

Annual accounts of the European Parliament

Financial year 2018

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1. CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Parliament for the year 2018 have been prepared in accordance with the Title IV Chapter 4 Section 3 and Title XIII of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Parliament in accordance with Article 77 of the Financial Regulation.

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

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

A handwritten signature in blue ink, appearing to read 'V. Veikko Timberg', is centered on the page.

Ville-Veikko TIMBERG
Accounting Officer of the European Parliament
12 June 2019

2. FINANCIAL STATEMENTS

The financial statements of the European Parliament comprise:

- Balance sheet
- Statement of financial performance
- Cash-flow statement
- Statement of change in net assets
- Notes to the financial statements

It should be noted that due to the rounding of figures some financial data in the tables may appear not to add-up.

2.1. BALANCE SHEET

	Notes	31.12.2018	31.12.2017
		EUR	EUR
NON-CURRENT ASSETS		1.559.492.744	1.531.470.123
<i>INTANGIBLE ASSETS</i>	3.7.1.	59.927.588	47.011.117
<i>PROPERTY, PLANT AND EQUIPMENT</i>	3.7.2.	1.381.335.436	1.357.924.925
<i>PRE-FINANCING</i>	3.7.3.	108.024.938	113.181.994
<i>EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES</i>	3.7.4	10.204.782	13.352.087
CURRENT ASSETS		112.189.409	96.974.971
<i>PRE-FINANCING</i>	3.7.5.	8.362.701	1.472.544
<i>EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES</i>	3.7.6.	48.643.684	46.000.528
<i>CASH AND CASH EQUIVALENTS</i>	3.7.7.	55.183.024	49.501.899
TOTAL ASSETS		1.671.682.153	1.628.445.094
NET ASSETS	2.4	(971.720.386)	(891.428.748)
<i>ACCUMULATED SURPLUS/DEFICIT</i>		(891.428.749)	(801.126.898)
<i>ECONOMIC RESULT OF THE YEAR</i>		(53.277.053)	(90.301.850)
<i>REMEASUREMENTS IN EMPLOYEE BENEFITS LIABILITY</i>		(27.014.584)	0
NON-CURRENT LIABILITIES		(590.511.271)	(616.311.989)
<i>PENSION AND OTHER EMPLOYEE BENEFITS (PROVISIONS)</i>	3.7.9.	(590.511.271)	(616.311.989)
		0	0
CURRENT LIABILITIES		(109.450.496)	(120.704.357)
<i>PAYABLES</i>	3.7.10.	(41.326.568)	(51.504.518)
<i>ACCRUED CHARGES AND DEFERRED INCOME</i>	3.7.11.	(68.123.928)	(69.199.839)
TOTAL NET ASSETS/LIABILITIES		(1.671.682.153)	(1.628.445.094)

2.2. STATEMENT OF FINANCIAL PERFORMANCE

	2018	2017
	EUR	EUR
REVENUE	1.958.798.172	1.902.411.267
Revenue from non-exchange transactions	1.925.434.153	1.855.333.378
<i>Contribution from the EC</i>	1.756.000.000	1.693.000.000
<i>Revenue from taxes and other staff contributions</i>	162.007.926	155.403.180
<i>Other non-exchange revenue</i>	7.426.227	6.930.198
Revenue from exchange transactions	33.364.019	47.077.889
<i>Financial income</i>	1.693	2.262
<i>Other exchange revenue</i>	33.362.326	47.075.627
EXPENSES	(1.891.028.522)	(1.841.523.412)
<i>Staff expenses</i>	(748.738.610)	(727.461.115)
<i>Fixed assets related expenses</i>	(146.417.800)	(153.729.074)
<i>Other administrative expenses</i>	(995.624.751)	(960.103.696)
<i>Finance costs</i>	(28.880)	(27.032)
<i>Exchange rate differences loss</i>	(218.481)	(202.495)
Economic Result before changes	67.769.650	60.887.855
Changes in employee benefits & actuarial assumptions	(14.492.597)	29.413.995
ECONOMIC RESULT OF THE YEAR	53.277.053	90.301.850

