January 2020, up to 80% of the figures will be certified by external auditors.

The Additional Activities Plan covering the period of 1 January 2020 – 31 December 2020 was submitted by the members other than the Union for review in November 2019 and included certifiable Additional

Activities of an amount of kEUR 313 564. Following the review process, adoption of the IKAA Plan 2020 by the FCH 2 JU GB took place on 13 December 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 2014-2020 reports on IKAA that are published on FCH 2 JU website and in the annual reports of the FCH 2 JU.

4.4. RELATED PARTIES

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

4.5. KEY MANAGEMENT ENTITLEMENTS

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

	31.12.2019	31.12.2018
<i>Executive Director</i>	<i>AD 14</i>	<i>AD 14</i>

The Executive Director is remunerated in accordance with the Staff Regulations of the European Union that is published on the Europa website. This is the official document describing the rights and the obligations of all officials of the EU.

4.6. EVENTS AFTER REPORTING DATE

During the first half of 2020, the coronavirus outbreak has had huge impacts on the EU economy. As a non-adjusting event, the outbreak of the coronavirus does not require any adjustments to the figures reported in these annual accounts. For subsequent reporting periods, COVID-19 may affect the recognition and measurement of some assets and liabilities on the balance sheet and also of some revenue and expenses recognised in the statement of financial performance. Based on the information available at the date of signature of these annual accounts, the financial effects of the coronavirus outbreak cannot be reliably estimated.

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

5.2. CURRENCY RISKS

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

At 31.12.2019 the ending balances of financial assets and financial liabilities did not include any material amounts quoted in currencies other than the 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 22 784 at 31.12.2019.

Financial assets by risk category

At 31.12.2019 the financial assets are composed for kEUR 20 884 of receivables against entities with a prime external credit rating and for kEUR 1 900 of amounts owed by counterparties without 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.

THE BUDGET IMPLEMENTATION REPORTS 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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1. BUDGETARY PRINCIPLES, STRUCTURE AND HIGHLIGHTS OF THE BUDGETARY 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 2019, budget implementation of commitment and payment appropriations reached 86% and 98% respectively. Commitment execution rate showed a decrease compared to 2018 as two topics from call 2019 were not awarded, due to a lack of eligible proposals and proposals that did not pass the minimum quality threshold. Payment execution was at the highest rate in FCH history.

Administrative expenditure

FCH 2 JU's administrative commitments execution reached 91%, the same as in 2018. Lapsing appropriations came mainly from service contracts, expenditure related to recruitment and expert contracts and meetings budget lines. Part of the unused appropriations were already reactivated in the initial 2020 budget, whereas the remaining appropriations will be reactivated in 2020 or in 2021 in accordance with FCH 2 JU financial rules. The execution of payment appropriations (76%) was also kept at the 2018 rates. The implementation of commitment appropriations is higher than for payment appropriations due to the fact that payments for certain services contracted in 2019 will only be due in 2020.

Operational expenditure

H2020 commitment appropriations are used to cover for the call of 2019, procurement plan (studies), the work of JRC and the experts participating in the European Hydrogen Safety Panel. The commitment implementation rate reached 86%. The decrease compared to 2018 (93%) is due to the fact that two topics from call 2019 (demonstrating the blueprint of a zero-emission logistics ecosystem and underground storage HRS) were not awarded, as mentioned above. The biggest part of the unused appropriations has already been re-activated in the initial 2020 budget whereas a small balance stemming from a study will be reactivated in 2020 budget through an amendment. In terms of H2020 payments, all available budget was used (100%), marking also a historical record for FCH. Regarding FP7 operational costs, the implementation rate on the payment appropriations was also the highest recorded (95%). The unused payment appropriations will be re-entered in 2020 through an amendment.

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

2. RESULT OF THE IMPLEMENTATION OF THE BUDGET

		<i>EUR '000</i>	
	Title	2019	2018
Revenue		105 085	104 632
of which:			
Subsidies And Revenues	2	105 085	104 632
Expenditure		(112 012)	(105 068)
of which:			
Staff expenditure	1	(3 342)	(3 164)
Administrative expenditure	2	(1 601)	(1 834)
Operational expenditure	3	(107 069)	(100 070)
Exchange rate differences		(0)	1
Budget result		(6 927)	(435)

