



**FINAL ACCOUNTS OF THE
EUROPEAN INSTITUTE
OF
INNOVATION AND TECHNOLOGY
(EIT)**

01.01.2012 – 31.12.2012

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CERTIFICATE

The final annual accounts of EIT for the year 2012 have been prepared in accordance with Title VII of the EIT Financial Rules as well as the accounting rules and methods adopted by the Commission's Accounting Officer.

I hereby certify that based on the information provided by the Authorising Officer, I am reasonably assured that the accounts present a true and fair view of the financial position of EIT in all material aspects.

Signed

Daide Mola
Accounting Officer

INTRODUCTION

LEGAL BASIS

The following accounts, together with a report on budgetary and financial management were drawn up in accordance with Article 21 (3) of Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 76 of the EIT Financial Rules¹.

BACKGROUND INFORMATION

This report and financial statements have been drawn up for the EIT, a European Union body established by Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008.

The mission of the EIT is to increase European sustainable growth and competitiveness by reinforcing the innovation capacity of the EU (Article 3, EIT Regulation). The seat of EIT is in Budapest.

The EIT's expenditures are financed by an annual subsidy from the general budget of the European Union and by a contribution from the host state.

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is independent and autonomous in its decision-making and is responsible for the selection, evaluation and support of the Knowledge and Innovation Communities (KICs). The Governing Board brings together 22 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields. It consists of 18 Appointed Members and 4 Representative Members.

The Chairman of the Governing Board for 2012 was Dr. Alexander Ullrich von Gabain.

The Institute is managed by the EIT Director, Mr. Jose Manuel Leceta. In accordance with Article 1(c) of the EIT Regulation and Article 33 of the EIT Financial Rules, the Director is the authorising officer for the EIT budget.

In accordance with Article 43 (1) of the EIT Financial Rules, the Governing Board appointed Davide Mola as accounting officer for the EIT on 28 June 2012 following a recruitment procedure.

¹ Decision of the Governing Board of the European Institute of Innovation and Technology of 20 April 2009 adopting the Financial Rules of the European Institute of Innovation and Technology (EIT).

PART I: - FINANCIAL STATEMENTS

ECONOMIC OUTTURN ACCOUNT

	01.01.2012 31.12.2012	08.06.2011 31.12.2011
Subsidy of the Commission	68.697.863,00	8.234.873,70
Host state contribution	1.926.227,38	1.193.772,62
Revenues from admin operations - fixed asset income	0,00	164.623,27
Other operating revenue	1.271.738,51	41.745.480,08
TOTAL OPERATING REVENUE	71.895.828,89	51.338.749,67
Staff expenses	2.668.380,47	1.414.489,43
Fixed asset related expenses	74.730,18	20.547,95
Other administrative expenses	1.143.400,47	1.154.407,84
Operational expenses	85.579.605,15	51.724.786,35
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	89.466.116,27	54.314.231,57
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	(17.570.287,38)	(2.975.481,90)
Financial operations revenues	24.405,91	22.013,24
Financial operations expenses	4.124,91	99,19
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	20.281,00	21.914,05
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	(17.550.006,38)	(2.953.567,85)
Extraordinary gains	0,00	0,00
Extraordinary losses	0,00	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0,00	0,00
ECONOMIC RESULT OF THE YEAR	(17.550.006,38)	(2.953.567,85)

BALANCE SHEET

ASSETS

	31.12.2012	31.12.2011
A. NON CURRENT ASSETS		
Intangible fixed assets	30.043,00	43.953,00
Tangible fixed assets	171.166,00	162.908,00
Land and buildings	0,00	0,00
Plant and equipment	351,00	651,00
Computer hardware	78.480,00	76.240,00
Furniture and vehicles	70.434,00	59.891,00
Other fixtures and fittings	21.901,00	26.126,00
Tangible fixed assets under construction	0,00	0,00
Long-term receivables	1.135,14	50.000,00
Long-term pre-financing	1.135,14	50.000,00
Long-term receivables with consolidated EC entities	0,00	0,00
TOTAL NON CURRENT ASSETS	202.344,14	256.861,00
B. CURRENT ASSETS		
Stock	0,00	0,00
Short-term receivables	1.397.243,35	6.518.937,16
Short term prefinancing	96.103,55	6.480.930,34
Current receivables	1.281.405,84	23.022,40
Long term receivables falling due within a year	0,00	0,00
Sundry receivables	14.537,88	4.817,85
Prepaid expenses and accrued income	5.196,08	10.166,57
Cash and cash equivalents	8.215.647,36	3.011.418,01
TOTAL CURRENT ASSETS	9.612.890,71	9.530.355,17
TOTAL	9.815.234,85	9.787.216,17

CAPITAL AND LIABILITIES

	31.12.2012	31.12.2011
A. CAPITAL		
Accumulated surplus/deficit	(2.953.567,85)	0,00
Economic result of the year	(17.550.006,38)	(2.953.567,85)
TOTAL CAPITAL	(20.503.574,23)	(2.953.567,85)
B. NON CURRENT LIABILITIES		
Provisions for risks and liabilities	0,00	0,00
Long-term liabilities with consolidated entities	0,00	0,00
TOTAL NON CURRENT LIABILITIES	0,00	0,00
C. CURRENT LIABILITIES		
Provisions for risks and liabilities	48.279,17	66.946,55
Accounts payable	30.270.529,91	12.673.837,47
Current payables	43.634,51	440.255,43
Long-term liabilities falling due within the year	0,00	0,00
Sundry payables	509,22	36.018,23
Accrued expenses and deferred income	30.226.386,18	12.197.563,81
Accounts payable with consolidated EC entities	0,00	0,00
TOTAL CURRENT LIABILITIES	30.318.809,08	12.740.784,02
TOTAL	9.815.234,85	9.787.216,17

CASH FLOW STATEMENT

	01.01.2012 31.12.2012	08.06.2011 31.12.2011
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	-17.550.006,38	-2.953.567,85
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	13.910,00	12.431,15
Depreciation (tangible fixed assets) +	60.820,18	84.847,94
Increase/(decrease) in Provisions for risks and liabilities	-18.667,38	66.946,55
(Increase)/decrease in Long term Pre-financing	0,00	-50.000,00
(Increase)/decrease in Short term Pre-financing	6.434.826,79	-6.518.937,16
(Increase)/decrease in Long term Receivables	-1.135,14	0
(Increase)/decrease in Short term Receivables	-1.263.132,98	0,00
Increase/(decrease) in Accounts payable	17.596.692,44	12.673.837,47
Net cash Flow from operating activities	5.273.307,53	3.315.558,10
Cash Flows from investing activities		
Increase of tangible and intangible fixed assets (-)	-69.078,18	-304.140,09
Proceeds from tangible and intangible fixed assets (+)		
Net cash flow from investing activities	-69.078,18	-304.140,09
Net increase/(decrease) in cash and cash equivalents	5.204.229,35	3.011.418,01
Cash and cash equivalents at the beginning of the period	3.011.418,01	0,00
Cash and cash equivalents at the end of the period	8.215.647,36	3.011.418,01

STATEMENT OF CHANGES IN CAPITAL

Capital	Reserves	Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
Balance as of 31 December 2011	0,00	0,00	(2.953.567,85)	(2.953.567,85)
Changes in accounting policies				0,00
Balance as of 1 January 2012	0,00	0,00	(2.953.567,85)	(2.953.567,85)
Allocation of the Economic Result of Previous Year		(2.953.567,85)	2.953.567,85	0,00
Economic result of the year			(17.550.006,38)	(17.550.006,38)
Balance as of 31 December 2011	0,00	(2.953.567,85)	(17.550.006,38)	(20.503.574,23)

NOTES TO THE GENERAL ACCOUNTS

01.01.2012 – 31.12.2012

ACCOUNTING POLICIES AND PRINCIPLES

In accordance with Article 21 (3) of Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 76 of the EIT Financial Rules of 3 April 2009, the following final accounts together with a report on budgetary and financial management have been drawn up. These financial statements for the financial year 2012 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the European Union, while the reports on implementation of the budget continue to be primarily based on movements of cash. They also follow Commission Regulation No 2342/2002 (hereinafter referred to as the Implementing Rules).