2.3. CASH FLOW STATEMENT

	2018	2017
ECONOMIC RESULT OF THE YEAR	53.277.053	90.301.850
OPERATING ACTIVITIES	98.194.561	73.731.393
<i>Amortization-Depreciation</i>	<i>109.463.508</i>	<i>112.588.157</i>
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	<i>504.149</i>	<i>2.428.077</i>
<i>(Increase)/decrease in pre-financing</i>	<i>(1.733.101)</i>	<i>(4.947.704)</i>
<i>Increase/(decrease) in pension and other employee benefits + re-measurement</i>	<i>1.213.866</i>	<i>(42.701.774)</i>
<i>Increase/(decrease) in payables</i>	<i>(10.177.950)</i>	<i>9.288.248</i>
<i>Increase/(decrease) in provisions</i>	<i>-</i>	<i>-</i>
<i>Increase/(decrease) in financial liabilities</i>	<i>0</i>	<i>0</i>
<i>Increase/(decrease) in accrued charges and deferred income</i>	<i>(1.075.911)</i>	<i>(2.923.611)</i>
INVESTING ACTIVITIES	(145.790.489)	(160.948.830)
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	<i>(145.790.489)</i>	<i>(160.948.830)</i>
NET CASHFLOW	5.681.125	3.084.413
<i>Net increase/(decrease) in cash and cash equivalents</i>	<i>5.681.125</i>	<i>3.084.413</i>
<i>Cash and cash equivalents at the beginning of the year</i>	<i>49.501.899</i>	<i>46.417.486</i>
<i>Cash and cash equivalents at year-end</i>	<i>55.183.024</i>	<i>49.501.899</i>

2.4. STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus/deficit (+/-)	Economic result for the year (+/-)	Other reserves	Total net assets (+/-)
Balance at 31 December 2017	801.126.898	90.301.850	0	891.428.748
<i>Allocation of the economic result</i>	90.301.850	(90.301.850)	0	0
<i>Economic result for the year</i>	0	53.277.053	0	53.277.053
<i>Re-measurements in employee benefits liability</i>	0	0	27.014.584	27.014.584
Balance at 31 December 2018	891.428.749	53.277.053	27.014.584	971.720.386

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. LEGAL BASIS AND ACCOUNTING RULES

The accounts of the European Parliament (EP) are kept in accordance with the EU Financial Regulation (FR).

For the financial year 2018, the Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union, hereinafter referred to as the 'Financial Regulation' and Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 (OJ L 362, 31.12.2012) laying down detailed rules of application of this Financial Regulation, hereafter referred to as 'RAP' was still applied.

The new EU Financial Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July repealed the Regulation No 966/2012 from 2 August 2018.

However, most of the new rules for the EP applies from 1 January 2019. Therefore, the reference to the FR in the notes still refer to the EU Regulation No 966/2012. Where the change entered into force already in 2018 a comment in the notes has been added.

In accordance with article 143 of the Financial Regulation (FR), the EU prepares its financial statements on the basis of accrual-based EU accounting rules that are based on International Public Sector Accounting Standards (IPSAS). These EU accounting rules, adopted by the Accounting Officer of the Commission, have to be applied by all the institutions and EU bodies falling within the scope of consolidation of EU accounts in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonise the process for drawing up the financial statements and consolidation.

3.2. ACCOUNTING PRINCIPLES

The objective of the 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 the EP as a public sector entity, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it. It is with these goals in mind that the present document has been drawn up.

The financial statements are drawn up in accordance with the generally accepted accounting principles, as laid down in EU Accounting rule 1 and are the same as those described in the IPSAS 1, namely: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting according to article 144 of the Financial Regulation are relevance, reliability, understandability and comparability.

Preparation of the financial statements in accordance with EU accounting rules and generally accepted accounting principles requires management to make estimates that affect the reported amounts of certain items in the balance sheet and statement of financial performance, as well as the disclosures related to contingent assets and liabilities.

The figures for the financial year 2018 are presented with the comparative figures of 2017.

3.3. CONSOLIDATION

The EP's financial statements are included in the EU consolidated financial statements, where all material inter-entity transactions and balances between EU controlled entities are eliminated.