3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

	2019	2018
ECONOMIC RESULT OF THE YEAR	(138 828)	(118 320)
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>	13 160	42 905
<i>Adjustments for accrual cut-off (net)</i>	11 339	(36 324)
<i>Unpaid invoices at year end but booked in expenses</i>	9 460	3 960
<i>Depreciation of intangible and tangible assets</i>	72	47
<i>Recovery orders issued in the year and not yet cashed</i>	-	(388)
<i>Pre-financing paid in previous year and cleared in the year</i>	48 238	41 039
<i>Other individually immaterial items</i>	(0)	-
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>	104 238	102 366
<i>Asset acquisitions (less unpaid amounts)</i>	(43)	(39)
<i>New pre-financing paid in the year and remaining open as at 31 December</i>	(54 786)	(35 770)
<i>Entitlements established in previous year and cashed in the year</i>	224	88
BUDGET RESULT OF THE YEAR	(6 927)	(435)

4. IMPLEMENTATION OF BUDGET REVENUE

4.1. Implementation of budget revenue – Title 2

EUR '000

Item	Income appropriations		Entitlements established			Revenue				Out-standing	
	Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%		
	1	2	3	4	5=3+4	6	7	8=6+7	9=8/2		10=5-8
2001	European Commission subsidy for operational expenditure	4 750	250	250	–	250	250	–	250	100 %	–
2002	European Commission subsidy for administrative expenditure	2 685	2 685	2 685	–	2 685	2 685	–	2 685	100 %	–
2003	Industry Grouping contribution for administrative expenditure	2 309	2 309	2 309	–	2 309	2 309	–	2 309	100 %	–
2004	Research Grouping contribution for administrative expenditure	376	376	376	–	376	376	–	376	100 %	–
2005	European Commission subsidy for operational expenditure (H2020)	105 618	98 618	98 618	–	98 618	98 618	–	98 618	100 %	–
2006	JTI revenues	–	–	2 090	424	2 514	624	224	847	–	1 666
Total Chapter 20		115 738	104 238	106 327	424	106 751	104 861	224	105 085	101 %	1 666
Total Title 2		115 738	104 238	106 327	424	106 751	104 861	224	105 085	101 %	1 666
GRAND TOTAL		115 738	104 238	106 327	424	106 751	104 861	224	105 085	101 %	1 666

5. IMPLEMENTATION OF BUDGET EXPENDITURE

5.1. Breakdown & changes in commitment appropriations

5.1.1. Breakdown & changes in commitment appropriations – Title 1

EUR '000

Item	Initial adopted budget	Budget appropriations			Final budget adopted	Additional appropriations			Total approp. available
		Amending budgets	Transfers	Carry-overs		Assigned revenue	Total		
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7	
1100 Staff in active employment	2 948	–	(5)	2 943	270	0	270	3 213	
Total Chapter 11	2 948	–	(5)	2 943	270	0	270	3 213	
1200 Expenditure related to recruitment	137	–	(30)	107	–	–	–	107	
Total Chapter 12	137	–	(30)	107	–	–	–	107	
1300 Missions and travel	145	–	35	180	–	–	–	180	
Total Chapter 13	145	–	35	180	–	–	–	180	
1400 Sociomedical infrastructure	42	–	–	42	–	–	–	42	
Total Chapter 14	42	–	–	42	–	–	–	42	
1500 Entertainment and representation expenses	6	–	–	6	–	–	–	6	
Total Chapter 15	6	–	–	6	–	–	–	6	
Total Title 1	3 278	–	–	3 278	270	0	270	3 548	

5.1.2. Breakdown & changes in commitment appropriations – Title 2

EUR '000

Item	Budget appropriations				Additional appropriations			Total appropri- available
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carry-overs	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
2000 Investments in immovable property, rental of buildings and associated costs	360	–	(5)	355	–	3	3	358
Total Chapter 20	360	–	(5)	355	–	3	3	358
2100 Information technology	230	–	130	360	–	28	28	388
Total Chapter 21	230	–	130	360	–	28	28	388
2200 Movable property and associated costs	5	–	(5)	–	–	–	–	–
Total Chapter 22	5	–	(5)	–	–	–	–	–
2300 Current administrative expenditure	10	–	(6)	5	–	–	–	5
Total Chapter 23	10	–	(6)	5	–	–	–	5
2400 Correspondence, postage and telecommunications	9	–	4	13	–	–	–	13
Total Chapter 24	9	–	4	13	–	–	–	13
2500 Expenditure on formal and other meetings	90	–	–	90	–	2	2	92
Total Chapter 25	90	–	–	90	–	2	2	92
2600 Communication costs	584	–	50	634	–	–	–	634
Total Chapter 26	584	–	50	634	–	–	–	634
2700 Service contracts	400	–	(168)	232	–	–	–	232
Total Chapter 27	400	–	(168)	232	–	–	–	232
2800 Expert contracts and meetings	404	–	(0)	404	–	–	–	404
Total Chapter 28	404	–	(0)	404	–	–	–	404
Total Title 2	2 092	–	0	2 092	–	33	33	2 125