The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For a public sector entity such as the EIT, the objective is more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

The accounting system of the EIT comprises general accounts and budgetary accounts. The accounts are kept in EUR and are accounted on the basis of a financial year equal to the calendar year. The budgetary accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.² The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

The EIT financial statements have been drawn up using the methods of preparation set out in the accounting rules laid down by the European Commission's accounting officer.

Article 78 of the EIT Financial Rules sets out the accounting principles to be applied in drawing up the financial statements:

Going concern basis

The financial statements have been made in accordance with the going concern principle, which means that the EIT is deemed to have been established for an indefinite duration (IPSAS 1; Implementing Rules, Article 187).

Prudence

Assets and income in these financial statements have not been overstated, and liabilities and expenses have not been understated. No hidden reserves have been created (IPSAS 1; Implementing Rules, Article 188).

² This differs from cash-based accounting because of elements such as carryovers.

Consistent accounting method

According to this principle the accounting methods and valuation rules may not be changed from one year to the next (IPSAS 1; Implementing Rules, Article 189).

Comparability of information

In accordance with this principle, the financial statements shall show for each item the amount of the corresponding item for the previous year. Where the presentation or the classification of one of the components of the financial statements has been changed, the corresponding amounts for the previous year shall be made comparable and reclassified (IPSAS 1; Implementing Rules, Article 190).

Materiality

According to this principle, items that are material by virtue of their nature should be presented separately in the financial statements. Items that are material by virtue of their size but which have the same nature may be aggregated. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately (IPSAS 1; Implementing Rules, Article 191).

No netting

The principle of no netting means that assets and liabilities may not be offset against each other, nor may revenues and expenses, save where the revenues and expenses derive from the same transaction, from similar transactions or from hedging operations and provided that they are not individually material (IPSAS 1; Implementing Rules, Article 192).

Reality over appearance (Substance Over Form)

This principle states that if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form (IPSAS 1; Implementing Rules, Article 193).

Accrual-based accounting

Accrual based accounting is an accounting method that measures the performance and position of the entity by recognizing economic events regardless of when cash transactions occur. (Income and expense items are recognized and recorded when income is earned and expense is incurred, regardless of when cash is actually received or paid.) (IPSAS 1; EIT Financial Rules, Article 79 (1.); Implementing Rules, Article 194).

Reporting period

The EIT reporting period is from 1 January to 31 December 2012.

CURRENCY AND BASIS FOR CONVERSION

Functional and reporting currency

The financial statements are presented in Euro, which is the functional and reporting currency of the EIT (EIT Financial Rules, Article 80).

Transactions

Foreign currency transactions were translated into Euros using the official exchange rates of the European Commission of the day on which the payment order was drawn up (Implementing Rules, Article 8).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised in the economic outturn account.

CHART OF ACCOUNTS

The chart of accounts used by EIT follows the structure of the chart of accounts of the European Commission (PCUE).

ECONOMIC OUTTURN STATEMENT

Non-Exchange Revenue

Non-exchange revenues for 2012 consist mainly of the subsidy received from the European Commission and the Hungarian Government's contribution.

In accordance with point 3 of Annex A of the Host Agreement between the European Institute of Innovation and Technology (EIT) and the Government of Hungary, the Hungarian Government agreed to make a contribution towards the staff costs of the EIT representing the wage costs of 20 employees of the EIT for five years. The paid contribution for 2012 was 1 560 000,00 EUR.

Having regard to ex-post balances related to the 2011 grants, the amount of 1 242 317,32 EUR will be recovered and it is included in the revenue.

In addition the EIT recognised the amount of 366 227,38 EUR related to the Hungarian Government's contribution booked in 2011 as deferred income.

	2012	2011
EC subsidy	68 697 863,00	8 234 873,70
Host state contribution	1 926 227,38	1 193 772,62
Transferred pre-financings	-	41 701 323,78
Recoveries of GA2011	1 242 317,32	-
Miscellaneous income	1 635,00	164 623,27
Exchange rate gains	27 786,19	44 156,30
Total	71 895 828,89	51 338 749,67

Service in-kind - Host state contribution to the EIT premises

According to Article 3(3) of the Host Agreement the Hungarian Government covers the rental fee of the EIT premises for 20 years. For such in-kind services the EIT follows the non-recognition approach therefore the contribution was not recognised as revenue (and asset) in the EIT books.

The Hungarian Government contribution to the rental fee constitutes 547 524,48 EUR in kind revenue per calendar year.

Expenses

According to the principle of the accrual-based accounting, financial statements take account of expenses relating to the reporting period regardless the payment date.

Administrative and operational expenses

	2012	2011
Staff expenses	2 668 380,47	1 414 489,43
Fixed asset related expenses	74 730,18	20 547,95
Other administrative expenses	1 143 400,47	1 154 407,84
Operational expenses	85 579 605,15	51 724 786,35
Total	89 466 116,27	54 314 231,57

Staff expenses comprise different categories of personnel related expenses: salaries, allowances, mission costs and other welfare expenses. Fixed asset related expenses comprise the charged amortisation/depreciation. Other administrative expenses comprise building associated costs (there is a negative amount related to an overestimation of the accrued expenses in 2011 calculated in the more prudent way), maintenance and service fees, office running costs, the honoraria for the Governing Board and meeting expenses. Operational expenses comprise the KIC grants, studies, expert fees, operational meeting and other operative expenses. The amount to be paid is the difference between the actual cost of 85 579 605,15 EUR and the pre-financing already paid of 55 740 448,46 EUR.

Average number of employees

	2012	2011
Temporary agents	28	23
Contract agents	18	14
Total	46	37

Financial operations revenues

Art. 51 of the EIT Financial Rules states that the funds paid to the EIT by the Commission by way of the subsidy shall bear interest for the benefit of its budget. The interest collected in 2012 will be incorporated into the 2013 EIT budget.

	2012	2011
Bank interest	24 405,91	22 013,24

Financial expenses

The financial expenses amounts at 4 124,91 EUR. It is composed of 3 983,69 EUR for interest on late payments and 240,41 EUR for bank charges.

BALANCE SHEET

ASSETS

Assets are resources controlled by the EIT as a result of past events and from which future economic benefits are expected to flow.

EIT uses ABAC Assets, which is an integrated part of the ABAC platform, as inventory application.

Fixed assets

Fixed assets are assets that are expected to be used during more than one reporting period. The net book value of a fixed asset is equal to its acquisition price or production cost, adjusted by revaluations and depreciation.