The consolidated financial statements of the EU comprise all significant controlled entities including the EU institutions, the EU agencies, associates and joint ventures. Controlled entities are all entities over which the EU has, directly or indirectly, the power to govern the financial and operating policies so as to be able to benefit from these entities' activities. Controlled entities are fully consolidated in the consolidated financial statements of the EU.

The decision to include an entity in the scope of consolidation is based on the control concept. Controlled entities are all entities for which the EU is exposed, or has right, to variable benefits from its involvement and has the ability to affect the nature and amount of those benefits through its power over the other entity. This power must be presently exercisable and must relate to the relevant activities of the entity.

Controlled entities are fully consolidated. The most common indicators of control within the EU are: creation of the entity through founding treaties or secondary legislation, financing of the entity from the EU budget, the existence of voting rights in the governing bodies, audit by the European Court of Auditors and discharge by the European Parliament.

Under this approach, European Parliament is considered as under the exclusive control of the EU and is therefore included in the consolidation scope.

3.4. BASIS OF PREPARATION

3.4.1. Reporting year and currency

The financial year of the EP begins on 1 January and ends on 31 December.

The financial statements of the EP are presented in euros (EUR).

3.4.2. Chart of accounts

The EP applies the harmonised chart of accounts structure as adopted by the Accounting Officer of the European Commission (according to article 152 of the Financial Regulation).

3.4.3. Transactions and balances

Foreign currency transactions are converted into euros using the exchange rates prevailing at the dates of the transactions. According to article 5.4. of the RAP, the EP uses a monthly accounting rate that is used for this conversion. Exchange losses and gains in EUR resulting from monthly and year-end

revaluations of balances of suspense accounts denominated in national currencies, exchange losses and gains resulting from movements of funds 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 euro at the rate that was applied when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies, when present, are converted into euro on the basis of the European Central Bank (ECB) exchange rates applied on the 31 December.

3.4.4. 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, financial risk on accounts receivable, accrued incomes and charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

3.4.5. Post balance sheet events

Post balance sheet events are any subsequent events, either relating to a situation existing or not at 31 December, that came after the balance sheet date to the attention of the accounting officer of the EP, or were reported to him, that would have a material impact on the financial statements or would be deemed necessary to be mentioned. All such information at the disposal of the accounting officer is reflected in the financial statements or in the notes and disclosures.

3.5. BALANCE SHEET

3.5.1. Fixed assets

Assets with an estimated useful life greater than one year and an acquisition cost greater than the threshold set up by the EP's accounting officer (420 EUR), are entered on the assets side of the balance sheet as long as they are controlled by the EP and generate future economic benefits or provide service potential for the EP.

They are divided in intangible and tangible fixed assets depending if they are identifiable assets respectively without or with physical substance.

Intangible assets

Purchased computer software licenses are stated at acquisition cost, less accumulated amortisation and impairment losses.

Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules and the threshold of 1 million euro set out by the Accounting Officer of the EP are met. Only the costs related solely to the development phase of the asset are capitalised. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses when incurred.

Tangible assets

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits or service potential associated with the item will flow to the EP and its cost can be measured reliably.

Depreciation/Amortisation of fixed assets is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation method used is the straight line method and depreciation is calculated on a monthly basis.

Land and works of art are not depreciated as they are deemed to have an indefinite useful life, with the exception of the impairments made in respect of particular plots of land in Brussels, Luxembourg and Strasbourg. Assets under construction are not depreciated, as they are not yet available for use.

The depreciation/amortisation is calculated as follows:

Type of Asset	Depreciation rate
Buildings	4 %
Plant, equipment	12,5 - 25 %
Computer hardware	25 %
Furniture and vehicles	10 - 25%
Other tangible assets	12,5 - 25 %
Purchased intangible assets	25%
Internally developed intangible assets	12,5

3.5.2. Leases

A lease contract is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership, while it is classified as an operating lease if it does not.

According to EU accounting rule n° 8, assets acquired under finance lease contracts are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments due. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Operating lease payments are recognised as an expense in the statement of financial performance according to the lease contract.