5.1.3. Breakdown & changes in commitment appropriations – Title 3

EUR '000

Item	Initial adopted budget	Budget appropriations			Additional appropriations			Total approp. available
		Amending budgets	Transfers	Final budget adopted	Carry-overs	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
3001 Implementing the research agenda of FCH JU: FP7	-	-	-	-	-	764	764	764
3002 Implementing the research agenda of FCH JU: H2020	81 723	-	-	81 723	3 529	41	3 571	85 294
Total Chapter 30	81 723	-	-	81 723	3 529	806	4 335	86 058
Total Title 3	81 723	-	-	81 723	3 529	806	4 335	86 058
GRAND TOTAL	87 093	-	0	87 093	3 799	839	4 638	91 731

5.2. Breakdown & changes in payment appropriations

5.2.1. Breakdown & changes in payment appropriations – Title 1

EUR '000

Item	Budget appropriations				Additional appropriations			Total appropri- available
	Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry- overs	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
1100 Staff in active employment	2 948	-	(5)	2 943	405	0	405	3 348
Total Chapter 11	2 948	-	(5)	2 943	405	0	405	3 348
1200 Expenditure related to recruitment	137	-	(30)	107	-	-	-	107
Total Chapter 12	137	-	(30)	107	-	-	-	107
1300 Missions and travel	145	-	35	180	1	-	1	181
Total Chapter 13	145	-	35	180	1	-	1	181
1400 Sociomedical infrastructure	42	-	-	42	3	-	3	45
Total Chapter 14	42	-	-	42	3	-	3	45
1500 Entertainment and representation expenses	6	-	-	6	0	-	0	6
Total Chapter 15	6	-	-	6	0	-	0	6
Total Title 1	3 278	-	-	3 278	409	0	409	3 687

5.2.2. Breakdown & changes in payment appropriations – Title 2

EUR '000

Item	Budget appropriations				Additional appropriations			Total appropri- available
	Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	
2000 Investments in immovable property, rental of buildings and associated costs	360	-	(5)	355	31	3	34	389
Total Chapter 20	360	-	(5)	355	31	3	34	389
2100 Information technology	230	-	130	360	210	28	238	598
Total Chapter 21	230	-	130	360	210	28	238	598
2200 Movable property and associated costs	5	-	(5)	-	-	-	-	-
Total Chapter 22	5	-	(5)	-	-	-	-	-
2300 Current administrative expenditure	10	-	(6)	5	1	-	1	6
Total Chapter 23	10	-	(6)	5	1	-	1	6
2400 Correspondence, postage and telecommunications	9	-	4	13	7	-	7	20
Total Chapter 24	9	-	4	13	7	-	7	20
2500 Expenditure on formal and other meetings	90	-	-	90	3	2	5	95
Total Chapter 25	90	-	-	90	3	2	5	95
2600 Communication costs	584	-	50	634	239	-	239	873
Total Chapter 26	584	-	50	634	239	-	239	873
2700 Service contracts	400	-	(168)	232	161	-	161	393
Total Chapter 27	400	-	(168)	232	161	-	161	393
2800 Expert contracts and meetings	404	-	(0)	404	23	-	23	427
Total Chapter 28	404	-	(0)	404	23	-	23	427
Total Title 2	2 092	-	0	2 092	675	33	708	2 800

5.2.3. Breakdown & changes in payment appropriations – Title 3

EUR '000

Item	Initial budget adopted	Budget appropriations			Additional appropriations			Total approp. available
		Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
3001 Implementing the research agenda of FCH JU: FP7	4 750	(4 500)	15	265	5 076	764	5 840	6 105
3002 Implementing the research agenda of FCH JU: H2020	105 618	(7 000)	(15)	98 603	2 620	41	2 661	101 264
Total Chapter 30	110 368	(11 500)	–	98 868	7 695	806	8 501	107 369
Total Title 3	110 368	(11 500)	–	98 868	7 695	806	8 501	107 369
GRAND TOTAL	115 738	(11 500)	0	104 238	8 780	839	9 618	113 856