The minimum value to recognise fixed asset is 420,00 EUR.

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets without any physical form. In the EIT's case these consist of computer software.

This internally developed intangible assets are capitalised above the amount of 100 000,00 EUR.

Tangible fixed assets

Tangible fixed assets are assets of physical nature, consisting of technical equipments, furniture, computer hardware, telecommunication and audiovisual equipment.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life (IPSAS 17). The depreciation on fixed assets is calculated using the straight-line method with the following rates:

Depreciation rates

Type of asset	Straight line depreciation rate
Computer software	25%
Technical equipment	12.5%
Vehicles	25%
Furniture	10%
Kitchen, cafeteria equipment	12.5%
Computer hardware	25%
Telecommunication and audiovisual equipment	25%

		Computer software	Plant and Equipment	Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	Total
Gross carrying amounts 01.01.2012	+	56.384,15	1.235,76	131.189,86	72.088,56	43.241,76	304.140,09
Additions	+			43.721,34	18.505,00	6.851,84	69.078,18
Gross carrying amounts 31.12.2012		56.384,15	1.235,76	174.911,20	90.593,56	50.093,60	373.218,27
Accumulated amortization and impairment 01.01.2012	-	-12.431,15	-584,76	-54.949,86	-12.197,56	-17.115,76	-97.279,09
Depreciation	-	-13.910,00	-300,00	-41.481,34	-7.962,00	-11.076,84	-74.730,18
Accumulated amortization and impairment 31.12.2012		-26.341,15	-884,76	-96.431,20	-20.159,56	-28.192,60	-172.009,27
Net carrying amounts 31.12.2012		30.043,00	351,00	78.480,00	70.434,00	21.901,00	201.209,00

Receivables

Receivables are carried at original invoice amount provision for doubtful debts. A write-down for impairment of receivables is established when there is objective evidence that the EIT will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is recognised in the economic outturn account statement.

Short term and long term receivables

In relation to the ex-post control for the 2011 grants, the amount of 1 242 317,32 EUR will be recovered by the EIT (1 130 304,00 EUR for KIC Innoenergy, 96 486,57 EUR for Climate KIC and 15 526,75 EUR for ICT Labs).

Article 5(2) of the EIT Regulation powered the EIT to establish a Foundation (EIT Foundation, EITF) with the specific objective of promoting and supporting the activities of the EIT. The EITF was established in September 2010 as a philanthropic foundation registered in the Netherlands.

In 2012 EIT provided the EITF with an initial loan to support its establishment and preliminary activities. The deadline to repay the loan is 15 December 2013. EUR 75 000 have been transferred to EITF until 31 December 2012. The loan changed the classification from long term to short term.

The loan was provided at no interest (0%) however EITF is obliged to pay back the yielded interest on the provided loan. For this purpose the EITF has opened an interest bearing account and keeps the disbursed funds on it.

Long term:

	2012	2011
EITF loan	0,00	50 000,00
Fee paid to supplier	1 135,44	0,00
Total	1 135,44	50 000,00

Short-term:

	2012	2011
Recoveries 2011 grant	1 242 317,32	-
Short-term pre-financing (KIC grants)	0,00	6 480 930,34
Procurement pre-financing	21 103,55	0,00
EITF loan	75 000,00	0,00
Recoverable VAT from host state	37 395,66	23 022,40
Accrued income/deferred charges	5 196,08	10 166,57
Sundry receivables	16 230,74	4 817,85
Total	1 397 243,35	6 518 937,16

Breakdown of accrued income/deferred charges:

	2012	2011
Accrued interest	5 196,08	8 651,52
Prepayments	0,00	1 515,05
Total	5 196,08	10 166,57

Cash and cash equivalents

	2012	2011
Cash in bank accounts	8 215 647,36	3 011 418,01
Total	8 215 647,36	3 011 418,01

Cash is held in BNP Paribas Fortis (Fortis Bank nv/sa) in Belgium, denominated in EUR and in HUF.

EQUITY AND LIABILITIES

Provisions for risks and liabilities

Provisions for risks and liabilities are recognised when EIT has a present legal or constructive obligation as a result of past events; an outflow of resources might be required to settle the obligation, and the amount can be reliably estimated.

The Commission adopted on 24 November 2011 a proposal for a Council Regulation adjusting the remuneration and pensions of EU civil servants by 1.7% for Brussels and Luxembourg. This adjustment is calculated according to the method enshrined in the Staff Regulations. On 19 December, the Council formally took a decision not to adopt the Commission proposal. The Commission decided on 11 January 2012 to bring an action against the Council in the Court of Justice for not adopting the annual adjustment to remuneration and pensions of EU staff. A short term provision for the outstanding salary increase relating to period from July 2011 to December 2012 was posted.

Short term provisions

	2012	2011
Provision for salary increase	48 279,17	66 946,55

Current payables

The accounts payable comprise outstanding unpaid invoices and claims from the suppliers, beneficiaries and other public bodies.

	2012	2011
Accounts payable	43 634,51	440 255,43
Total	43 634,51	440 255,43

Accrued expenses and deferred income

	2012	2011
Accrued expenses	30 226 386,18	11 831 336,43
Deferred income	0,00	366 227,38
Total	30 226 386,18	12 197 563,81

Accrued expenses are expenses that have been incurred but not yet invoiced. The majority of the booked accruals relate to KIC grant agreements (29 696 286,57 EUR; this amount is the actual costs incurred by KICs decreased by pre-financing already paid).

The calculated amount of holiday compensation is recognised as accrued expense (according to the Staff regulation - Annex V: Leave, Article 4 - if the person at the time of leaving the service has not used up his/her annual leave, he/she shall be paid compensation equal to one thirtieth of his monthly remuneration for each day of leave due to him/her).

Accounts payable with consolidated EU entities

	2012	2011
Repayable positive budgetary outturn	-	-
Repayable interest earned on EU subsidy	-	-
Other payables to consolidated EU entities	-	-
Total	<hr/> -	<hr/> -

Article 16 of the EIT Financial Rules states that if the balance of the outturn account is positive, it shall be entered in the budget for the following financial year.

Article 51 of the EIT Financial Rules states that the funds paid to the EIT by the Commission by way of the subsidy shall bear interest for the benefit of its budget.

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 or a present obligation that arises from past events but is not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Operational leases

Operational leases are classified as such where the lessor retains a significant portion of the risks and rewards of ownership. Lease payments under an operating lease are recognised as an expense in the economic outturn account on a straight-line basis over the lease term. Assets subject to an operating lease are treated as rentals.

EIT has no operational lease contracts.

Carryovers

The EIT recognises the difference between the amount of the automatic carryover of commitment appropriations (the budgetary commitment is the operation reserving the appropriation necessary to cover subsequent payments to honour a legal commitment) and the accrued expenses as a contingent liability.

	2012	2011
Automatic carryovers (C8)	35 526 567,23	21 783 441,85
Accrued expenses	30 226 386,18	(11 831 336,43)
Contingent liabilities for carryovers	5 300 181,05	9 952 105,42

Amounts relating to legal cases

EIT has no legal case.

Long term/Multi-annual contractual commitments

A commitment for future funding is a possible future outflow of resources that could arise due to a legal or contractual commitment existing at year end. Significant long-term service contracts fall under this category.

The EIT has no existing multi-annual contracts without budgetary commitments.