3.5.3. Pre-financing

Pre-financing is a payment intended to provide the beneficiary with a cash advance, which may be split into a number of payments over a period defined in the particular pre-financing agreement. The advance is used for the purpose for which it was provided during the period defined in the agreement. If the beneficiary does not incur eligible expenditure, he has the obligation to return the pre-financing advance to the EP. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses) and amounts returned.

At year-end, outstanding pre-financing amounts are valued at the original amounts paid less eligible amounts cleared and estimated eligible amounts not yet cleared at year-end.

3.5.4. Exchange receivables and non-exchange recoverables

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Non-exchange transactions are transactions in which one entity receives value from another entity without directly giving approximately equal value in exchange.

For the purpose of drawing up the accounts, receivables are defined as arising from exchange transactions and recoverables are defined as arising from non-exchange transactions.

3.5.5. Cash and cash equivalents

Cash and cash equivalents are financial instruments, which in the EP include the bank accounts operated by the treasury, the monetary values of the imprest accounts and cash in hand.

3.5.6. Pension and other employee benefits

The EP operates defined benefit pension plans. A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit obligation is calculated by actuaries using the projected unit credit method. The gross liability is reduced with taxes on the pension payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

The defined benefit obligation of the Members voluntary pension scheme is reduced by the fair value of the plan assets as this scheme is partially funded.

The accounting policy for employee benefits has been updated in line with the requirements of the revised accounting rule EAR 12 Employee Benefits, effective for periods beginning on or after 1 January 2018, following the publication of the new IPSAS 39 (employee benefits). The main change, arising from

the revision of accounting rule 12, is the presentation of actuarial gains and losses as a movement in net assets instead of in the statement of financial performance.

3.5.7. Provisions

Provisions are recognised when the EP 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 expenses expected to be required to settle the present obligation at the reporting date.

3.5.8. Payables

Payables arising from the purchase of goods and services (exchange transactions) are recognised at invoice reception for the original amount.

Payables not related to exchange transactions, are booked as payables for the requested amount when the payment request is received.

3.5.9. Accrued and deferred income and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognised for services and supplies that have been received but which have not yet been invoiced to the EP. The recognition of accrued expenses is done in accordance with the closing instructions note issued by the EP's Secretary General with the aim of ensuring that the financial statements provide a faithful financial representation of the transactions involved.

3.5.10. Contingent assets and liabilities

A contingent asset is a possible asset and 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 EP.

A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

3.6. STATEMENT OF FINANCIAL PERFORMANCE

The statement of financial performance is prepared according to the accrual accounting principle and it includes all revenues and expenses that are recognised in the year, i.e. the period in which the economic generating event took place.

The total operating revenue is split out between exchange and non-exchange transactions. In a non-exchange revenue transaction the EP has been receiving value without directly giving approximately equal value in return.

3.7. NOTES TO THE BALANCE SHEET

I. NON-CURRENT ASSETS

3.7.1. Intangible assets

2018	Computer Software Gross amount	Other Intangible assets	Intangible assets under construction	Total
Gross carrying amounts 31.12.2017	53.826.641		28.679.183	82.505.824
Additions	2.057.460		17.916.580	19.974.040
Disposals	(3.774.258)		(1.097.737)	(4.871.995)
Transfer between headings	4.889.996		(4.889.996)	0
Other changes				0
Gross carrying amounts 31.12.2018	56.999.839	0	40.608.030	97.607.869
	Computer Software Accum Depreciation	Other Intangible assets Acc Depr		
Accumul. Amort. & impair. 31.12.2017	(35.494.707)			(35.494.707)
Amortization	(6.064.061)			(6.064.061)
Write-back of amortization				
Disposals	3.773.126			3.773.126
Impairment				
Write-back of impairment	105.361			105.361
Transfer between headings				
Other changes				
Accumulated amortization and impairment 31.12.2018	(37.680.281)	0	0	(37.680.281)
Net carrying amounts 31.12.2018	19.319.558	0	40.608.030	59.927.588

The EP threshold for Internally Generated Intangible Assets is set at 1 million euro per individual project (a threshold of 0,5 million euro was applied until the end of 2015).