5.3. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

5.3.1. Implementation of commitment appropriations - Title 1

EUR '000

Item	Total approp. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
		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
1100 Staff in active employment	3 213	2 867	270	-	3 137	98 %	-	-	-	76	-	0	76
Total Chapter 11	3 213	2 867	270	-	3 137	98 %	-	-	-	76	-	0	76
1200 Expenditure related to recruitment	107	14	-	-	14	13 %	-	-	-	93	-	-	93
Total Chapter 12	107	14	-	-	14	13 %	-	-	-	93	-	-	93
1300 Missions and travel	180	180	-	-	180	100 %	-	-	-	-	-	-	-
Total Chapter 13	180	180	-	-	180	100 %	-	-	-	-	-	-	-
1400 Sociomedical infrastructure	42	40	-	-	40	94 %	-	-	-	2	-	-	2
Total Chapter 14	42	40	-	-	40	94 %	-	-	-	2	-	-	2
1500 Entertainment and representation expenses	6	3	-	-	3	60 %	-	-	-	2	-	-	2
Total Chapter 15	6	3	-	-	3	60 %	-	-	-	2	-	-	2
Total Title 1	3 548	3 104	270	-	3 374	95 %	-	-	-	174	-	0	174

5.3.2. Implementation of commitment appropriations - Title 2

EUR '000

Item	Total approp. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
		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
2000 Investments in immovable property, rental of buildings and associated costs	358	354	-	-	354	99 %	-	-	-	1	-	3	4
Total Chapter 20	358	354	-	-	354	99 %	-	-	-	1	-	3	4
2100 Information technology	388	336	-	18	354	91 %	-	-	-	24	-	10	34
Total Chapter 21	388	336	-	18	354	91 %	-	-	-	24	-	10	34
2300 Current administrative expenditure	5	3	-	-	3	74 %	-	-	-	1	-	-	1
Total Chapter 23	5	3	-	-	3	74 %	-	-	-	1	-	-	1
2400 Correspondence, postage and telecommunications	13	11	-	-	11	82 %	-	-	-	2	-	-	2
Total Chapter 24	13	11	-	-	11	82 %	-	-	-	2	-	-	2
2500 Expenditure on formal and other meetings	92	48	-	-	48	52 %	-	-	-	42	-	2	44
Total Chapter 25	92	48	-	-	48	52 %	-	-	-	42	-	2	44
2600 Communication costs	634	570	-	-	570	90 %	-	-	-	64	-	-	64
Total Chapter 26	634	570	-	-	570	90 %	-	-	-	64	-	-	64
2700 Service contracts	232	119	-	-	119	51 %	-	-	-	113	-	-	113
Total Chapter 27	232	119	-	-	119	51 %	-	-	-	113	-	-	113
2800 Expert contracts and meetings	404	321	-	-	321	80 %	-	-	-	83	-	-	83
Total Chapter 28	404	321	-	-	321	80 %	-	-	-	83	-	-	83
Total Title 2	2 125	1 762	-	18	1 780	84 %	-	-	-	330	-	15	345

5.3.3. Implementation of commitment appropriations - Title 3

EUR '000

Item	Total approp. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
		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
3001 Implementing the research agenda of FCH JU: FP7	764	-	-	-	-	0 %	-	-	-	-	-	764	764
3002 Implementing the research agenda of FCH JU: H2020	85 294	70 113	3 529	-	73 642	86 %	-	-	-	11 610	-	41	11 652
Total Chapter 30	86 058	70 113	3 529	-	73 642	86 %	-	-	-	11 610	-	806	12 416
Total Title 3	86 058	70 113	3 529	-	73 642	86 %	-	-	-	11 610	-	806	12 416
GRAND TOTAL	91 731	74 979	3 799	18	78 796	86 %	-	-	-	12 114	-	820	12 934