	2012	2011
Operational leases	-	-
Carryovers	5 300 181,05	9 952 105,42
Legal case	-	-
Multi-annual contractual commitments	-	-
Contingent liabilities	5 300 181,05	9 952 105,42

CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events but which are not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Guarantees received for pre-financing

Articles 118 of the EU Financial Regulation and Article 182 of the Implementing Rules allow the Authorising Officers, if appropriate and proportionate, to require an advance guarantee for pre-financing.

At the end of 2012 the guarantees linked to open grant agreements constituted 5 981 936,42 EUR.

RELATED PARTIES

Highest grade description	Grade	Number of persons of this grade	Loans to related parties	
			Nominal amount	Remaining open amount as of 31/12
Director	AD14	1	-	-

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the financial year 2012.

**PART II - REPORT ON IMPLEMENTATION OF THE BUDGET
FOR THE FINANCIAL YEAR 2012**

BUDGET OUTTURN

Table 1

EUR

		2012	2011
REVENUE			
Commission subsidy (for the operating budget -Titles 1,2 and 3 - of the agency)	+	68 697 863,00	8 234 873,70
Host Member State contribution	+	1 560 000,00	1 560 000,00
Other income	+	6 491 387,95	
TOTAL REVENUE (a)		76 749 250,95	9 794 873,70
EXPENDITURE			
<i>Title I: Staff</i>			
Payments	-	2 576 115,37	1 648 785,32
Appropriations carried over	-	299 023,27	578 223,06
<i>Title II: Administrative Expenses</i>			
Payments	-	557 130,00	568 259,83
Appropriations carried over	-	336 590,05	492 062,22
<i>Title III: Operating Expenditure</i>			
Payments	-	67 511 192,71	4 508 131,06
Appropriations carried over	-	6 433 823,80	3 778 942,31
TOTAL EXPENDITURE (b)		77 713 875,20	11 574 403,80
OUTTURN FOR THE FINANCIAL YEAR (a-b)		-964 624,25	-1 779 530,10
Cancellation of unused payment appropriations carried over from previous year	+	4 019 561,76	0,00
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	366 227,38	0,00
Exchange differences for the year (gain +/-loss -)	+/-	-32 714,76	-45 425,71
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR		3 388 450,13	-1 824 955,81

RECONCILIATION BUDGETARY/ECONOMIC OUTTURN

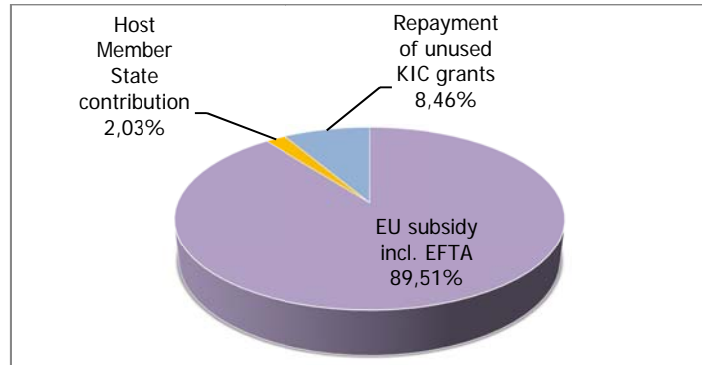
Economic result	-17.550.006,38
Adjustments for accrual cut off reversal 31.12.N-1	-11.831.336,43
Adjustments for accrual cut off reversal 31.12.N	30.226.386,18
Unpaid invoices at year end but booked in charges	-432.129,93
Depreciation of intangible and tangible assets	74.730,18
Provisions	-18.667,38
Payments made from carry over and payment appropriations	829.665,83
Interest received	-24.405,91
Financial expenses paid	4.124,91
Other revenue	-1.635,00
Asset acquisitions	-69.078,18
New pre-financing paid in 2012 and remaining open as 31.12.2012	0,00
Recovery orders issued for grant agreement 2011 (not cashed)	-1.242.317,32
Pre-financing open at the end of 2011 and paid in 2012	6.480.930,34
Additional Pre-financing 2011 collected from KIC	10.457,61
Payment appropriations carried over	-7.069.437,07
Cancellation of unused carried over payment appropriations from previous year	4.019.561,76
Accrued income/ Deferred Charges	4.970,49
Exchange rate differences according EOA	-7.725,01
Exchange rate differences according BOA	-32.714,76
Others	17.076,20
Total	3.388.450,13
Budgetary result	3.388.450,13

REVENUE

Table 2

EUR

Type of revenue	Revenue Budget (1)	Entitlements established (2)	Revenue received (3)	%, 3/1	%, 3/2
Commission subsidy incl. EFTA	70 467 350,00	68 697 863,00	68 697 863,00	97,49%	100,00%
Host Member State contribution	1 560 000,00	1 560 000,00	1 560 000,00	100,00%	100,00%
Other revenue	6 465 229,00	6 493 080,81	6 491 387,95	100,40%	99,97%
Total	78 492 579,00	76 750 943,81	76 749 250,95	97,78%	100,00%



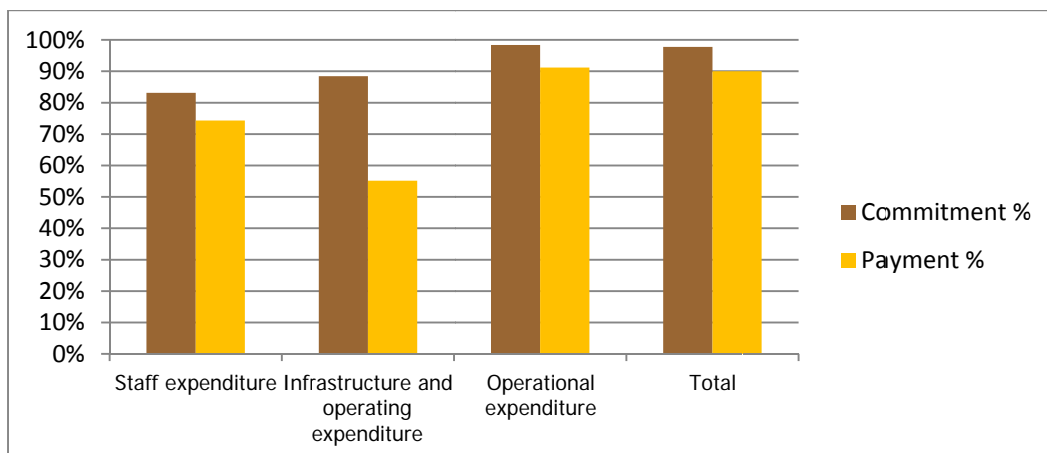
EXPENDITURE

Summary of the implementation of the budget (C1, R0 and C4)

Table 3

EUR

Budget Title	Heading	Commitment appropriations			Payment appropriations			% (5/2)	R A L (2-5)
		Final budget (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid amount(5)	% (5/4)		
Title 1	Staff expenditure	3 466 100,00	2 881 505,18	83,13 %	3 466 100,00	2 576 115,37	74,32 %	89,40 %	305 389,81
Title 2	Infrastructure and operating expenditure	1 010 390,00	893 720,05	88,45 %	1 010 390,00	557 130,00	55,14 %	62,34 %	336 590,05
<i>Total Title 1 and 2 - Administrative expenditure</i>		<i>4 476 490,00</i>	<i>3 775 225,23</i>	<i>84,33 %</i>	<i>4 476 490,00</i>	<i>3 133 245,37</i>	<i>69,99 %</i>	<i>82,99 %</i>	<i>641 979,86</i>
Title 3	Operational expenditure	92 227 130,08	90 740 484,04	98,39 %	74 016 089,08	67 511 192,71	91,21 %	74,40 %	23 229 291,33
TOTAL		96 703 620,08	94 515 709,27	97,74 %	78 492 579,08	70 644 438,08	90,00 %	74,74 %	23 871 271,19