Total IT project related Research and non-capitalised Development costs during 2018 amounted to 0,4 million euro and 13,7 million euro respectively.

3.7.2. Property, plant and equipment

2018	Land	Buildings Gross Amount	Plant and Equipment Gross Amount	Furniture and vehicles Gross Amount	Computer hardware Gross Amount	Other Fixtures and Fittings Gross Amount	Land & Building Under Construction	Other PPE Under Construction	Land&Buildings under Leasing Gross Amount	Other PPE under Leasing Gross Amount	Total
Gross carrying amounts 31.12.2017	371.000.236,00	2.113.248.872,00	187.802.648,00	37.163.998,00	73.372.997,00	444.765,00	337.729.640,00	9.802.354,00	79.029.159,00		3.209.594.669,00
Additions	435.000,00	437.464,00	18.127.614,00	4.503.382,00	5.457.901,00	339.837,00	105.857.604,00				135.158.802,00
Disposals			(4.780.565)	(312.402)	(1.168.178)	(2.664)	(1.433.580)	(7.027.536)			(14.724.925)
Transfer between headings	8.600.000,00	33.095.575,00	6.998,00	1.318,00	-8.316,00		-6.287.642,00	121.226,00	-35.529.159,00		0,00
Other changes											0,00
Gross carrying amounts 31.12.2018	380.035.236,00	2.146.781.911,00	201.156.695,00	41.356.296,00	77.654.404,00	781.938,00	435.866.022,00	2.896.044,00	43.500.000,00	0,00	3.330.028.546,00
	Land	Buildings Accum Depreciation	Plant and Equipment Accum Depreciation	Furniture and vehicles Accum Depreciation	Computer hardware Accum Depreciation	Other Fixtures and Fittings Accum Depreciation			Land&Buildings under Leasing Accum Depreciation	Other PPE under Leasing Accum Depreciation	
Accumul. Amort. & impair. 31.12.2017	(175.750.740,00)	(1.404.247.545,00)	(158.106.879,00)	(28.091.575,00)	(62.696.752,00)	(368.590,00)			(22.407.663,00)		(1.851.669.744,00)
Depreciation		(79.467.329,00)	(13.854.110,00)	(1.687.126,00)	(5.891.693,00)	(202.023,00)			(2.297.166,00)		(103.399.447,00)
Write-back of depreciation											0,00
Disposals			4.774.087,00	304.370,00	1.165.669,00	2.664,00					6.246.790,00
Impairment											0,00
Write-back of impairment					129.291,00						129.291,00
Transfer between headings		(14.003.163,00)	(2.030,00)	(742,00)	2.772,00				14.003.163,00		0,00
Other changes											0,00
Accumulated amortization and impairment 31.12.2018	(175.750.740,00)	(1.497.718.037,00)	(167.188.932,00)	(29.475.073,00)	(67.290.713,00)	(567.949,00)			(10.701.666,00)	0,00	(1.948.693.110,00)
Net carrying amounts 31.12.2018	204.284.496,00	649.063.874,00	33.967.763,00	11.881.223,00	10.363.691,00	213.989,00	435.866.022,00	2.896.044,00	32.798.334,00	0,00	1.381.335.436,00

The accumulated depreciation and impairment on land is based on a protocol signed between the EP and Belgium according to which Belgium has reimbursed part of the land value of the Brussels building complex to the EP. The protocol has a clause that if the EP would install to another location the land would be conceded to Belgium with a symbolic amount and consequently the land value has been reduced to 1 symbolic euro.

In December 2018, the EP paid the option to purchase the *Montoyer 75* building in Brussels. The related amount for the land and the building are reported in 2018 under transfer between heading *Land & Building under leasing* and headings *Land* and *Buildings*.

Other additions on building value are related to subsequent improvements capitalised on existing buildings.

The heading Land and Building under construction comprise as follows:

	31.12.2018
New KAD building	341.385.732
Other buildings under construction	94.480.290
<i>Tangible assets under construction</i>	435.866.022

The EP has a building construction project KAD complex that will enable to bring together on one-site departments currently spread across several rented buildings in Luxembourg.