5.4. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

5.4.1. Implementation of payment appropriations - Title 1

EUR '000

Item	Total approp. availab.	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
		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
1100 Staff in active employment	3 348	2 726	405	-	3 131	94 %	-	-	-	-	217	-	0	217
Total Chapter 11	3 348	2 726	405	-	3 131	94 %	-	-	-	-	217	-	0	217
1200 Expenditure related to recruitment	107	14	-	-	14	13 %	-	-	-	-	93	-	-	93
Total Chapter 12	107	14	-	-	14	13 %	-	-	-	-	93	-	-	93
1300 Missions and travel	181	156	1	-	158	87 %	-	-	-	-	24	-	-	24
Total Chapter 13	181	156	1	-	158	87 %	-	-	-	-	24	-	-	24
1400 Sociomedical infrastructure	45	33	3	-	36	80 %	-	-	-	-	9	-	-	9
Total Chapter 14	45	33	3	-	36	80 %	-	-	-	-	9	-	-	9
1500 Entertainment and representation expenses	6	3	0	-	3	60 %	-	-	-	-	2	-	-	2
Total Chapter 15	6	3	0	-	3	60 %	-	-	-	-	2	-	-	2
Total Title 1	3 687	2 932	409	-	3 342	91 %	-	-	-	-	345	-	0	345

5.4.2. Implementation of payment appropriations - Title 2

EUR '000

Item	Total approp. availab.	Payments made					Appropriations carried over to 2020					Appropriations lapsing			
		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	
2000 Investments in immovable property, rental of buildings and associated costs	389	316	31	-	347	89 %	-	-	-	-	39	-	3	42	
Total Chapter 20	389	316	31	-	347	89 %	-	-	-	-	39	-	3	42	
2100 Information technology	598	81	210	-	291	49 %	-	-	-	-	279	-	28	307	
Total Chapter 21	598	81	210	-	291	49 %	-	-	-	-	279	-	28	307	
2300 Current administrative expenditure	6	2	1	-	3	59 %	-	-	-	-	2	-	-	2	
Total Chapter 23	6	2	1	-	3	59 %	-	-	-	-	2	-	-	2	
2400 Correspondence, postage and telecommunications	20	-	7	-	7	36 %	-	-	-	-	13	0	-	13	
Total Chapter 24	20	-	7	-	7	36 %	-	-	-	-	13	0	-	13	
2500 Expenditure on formal and other meetings	95	44	3	-	46	49 %	-	-	-	-	46	-	2	49	
Total Chapter 25	95	44	3	-	46	49 %	-	-	-	-	46	-	2	49	
2600 Communication costs	873	269	239	-	508	58 %	-	-	-	-	364	-	-	364	
Total Chapter 26	873	269	239	-	508	58 %	-	-	-	-	364	-	-	364	
2700 Service contracts	393	-	81	-	81	21 %	-	-	-	-	232	80	-	312	
Total Chapter 27	393	-	81	-	81	21 %	-	-	-	-	232	80	-	312	
2800 Expert contracts and meetings	427	294	23	-	316	74 %	-	-	-	-	110	-	-	110	
Total Chapter 28	427	294	23	-	316	74 %	-	-	-	-	110	-	-	110	
Total Title 2	2 800	1 006	595	-	1 601	57 %	-	-	-	-	1 086	80	33	1 199	

5.4.3. Implementation of payment appropriations - Title 3

EUR '000

Item	Total approp. availab.	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
		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
3001 Implementing the research agenda of FCH JU: FP7	6 105	265	5 076	464	5 805	95 %	-	-	-	-	-	-	300	300
3002 Implementing the research agenda of FCH JU: H2020	101 264	98 603	2 620	41	101 264	100 %	-	-	-	-	-	-	-	-
Total Chapter 30	107 369	98 868	7 695	506	107 069	100 %	-	-	-	-	-	-	300	300
Total Title 3	107 369	98 868	7 695	506	107 069	100 %	-	-	-	-	-	-	300	300
GRAND TOTAL	113 856	102 807	8 700	506	112 012	98 %	-	-	-	-	1 431	80	333	1 844

6. OUTSTANDING COMMITMENTS

6.1. Outstanding commitments – Title 1

EUR '000

Item	Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at year-end
	Commitm. carried forward from previous year	Decommit. Revaluation Cancellations	Pay-ments	Total	Commit-ments made during the year	Pay-ments	Cancel-lation of commit. 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
1100 Staff in active employment	135	(45)	90	0	3 137	3 041	–	96	97
Total chapter 11	135	(45)	90	0	3 137	3 041	–	96	97
1200 Expenditure related to recruitment	–	–	–	–	14	14	–	–	–
Total chapter 12	–	–	–	–	14	14	–	–	–
1300 Missions and travel	1	–	1	–	180	156	–	24	24
Total chapter 13	1	–	1	–	180	156	–	24	24
1400 Sociomedical infrastructure	3	(1)	2	–	40	34	–	6	6
Total chapter 14	3	(1)	2	–	40	34	–	6	6
1500 Entertainment and representation expenses	0	(0)	–	–	3	3	–	–	–
Total chapter 15	0	(0)	–	–	3	3	–	–	–
Total Title 1	140	(46)	94	0	3 374	3 248	–	126	126