Implementation of the commitment and payment appropriations (C1)

Table 4

EUR

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid (5)	% (5/4)	R A L (2-5)
A-1100	Basic salaries including weightings	551 209,00	340 063,26	61,69 %	551 209,00	340 063,26	61,69 %	0,00
A-1101	Allowances	160 867,00	117 702,45	73,17 %	160 867,00	117 702,45	73,17 %	0,00
A-1102	Employers charges	40 180,00	32 534,82	80,97 %	40 180,00	32 534,82	80,97 %	0,00
A-1110	Remuneration and allowances of contract agents	273 558,00	68 823,05	25,16 %	273 558,00	68 823,05	25,16 %	0,00
A-1130	Schooling	90 000,00	61 271,22	68,08 %	90 000,00	59 771,22	66,41 %	1 500,00
	Total Chapter 11	1 115 814,00	620 394,80	55,60 %	1 115 814,00	618 894,80	55,47 %	1 500,00
A-1200	Recruitment expenses	38 900,00	31 188,61	80,18 %	38 900,00	29 688,61	76,32 %	1 500,00
A-1201	Entitlements related to entering transfer and leave	103 363,00	73 084,67	70,71 %	103 363,00	66 718,13	64,55 %	6 366,54
	Total Chapter 12	142 263,00	104 273,28	73,30 %	142 263,00	96 406,74	67,77 %	7 866,54
A-1300	Mission expenses	281 321,00	281 321,00	100,00 %	281 321,00	206 668,20	73,46 %	74 652,80
	Total Chapter 13	281 321,00	281 321,00	100,00 %	281 321,00	206 668,20	73,46 %	74 652,80
A-1400	Restaurant and canteen	400,00	0,00	0,00 %	400,00	0,00	0,00 %	0,00
A-1410	Medical expenses	4 100,00	4 000,00	97,56 %	4 100,00	1 849,63	45,11 %	2 150,37
A-1420	Early childhood centre and approved day nurseries	23 500,00	23 500,00	100,00 %	23 500,00	21 972,25	93,50 %	1 527,75
A-1430	Social contacts among staff members	5 000,00	5 000,00	100,00 %	5 000,00	1 440,00	28,80 %	3 560,00
A-1490	Other social expenses	0,00	0,00		0,00			
	Total Chapter 14	33 000,00	32 500,00	98,48 %	33 000,00	25 261,88	76,55 %	7 238,12
A-1500	Training	128 500,00	81 921,98	63,75 %	128 500,00	31 326,25	24,38 %	50 595,73
	Total Chapter 15	128 500,00	81 921,98	63,75 %	128 500,00	31 326,25	24,38 %	50 595,73
A-1601	Seconded National Expert	8 000,00	5 000,00	62,50 %	8 000,00	3 848,72	48,11 %	1 151,28
A-1603	IT support	60 000,00	60 000,00	100,00 %	60 000,00	0,00	0,00 %	60 000,00
A-1604	Administrative assistance	119 502,00	119 502,00	100,00 %	119 502,00	25 647,66	21,46 %	93 854,34
A-1610	Interpretation	0,00	0,00		0,00			
A-1611	Translation	15 000,00	15 000,00	100,00 %	15 000,00	7 469,00	49,79 %	7 531,00
	Total Chapter 16	202 502,00	199 502,00	98,52 %	202 502,00	36 965,38	18,25 %	162 536,62
A-1700	Representation expenses	2 700,00	1 592,12	58,97 %	2 700,00	592,12	21,93 %	1 000,00
	Total Chapter 17	2 700,00	1 592,12	58,97 %	2 700,00	592,12	21,93 %	1 000,00
	Total Title 1	1 906 100,00	1 321 505,18	69,33 %	1 906 100,00	1 016 115,37	53,31 %	305 389,81
A-2000	Renting	0,00			0,00			
A-2010	Building insurance	0,00			0,00			
A-2020	Water gas electricity and heating	30 000,00	25 000,00	83,33 %	30 000,00	0,00	0,00 %	25 000,00
A-2030	Cleaning and maintenance	12 040,00	11 652,70	96,78 %	12 040,00	5 719,39	47,50 %	5 933,31
A-2040	Security and surveillance	2 810,00	2 175,14	77,41 %	2 810,00	1 175,14	41,82 %	1 000,00
A-2050	Fitting out of premises	12 500,00	12 233,99	97,87 %	12 500,00	12 233,99	97,87 %	0,00
A-2090	Other expenditure related to the buildings	15 700,00	14 740,65	93,89 %	15 700,00	7 780,54	49,56 %	6 960,11
	Total Chapter 20	73 050,00	65 802,48	90,08 %	73 050,00	26 909,06	36,84 %	38 893,42
A-2100	Acquisition renting of equipments and software	142 000,00	106 025,96	74,67 %	142 000,00	54 047,40	38,06 %	51 978,56
A-2101	Maintenance and repair of equipments	103 990,00	103 852,65	99,87 %	103 990,00	80 864,76	77,76 %	22 987,89
	Total Chapter 21	245 990,00	209 878,61	85,32 %	245 990,00	134 912,16	54,84 %	74 966,45
A-2200	Acquisition rental of general and technical equipm	6 600,00	5 530,38	83,79 %	6 600,00	5 530,38	83,79 %	0,00
A-2201	Maintenance and repair of general and technical eq	550,00	490,73	89,22 %	550,00	490,73	89,22 %	0,00
A-2212	Transport cost	1 000,00	500,00	50,00 %	1 000,00	419,65	41,97 %	80,35
A-2220	Acquisition rental of furniture	65 000,00	64 408,47	99,09 %	65 000,00	32 717,42	50,33 %	31 691,05
A-2221	Repair of furniture	0,00	0,00		0,00			
	Total Chapter 22	73 150,00	70 929,58	96,96 %	73 150,00	39 158,18	53,53 %	31 771,40
A-2300	Stationery and office supplies	26 000,00	11 706,55	45,03 %	26 000,00	8 144,75	31,33 %	3 561,80
A-2310	Postage and delivery charges	11 000,00	2 634,80	23,95 %	11 000,00	2 134,80	19,41 %	500,00
A-2320	Telecommunication charges	44 000,00	44 000,00	100,00 %	44 000,00	33 096,90	75,22 %	10 903,10
A-2330	Legal expenses and damages	80 000,00	56 008,50	70,01 %	80 000,00	24 130,20	30,16 %	31 878,30
A-2340	Handling and moving	1 000,00	602,06	60,21 %	1 000,00	602,06	60,21 %	0,00
A-2350	Bank charges	2 700,00	241,06	8,93 %	2 700,00	141,06	5,22 %	100,00
A-2360	Honoraria for Governing and Executive Committee Me	180 000,00	180 000,00	100,00 %	180 000,00	127 000,00	70,56 %	53 000,00
A-2390	Other administrative expenses	2 500,00	625,00	25,00 %	2 500,00	376,48	15,06 %	248,52
	Total Chapter 23	347 200,00	295 817,97	85,20 %	347 200,00	195 626,25	56,34 %	100 191,72
A-2400	Official Journal	5 500,00	5 500,00	100,00 %	5 500,00	0,00	0,00 %	5 500,00
A-2410	Purchase information	3 500,00	867,18	24,78 %	3 500,00	0,00	0,00 %	867,18
	Total Chapter 24	9 000,00	6 367,18	70,75 %	9 000,00	0,00	0,00 %	6 367,18
A-2500	Organisation of Governing Board and Executive Comm	31 000,00	26 741,16	86,26 %	31 000,00	9 638,71	31,09 %	17 102,45
A-2501	Travel expenses of Governing Board and Executive C.	223 865,00	215 795,00	96,40 %	223 865,00	149 235,66	66,66 %	66 559,34
A-2520	Internal meetings	5 500,00	2 388,07	43,42 %	5 500,00	1 649,98	30,00 %	738,09
	Total Chapter 25	260 365,00	244 924,23	94,07 %	260 365,00	160 524,35	61,65 %	84 399,88
	Total Title 2	1 008 755,00	893 720,05	88,60 %	1 008 755,00	557 130,00	55,23 %	336 590,05