The Luxembourg Government undertook to sell the EP the land on which the KAD I and KAD II buildings will stand for a nominal price of 1 euro by a deed signed in December 2011.

The EP signed in January 2012 a finance lease contract (*Convention-cadre du droit d'emphyteose avec option d'achat et droit de superficie*) with SI KAD (*Société immobilière bâtiment Konrad Adenauer du Parlement européen*) for a KAD building construction including the construction of extension and the modernisation of the existing building. This contract was granted a notarial deed on the 29 February 2012. According to the contract, SI KAD undertook to make the KAD building complex available to the EP. The EP has an option to purchase the building complex at any moment.

The asset under construction - New KAD building includes the direct investments of the EP related to the KAD project for 118,4 million euro and construction costs managed by the SI KAD for around 223 million euro.

The buildings, land, and buildings and land hold on finance lease can be broken down to the EP three working places and other locations as of 31 December 2018 as follows:

	Acquisition Value	Accumulated depreciation	Net carrying amount
Buildings			
Brussels	1.409.714.696	-1.005.090.881	404.623.815
Strasbourg	610.886.960	-425.070.360	185.816.600
Luxembourg	62.222.071	-37.085.132	25.136.939
Other	63.958.184	-30.471.663	33.486.520
Buildings total	2.146.781.911	-1.497.718.037	649.063.874
Land			
Brussels	335.028.483	-175.750.740	159.277.743
Strasbourg	24.980.819		24.980.819
Luxembourg	1		1
Other	20.025.933		20.025.933
Land total	380.035.236	-175.750.740	204.284.496
Buildings and land under Finance lease			
Brussels	43.500.000	-10.701.666	32.798.334
Finance lease total	43.500.000	-10.701.666	32.798.334
Grand Total	2.570.317.147	-1.684.170.443	886.146.704

The split per location is as follows:

Location	Acquisition Value	Accumulated depreciation	Net carrying amount
Brussels	1.788.243.179	-1.191.543.288	596.699.892
Strasbourg	635.867.779	-425.070.360	210.797.419
Luxembourg	62.222.072	-37.085.132	25.136.940
Other	83.984.117	-30.471.663	53.512.453
All locations	2.570.317.147	-1.684.170.443	886.146.704

3.7.3. Pre-financing

	31.12.2018	31.12.2017
	EUR	EUR
<i>Pre-financing for new KAD building construction</i>	108.024.938	113.181.994
NON-CURRENT PREFINANCING	108.024.938	113.181.994

The given pre-financing related to the new KAD building construction is guaranteed by a specific fiduciary account. The EP has the right at any time to call up the funds on the first demand.

3.7.4. Exchange receivables and non-exchange recoverables

	31.12.2018	31.12.2017
	EUR	EUR
<i>Exchange receivables from EC for jointly acquired buildings</i>	10.204.782	13.352.087
<i>Other non-exchange recoverables</i>	0	0
NON-CURRENT EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES	10.204.782	13.352.087

Exchange receivables from EC for jointly acquired buildings relate to acquisitions of real estate properties jointly with the European Commission. These buildings accommodate the EP Liaison Offices in the Member States.

II. CURRENT ASSETS**3.7.5. Pre-financing**

	31.12.2018	31.12.2017
	EUR	EUR
<i>Gross amount of Pre-financing to political parties and foundations and other beneficiaries</i>	53.541.304	41.350.638
<i>Cut-off for eligible costs for pre-financing</i>	(45.178.603)	(39.878.094)
CURRENT PRE-FINANCING	8.362.701	1.472.544

Pre-financing to European political parties and foundations represents partial payments of grants awarded under the Regulation (EC) No 2004/2003 of the European Parliament and of the Council of 4

November 2003 on the regulations governing political parties at European level and the rules regarding their funding. Pre-financing will be cleared in the following exercise after verification of final reports.

The heading also includes amounts related to grants for communication activities.