6.2. Outstanding commitments – Title 2

EUR '000

Item	Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at year-end
	Commitm. carried for- ward from pre- vious year	Decommit. Revaluation Cancel- lations	Pay- ments	Total	Commit- ments made during the year	Pay- ments	Cancel- lation of commit. which cannot be carried forward	Commit. outstand- ing at year-end	
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	
2000 Investments in immovable property, rental of buildings and associated costs	31	(26)	5	–	354	342	–	11	11
Total chapter 20	31	(26)	5	–	354	342	–	11	11
2100 Information technology	210	(36)	155	19	354	136	–	219	237
Total chapter 21	210	(36)	155	19	354	136	–	219	237
2300 Current administrative expenditure	1	(0)	1	–	3	2	–	1	1
Total chapter 23	1	(0)	1	–	3	2	–	1	1
2400 Correspondence, postage and telecommunications	7	(2)	5	–	11	2	–	9	9
Total chapter 24	7	(2)	5	–	11	2	–	9	9
2500 Expenditure on formal and other meetings	3	(1)	2	–	48	44	–	4	4
Total chapter 25	3	(1)	2	–	48	44	–	4	4
2600 Communication costs	239	(29)	201	9	570	307	–	263	272
Total chapter 26	239	(29)	201	9	570	307	–	263	272
2700 Service contracts	161	(7)	81	73	119	–	–	119	192
Total chapter 27	161	(7)	81	73	119	–	–	119	192
2800 Expert contracts and meetings	23	(10)	13	–	321	304	–	18	18
Total chapter 28	23	(10)	13	–	321	304	–	18	18
Total Title 2	675	(110)	464	101	1 780	1 138	–	643	744

6.3. Outstanding commitments – Title 3

EUR '000

Item	Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at year-end
	Commitm. carried for- ward from pre- vious year	Decommit. Revaluation Cancel- lations	Pay- ments	Total	Commit- ments made during the year	Pay- ments	Cancel- lation of commit. which cannot be carried forward	Commit. outstand- ing at year-end	
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
3001 Implementing the research agenda of FCH JU: FP7	41 343	-	5 805	35 538	-	-	-	-	35 538
3002 Implementing the research agenda of FCH JU: H2020	178 728	(1 133)	58 249	119 346	73 642	43 015	-	30 628	149 974
Total chapter 30	220 071	(1 133)	64 054	154 884	73 642	43 015	-	30 628	185 512
Total Title 3	220 071	(1 133)	64 054	154 884	73 642	43 015	-	30 628	185 512
GRAND TOTAL	220 886	(1 289)	64 612	154 985	78 796	47 400	-	31 396	186 382

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.

Accounting Officer

The role, powers and responsibilities of the accounting officer are set out in the Financial Regulation:

- proper implementation of payments,
- collection of revenue,
- recovery of amounts and offsetting,
- keeping, preparing and presenting the accounts,
- laying down the accounting rules and methods and the chart of accounts,
- laying down and validating the accounting systems and validating systems laid down by the authorising officer to supply or justify accounting information (local systems),
- treasury management,
- designation of the Imprest Administrators,
- opening and closing bank accounts in the name of the Institution.

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 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 are revenue from third parties in respect of goods, services or work supplied at their request, revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium.

The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21.

Authorising Officer by Delegation (AOD)

The AOD is responsible in each entity 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.

The AOD is responsible for taking all financial decision concerning actions under his/her responsibility. Particularly, he/she must take decisions to implement the budget based on his/her risk analysis.

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) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

Funds Source

Type of appropriations

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 re-activated 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

Outstanding commitments (or RAL, from the French 'reste à liquider') are defined as the amount of appropriations committed that have not yet been paid or legal commitments having not fully given rise to liquidation by payments. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations.

Outturn

Cf. Budget result

Payment

A payment is a 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. Cf. Outstanding commitments

Recovery

The recovery order is the procedure by which the Authorising officer by Delegation (AOD) 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. Budget result

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 authorisation.