Budget item	Heading	Commitment appropriations	Committed Amount (2)	% (2/1)	Payment appropriations	Paid (5)	% (5/4)	R A L (2-5)
B3-000	KIC Grants	84 698 949,24	83 478 702,14	98,56 %	66 559 208,24	60 495 528,76	90,89 %	22 983 173,38
	Total Chapter 30	84 698 949,24	83 478 702,14	98,56 %	66 559 208,24	60 495 528,76	90,89 %	22 983 173,38
B3-110	KIC monitoring and performance measurement	162 000,00	159 850,00	98,67 %	67 000,00	0,00	0,00 %	159 850,00
B3-120	Entrepreneurship activities	85 000,00	42 700,23	50,24 %	115 960,00	83 582,34	72,08 %	-40 882,11
B3-130	Educational activities	15 100,00	14 168,60	93,83 %	32 900,00	32 900,00	100,00 %	-18 731,40
B3-140	EIT Foundation	0,00			50 000,00	25 000,00	50,00 %	-25 000,00
B3-150	Experts	106 000,00	82 028,03	77,38 %	78 000,00	21 002,67	26,93 %	61 025,36
B3-151	Legal assistance	65 000,00	64 988,00	99,98 %	62 500,00	20 480,00	32,77 %	44 508,00
B3-190	Other KIC related activities	13 000,00	2 407,86	18,52 %	5 640,00	2 453,49	43,50 %	-45,63
	Total Chapter 31	446 100,00	366 142,72	82,08 %	412 000,00	185 418,50	45,00 %	180 724,22
B3-200	Communication tools	222 000,00	174 083,15	78,42 %	183 500,00	99 940,10	54,46 %	74 143,05
B3-201	Media affairs	0,00			0,00			0,00
B3-202	Communication strategy and corporate identity	150 000,00	147 974,45	98,65 %	136 000,00	12 780,58	9,40 %	135 193,87
B3-203	EIT brand events conferences	190 000,00	160 781,06	84,62 %	229 000,00	225 100,37	98,30 %	-64 319,31
	Total Chapter 32	562 000,00	482 838,66	85,91 %	548 500,00	337 821,05	61,59 %	145 017,61
B3-300	Strategy development	60 000,00	59 900,00	99,83 %	8 500,00	4 543,56	53,45 %	55 356,44
B3-301	Stakeholder relations	18 500,00	13 129,66	70,97 %	46 300,00	46 300,00	100,00 %	-33 170,34
	Total Chapter 33	78 500,00	73 029,66	93,03 %	54 800,00	50 843,56	92,78 %	22 186,10
	Total Title 3	85 785 549,24	84 400 713,18	98,39 %	67 574 508,24	61 069 611,87	90,37 %	23 331 101,31
	Total	88 700 404,24	86 615 938,41	97,65 %	70 489 363,24	62 642 857,24	88,87 %	23 973 081,17

Implementation of the commitment and payment appropriations (C4)

Table 5

EUR

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid amount(5)	% (5/4)
A-2501	Travel expenses of Governing Board and Executive Committee	1 635,00	0,00	0,00 %	1 635,00	0,00	0,00 %
B3-000	KIC Grants	6 441 580,84	6 339 770,86	98,42 %	6 441 580,84	6 441 580,84	100,00 %
	Total	6 443 215,84	6 339 770,86	98,39%	6 443 215,84	6 441 580,84	99,97%

Implementation of the commitment and payment appropriations (C2)

Table 6

EUR

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid amount (5)	% (5/4)
B3-000	KIC Grants	0,00			3 470 700,00	0,00	0,00 %
	Total Chapter 30	0,00			3 470 700,00	0,00	0,00 %
B3-130	Educational activities	0,00			105 851,60	92 004,34	86,92 %
B3-140	EIT Foundation	0,00			50 432,22	0,00	0,00 %
	Total Chapter 31	0,00			156 283,82	92 004,34	58,87 %
B3-200	Communication tools	0,00			124 397,13	0,00	0,00 %
	Total Chapter 32	0,00			124 397,13	0,00	0,00 %
B3-301	Stakeholder relations	0,00			27 561,36	23 994,91	87,06 %
	Total Chapter 33	0,00			27 561,36	23 994,91	87,06 %
	TOTAL	0,00		Sum:	3 778 942,31	115 999,25	3,07%

Implementation of the commitment and payment appropriations (C8)

Table 7

EUR

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Paid (3)	Balance Commitment (1-2)	RAL (2-3)
A-1200	Recruitment expenses	30 000,00	20 961,35	69,87 %	20 961,35	9 038,65	0,00
	Total Chapter 12	30 000,00	20 961,35	69,87 %	20 961,35	9 038,65	0,00
A-1300	Mission expenses	51 613,67	38 040,17	73,70 %	38 040,17	13 573,50	0,00
	Total Chapter 13	51 613,67	38 040,17	73,70 %	38 040,17	13 573,50	0,00
A-1400	Restaurants and canteens	2 132,00	1 872,95	87,85 %	1 872,95	259,05	0,00
A-1430	Social contacts among staff members	5 000,00	2 990,54	59,81 %	2 990,54	2 009,46	0,00
	Total Chapter 14	7 132,00	4 863,49	68,19 %	4 863,49	2 268,51	0,00
A-1500	Training	54 881,63	24 776,38	45,15 %	24 776,38	30 105,25	0,00
	Total Chapter 15	54 881,63	24 776,38	45,15 %	24 776,38	30 105,25	0,00
A-1603	IT support	12 960,00	12 960,00	100,00 %	12 960,00	0,00	0,00
A-1604	Administrative assistance	38 855,21	8 505,70	21,89 %	8 505,70	30 349,51	0,00
A-1611	Translation	14 885,00	0,00	0,00 %	0,00	14 885,00	0,00
	Total Chapter 16	66 700,21	21 465,70	32,18 %	21 465,70	45 234,51	0,00
A-1700	Representation expenses	1 668,17	388,44	23,29 %	388,44	1 279,73	0,00
	Total Chapter 17	1 668,17	388,44	23,29 %	388,44	1 279,73	0,00
	Total Title 1	211 995,68	110 495,53	52,12%	110 495,53	101 500,15	0,00
A-2020	Water gas electricity and heating	93 350,00	17 150,00	18,37 %	17 150,00	76 200,00	0,00
A-2030	Cleaning and maintenance	6 770,14	4 927,75	72,79 %	4 927,75	1 842,39	0,00
	Total Chapter 20	100 120,14	22 077,75	22,05 %	22 077,75	78 042,39	0,00
A-2100	Acquisition renting of equipments and software	99 916,10	99 593,17	99,68 %	99 593,17	322,93	0,00
A-2101	Maintenance and repair of equipments	49 914,32	39 418,72	78,97 %	39 418,72	10 495,60	0,00
	Total Chapter 21	149 830,42	139 011,89	92,78 %	139 011,89	10 818,53	0,00
A-2212	Transport cost	4 618,82	128,06	2,77 %	128,06	4 490,76	0,00
	Total Chapter 22	4 618,82	128,06	2,77 %	128,06	4 490,76	0,00
A-2300	Stationery and office supplies	572,00	502,01	87,76 %	502,01	69,99	0,00
A-2310	Postage and delivery charges	9 164,60	43,80	0,48 %	43,80	9 120,80	0,00
A-2320	Telecommunication charges	21 132,68	10 706,85	50,66 %	10 706,85	10 425,83	0,00
A-2340	Handling and moving	361,38	0,00	0,00 %		361,38	0,00
A-2350	Bank charges	900,96	0,00	0,00 %		900,96	0,00
A-2390	Other administrative expenses	3 113,51	3 072,61	98,69 %	3 072,61	40,90	0,00
	Total Chapter 23	35 245,13	14 325,27	40,64 %	14 325,27	20 919,86	0,00
A-2500	Organisation of Governing Board and Executive Comm	33 115,31	7 521,77	22,71 %	7 521,77	25 593,54	0,00
A-2501	Travel expenses of Governing Board and Executive C	167 725,13	53 223,82	31,73 %	53 223,82	114 501,31	0,00
A-2520	Internal meetings	1 407,27	655,11	46,55 %	655,11	752,16	0,00
	Total Chapter 25	202 247,71	61 400,70	30,36 %	61 400,70	140 847,01	0,00
	Total Title 2	492 062,22	236 943,67	48,15%	236 943,67	255 118,55	0,00
B3-000	KIC Grants	20 392 119,28	11 196 661,14	54,91 %	11 196 661,14	9 195 458,14	0,00
	Total Chapter 30	20 392 119,28	11 196 661,14	54,91 %	11 196 661,14	9 195 458,14	0,00
B3-120	Entrepreneurship activities	84 450,97	40 882,11	48,41 %	40 882,11	43 568,86	0,00
B3-130	Educational activities	171 090,60	125 320,94	73,25 %	124 620,94	45 769,66	700,00
B3-140	EIT Foundation	104 905,97	100 000,00	95,32 %	25 000,00	4 905,97	75 000,00
B3-150	Experts	29 062,72	3 745,64	12,89 %	3 745,64	25 317,08	0,00
B3-151	Legal assistance	500,00	0,00	0,00 %	0,00	500,00	0,00
B3-190	Other KIC related activities	5 154,40	45,63	0,89 %	45,63	5 108,77	0,00
	Total Chapter 31	395 164,66	269 994,32	0,89 %	194 294,32	125 170,34	75 700,00
B3-200	Communication tools	197 040,32	161 743,32	82,09 %	89 086,45	35 297,00	72 656,87
B3-203	EIT brand events conferences	136 036,51	84 819,49	62,35 %	84 819,49	51 217,02	0,00
	Total Chapter 32	333 076,83	246 562,81	74,03 %	173 905,94	86 514,02	72 656,87
B3-300	Strategy development	15 188,51	4 543,56	29,91 %	4 543,56	10 644,95	0,00
B3-301	Stakeholder relations	63 834,67	59 900,00	93,84 %	59 900,00	3 934,67	0,00
	Total Chapter 33	79 023,18	64 443,56	81,55 %	64 443,56	14 579,62	0,00
	Total Title 3	21 199 383,95	11 777 661,83	55,56%	11 629 304,96	9 421 722,12	148 356,87
	TOTAL	21 903 441,85	12 125 101,03	55,36%	11 976 744,16	9 778 340,82	148 356,87

Implementation of the commitment and payment appropriations (R0)

Appropriations from assigned revenue (R0)

Table 8

EUR

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid (5)	% (5/4)	R A L (2-5)
A-1100	Basic salaries including weightings	900 000,00	900 000,00	100,00 %	900 000,00	900 000,00	100,00 %	0,00
A-1101	Allowances	250 000,00	250 000,00	100,00 %	250 000,00	250 000,00	100,00 %	0,00
A-1102	Employers charges	50 000,00	50 000,00	100,00 %	50 000,00	50 000,00	100,00 %	0,00
A-1110	Remuneration and allowances of contract agents	360 000,00	360 000,00	100,00 %	360 000,00	360 000,00	100,00 %	0,00
Total		1 560 000,00	1 560 000,00	100,00 %	1 560 000,00	1 560 000,00	100,00 %	0,00

Appropriations from assigned revenue carried over automatically from 2011 to 2012 (R0)

Table 9

EUR

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Paid (3)	Balance Commitment (1-2)	RAL (2-3)
A-1100	Basic salaries including weightings	124 242,29	124 242,29	100,00 %	124 242,29	0,00	0,00
A-1101	Allowances	41 706,04	41 706,04	100,00 %	41 706,04	0,00	0,00
A-1102	Employers charges	7 191,50	7 191,50	100,00 %	7 191,50	0,00	0,00
A-1110	Remuneration and allowances of contract agents	193 087,55	193 087,55	100,00 %	193 087,55	0,00	0,00
Sum:		366 227,38	366 227,38	100,00 %	366 227,38	0,00	0,00

EXPLANATORY NOTES TO THE REPORT ON THE IMPLEMENTATION OF THE BUDGET

Budgetary principles, structure and appropriations

Legal basis

Article 76 of the Financial Rules of the European Institute of Innovation and Technology (hereinafter referred to 'EIT Financial Rules')³ stipulates that the annual accounts of the EIT shall comprise the financial statements of the EIT and the reports on the implementation of the budget of the EIT.

Budgetary principles

The budget of the EIT is governed by a number of basic principles:

- **unity and budget accuracy:** all expenditure and revenue must be incorporated into a single budget document, must be booked on a budget line and expenditure must not exceed authorised appropriations;
- **universality:** this principle comprises two rules:
 - the rule of non-assignment, meaning that budget revenue must not be earmarked for specific items of expenditure (total revenue must cover total expenditure);
 - the gross budget rule, meaning that revenue and expenditure are entered in full into the budget without any adjustment against each other;
- **annuality:** the appropriations entered are authorized for a single year and must therefore be used during that year;
- **equilibrium:** the revenue and payment appropriations shown in the budget must be in balance;
- **specification:** each appropriation is assigned to a specific purpose and a specific objective;
- **unit of account:** the budget is drawn up and implemented in euro and the accounts are presented in euro;
- **sound financial management:** budget appropriations are used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness;
- **transparency:** the budget is established and implemented and the accounts presented in compliance with the principle of transparency; the budget and amending budgets are published in the Official Journal of the European Union.

Budget structure

The budget consists of a statement of revenue and expenditure.

The items of revenue and expenditure are classified according to their type or the use to which they are assigned under titles, chapters, articles and items.

³ Commission Decision C(2009)2661 of 3.4.2009

Structure of the budgetary accounts

General overview

The EIT budget contains administrative appropriations and operating appropriations. Furthermore, the budget distinguishes between two types of appropriation: non-differentiated appropriations (NDA) and differentiated appropriations (DA).

Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). They cover all the administrative items of the budget. In the case of non-differentiated appropriations, the amount of commitment appropriations is the same as that of payment appropriations.

Differentiated appropriations were introduced in order to reconcile the principle of annuality with the need to manage multi-annual operations. They are intended to cover multi-annual operations and comprise all appropriations in Title 3.

Differentiated appropriations are split into commitment and payment appropriations:

- **commitment appropriations:** cover the total cost of the legal obligations entered into for the current financial year for operations extending over a number of years. However, budgetary commitments for actions extending over more than one financial year may, in accordance with Article 76(3) of the Financial Regulation⁴, be broken down over several years into annual installments where the basic act so provides.
- **payment appropriations:** cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years.

Origin of the appropriations

The main source of appropriations is the Union's budget for the current year. However, there are other types of appropriations resulting from the provisions of the EIT Financial Rules. They come from previous financial years or outside sources:

- **Initial budget appropriations** adopted for the current year can be supplemented with **transfers** between lines in accordance with the rules laid down in Articles 23 and 24 of the EIT Financial Rules and by amending budgets (covered by Article 27 of the EIT Financial Rules).
 - **GB transfers:** transfers decided by the Governing Board in accordance with Article 23(2) of EIT Financial Rules
 - **EIT transfers:** transfers decided by the EIT Director on its own authority in accordance with Article 23(1) of EIT Financial Rules
- **Appropriations carried over** from previous year or made available again also supplement the current budget. These are
 - non-differentiated payment appropriations which may be carried over automatically for one financial year only in accordance with Article 10(5) of the EIT Financial Rules;
 - appropriations carried over by decision of the EIT Governing Board if the preparatory stages have been completed (Article 10(3) of the EIT Financial Rules). Both commitment and payment appropriations may be carried over (Article 9(4)).
- **Assigned revenue** which is made up of
 - contribution from Host Member State that has concluded a Host Agreement with the EIT;
 - revenue arising from repayment of amounts wrongly paid;
 - appropriations made available again as a result of repayment of payments on account: These are EIT grants which have been repaid by the Knowledge and Innovation Communities (KICs).

Outstanding commitments (RAL)

With the introduction of differentiated appropriations, a gap developed between commitments entered into and payments made: this gap, corresponding to outstanding commitments, represents the time-lag between when the commitments are entered into and when the corresponding payments are made.

⁴ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002, OJ L248, 16.9.2002, p.1

EXPLANATION OF THE BUDGET OUTTURN (TABLE 1)

The amounts of EU subsidy and Host Member State contribution entered in the accounts are those credited in the course of the year to the EIT accounts. The other revenue entered in the accounts is the amount actually received in the course of the year.

For the purposes of calculating the budget outturn for the year, expenditure comprises payments made against the year's appropriations for payments plus any of the appropriations for that year that are carried over to the following year. Payments made against the year's appropriations for payments means payments that are made by the accounting officer by 31 December of the financial year.

The budget outturn represents the difference between:

- total revenue received for that year;
- and total payments made against that year's appropriations plus the total amount of that year's appropriations carried over to the following year.

The following are added to or deducted from the resulting figure:

- the net balance of cancellations of payment appropriations carried over from previous years and any payments which exceed non-differentiated appropriations carried over from the previous year;
- the balance of exchange-rate gains and losses recorded during the year.

The payment appropriations carried over include: automatic carryovers and carryovers by decision.

The cancellation of unused payment appropriations carried over from the previous year shows the cancellations on appropriations carried over automatically and by decision. It also includes the assigned revenue appropriations carried over.

EXPLANATION OF TABLE 4 IMPLEMENTATION OF THE COMMITMENT AND PAYMENT APPROPRIATIONS (C1)

The amount of RAL for certain budget lines under Title 3 expenditure are negative as the amount of payments comprises payments made against the year's commitments plus commitments carried over from previous years.

ANNEX TO THE BUDGET ACCOUNTS

LIST OF THE EIT GOVERNING BOARD MEMBERS 2012

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is independent and autonomous in its decision-making and is responsible for the selection, evaluation and support of the Knowledge and Innovation Communities (KICs).

The Governing Board brings together 22 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields. It consists of 18 Appointed Members and 4 Representative Members (the election of one Representative Member is ongoing).

Dr	Ms	GOLEBIEWSKA-TATAJ Daria	Appointed Member, ExCo member
Prof.	Mr	HERRMANN Wolfgang	Appointed Member
Prof.	Mrs	MAEX Karen	Appointed Member, ExCo member
Dr.	Mr	TROPSCHUH Peter F.	Appointed Member
Mr	Mr	VIIK Linnar	Appointed Member
Dr.	Mr	VON GABAIN Alexander Ullrich	Appointed Member, GB Chair
Prof.	Mr	LAMMASNIEMI Jorma	Representative Member
Ms	Ms	PATTE Christine	Representative Member
Prof.	Dr.	SAUQUET Alfons	Representative Member
Mr.	M	BOJAR Gabor	Appointed Member
Prof.	M	OLESEN Peter	Appointed Member
Mr.	M	VAN DER VEER Jeroen	Appointed Member, ExCo member
Dr.	F	KOLAR Jana	Appointed Member
Dr.	M	PRENDERGAST Patrick	Appointed Member
Mrs.	F	KERAVNOU-PAPAILIOU Elpida	Appointed Member
Mrs.	F	GARANA María	Appointed Member
Prof.	M	THRIFT Nigel	Appointed Member
Dr.	M	JOHANSSON Ulf	Appointed Member
Mr.	M	REVELLIN-FALCOZ Bruno	Appointed Member, ExCo member
Dr.	M	ROCCA Gianfelice	Appointed Member
Prof.	F	MAKAROW Marja	Appointed Member

EIT DIRECTOR: Jose Manuel Leceta

ESTABLISHMENT PLAN 2012

Function group and grade	2012				2011			
	Authorised under the Community Budget		Filled as of 31/12/2012		Authorised under the Community Budget		Filled as of 31/12/2011	
	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts
AD 16		0		0		0		0
AD 15		0		0		0		0
AD 14		1		1		1		1
AD 13		0		0		0		0
AD 12		0		0		0		0
AD 11		2		2		1		1
AD 10		1		0		0		0
AD 9		3		3		3		2
AD 8		8		5		8		3
AD 7		2		1		2		1
AD 6		5		10		5		7
AD 5		1		1		1		1
AD total		23		23		21		16
AST 11		0		0		0		0
AST 10		0		0		0		0
AST 9		0		0		0		0
AST 8		0		0		0		0
AST 7		0		0		0		0
AST 6		0		0		0		0
AST 5		1		0		0		0
AST 4		1		2		4		4
AST 3		3		3		3		3
AST 2		0		0		0		0
AST 1		0		0		0		0
AST total		5		5		7		7
GRAND TOTAL		28		28		28		23