3.7.6. Exchange receivables and non-exchange recoverables

	31.12.2018	31.12.2017
	EUR	EUR
Receivables consolidated entities	25.401.947	24.709.840
Customers	5.711.823	1.799.505
<i>Current receivables customers</i>	<i>31.113.770</i>	<i>26.509.345</i>
Deferred charges	3.887.389	1.406.408
Deferred charges with consolidated entities	329.809	515.383
<i>Deferred charges relating to exchange transactions</i>	<i>4.217.198</i>	<i>1.921.791</i>
<i>Sundry receivables Personnel</i>	<i>591.677</i>	<i>609.705</i>
<i>Other</i>	<i>5.492</i>	<i>6.465</i>
<i>Accrued income with consolidated entities</i>	<i>602.755</i>	<i>646.500</i>
CURRENT Exchange receivables	36.530.892	29.693.806
<i>Current recoverable member states - VAT</i>	<i>6.958.529</i>	<i>6.039.880</i>
Non-exchange recoverables - Gross	5.639.137	8.487.946
Impairment on non-exchange recoverables	(3.757.736)	(1.740.541)
<i>Other non-exchange recoverables</i>	<i>1.881.401</i>	<i>6.747.405</i>
<i>Deferred charges non exchange</i>	<i>3.272.862</i>	<i>3.519.437</i>
CURRENT Non- Exchange recoverables	12.112.792	16.306.722
EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES	48.643.684	46.000.528

Receivables consolidated entities heading includes the counterparty of a request for future funding of 22,5 million euro from the European Commission Interpretation service (DG SCIC) which manages the remuneration of the freelance interpreters. The request for payment is accounted in the heading Amounts payable to consolidated entities.

Accrued income with consolidated entities comprise 600.000 EUR for European Commission contribution to the European House of History.

3.7.7. Cash and cash equivalents

The composition of the cash and cash equivalents of the EP as of 31 December 2018 is as follows:

	31.12.2018	31.12.2017
	EUR	EUR
<i>Bank accounts</i>	51.070.672	45.849.552
<i>Imprest accounts</i>	4.111.639	3.651.990
<i>Cash</i>	713	357
Cash and Cash Equivalents	55.183.024	49.501.899

Treasury of EP is managed in accordance with article 68 of the Financial Regulation and article 58 of RAP. According to the above mentioned rules the following main principles apply:

- Commercial banks in which EP has current accounts are selected by open call for tenders. The minimums short-term credit rating required for admission to the tendering procedures is P-1 (Moody's), or A-1 (Standard and Poor's), or F1 (Fitch Ratings).
- In EP's Liaison Offices in the Member States, imprest accounts are held with local banks selected by simplified procedure. Ratings depend on local situation and may differ from one country to another. In order to limit risk exposure, balances of these accounts are kept at lowest possible levels (taking into account operational needs), they are regularly replenished, and applied ceilings are reviewed.
- Funds held in bank accounts denominated in currencies other than euro are either used for payments in same currencies or periodically converted to euro, as a consequence their balances do not represent exposure to currency risk. These accounts are replenished depending on the amount of payments to be executed, as a consequence their balances do not represent exposure to currency risk.
- Bank accounts opened in the name of EP may not be overdrawn. Treasury needs are estimated on a monthly basis and funds for payment execution are requested from European Commission.
- The EP treasury does not borrow any money and is thus not exposed to interest rate risk. However, the bank accounts of the EP do earn interest income. Bank service contracts in force with the commercial banks ensure that interest earned on current accounts reflect market interest rates. No negative interest has been charged on EP bank accounts in 2018.

The Cash and cash equivalent is held in the financial institutions bearing the following external credit ratings:

External credit rating	Cash and cash equivalents
<i>Prime and high grade</i>	54.270.898
<i>Upper medium grade</i>	867.481
<i>Lower medium grade</i>	6.051
<i>Non-investment grade</i>	35.627
<i>Counterparties without external rating</i>	2.967
Total Cash and cash equivalents	55.183.024

Exposure to market risk is analysed in the table below:

Currency exposure (amounts in EUR)									
	USD	GBP	DKK	SEK	RON	PLN	EUR	Other	Total EUR
Monetary assets	56.587,00	1.015.560,00	77.009,00	264.609,00	20.088,00	118.534,00	112.373.695,00	105.408,00	114.031.490,00
Receivables with MS		6.475,00	11.215,00	33.482,00		3.652,00	6.870.373,00	33.332,00	6.958.529,00
All receivables with third parties	46.493,00	987.221,00	54.347,00	207.011,00	17.576,00	109.912,00	14.807.234,00	53.414,00	16.283.208,00
Receivables with consolidated entities							35.606.729,00		35.606.729,00
Cash and cash equivalent	10.094,00	21.864,00	11.447,00	24.116,00	2.512,00	4.970,00	55.089.359,00	18.662,00	55.183.024,00
Monetary liabilities	0,00	21.311,00	123.629,00	16.684,00	10.299,00	12.315,00	41.109.148,00	33.182,00	41.326.568,00
Payables with third parties		21.311,00	123.629,00	16.684,00	10.299,00	12.315,00	17.607.373,00	33.182,00	17.824.793,00
Payables with consolidated entities							23.501.775,00		23.501.775,00
Net Position	56.587,00	994.249,00	-46.620,00	247.925,00	9.789,00	106.219,00	71.264.547,00	72.226,00	72.704.922,00

III. NET ASSETS

3.7.8. Net assets

The statement of changes in the net assets is presented under point 2.4. The net assets consist of the accumulated result, the economic result of the year, and of the re-measurement in employees benefit liability (according to the EU accounting rule n° 12, based on IPSAS 39).

IV. NON-CURRENT LIABILITIES

3.7.9. Pension and other employee benefits

	31.12.2018	31.12.2017
	EUR	EUR
<i>Voluntary Pension Scheme for EP members (Rules Governing the Payment of Expenses and Allowances to Members (PEAM) Annex VII)</i>	(286.100.000)	(305.400.000)
<i>Temporary Pension Scheme for French and Italian EP members (Rules Governing the Payment of Expenses and Allowances to Members (PEAM) Annex III)</i>	(235.596.000)	(242.700.000)
<i>Invalidity and Survivors Pension Scheme for EP members (Rules Governing the Payment of Expenses and Allowances to Members (PEAM) Annex I and II)</i>	(31.195.000)	(31.848.000)
<i>Transitional Allowance Scheme of EP Members (New Statute for Members of the European Parliament)</i>	(37.620.271)	(36.363.989)
Pension and other Employee benefits	(590.511.271)	(616.311.989)

The Voluntary pension scheme includes a pension fund that was set up under Luxembourgish law as a Non-profit making association. This pension scheme and fund were set up in 1990 when the Parliament's Bureau adopted the Rules governing the Additional (Voluntary) Pension Scheme for Members of the European Parliament.

The EP has an overall liability to guarantee the payments of this defined benefit scheme should the fund's assets not be sufficient.

An outside expert company has been charged to calculate the actuarial benefit obligation in accordance with the recommendations and practices of the actuarial profession.

The actuarial pension obligation of the voluntary pension scheme amounts to 398,4 million euro as of 31 December 2018 (2017: 442,4 million euro). The update of the voluntary pension fund rules counts for a decrease of 13,3 million euro in the actuarial pension obligation.

The plan assets as of 31 December 2018, based on the net asset valuation of the fund as of the end of 2018, amount to 112,3 million euro. The movements of the plan assets in 2018 are as follows:

Plan assets as at 31/12/17		137.000.000
	Plan assets Movement	-6.900.000
	Benefits Paid	-17.800.000
Plan assets as at 31/12/18		112.300.000

The Voluntary pension scheme was thus underfunded by 286,1 million euro as at 31 December 2018 (2017: 305,4 million euro).

According to the "old" Rules governing the payment of expenses and allowances to Members (hereafter PEAM) Annex III the Members have been guaranteed a pension at the same level as a Member of the national Parliament. These rules were applied until the new Statute for Members of the EP entered into force in the parliamentary term starting in 2009 (14 July 2009). This pension scheme concerns French and Italian Members and no new rights are granted under this pension scheme. The amount of 235,6 million euro reflects the actuarial liability of this pension scheme as of 31 December 2018.

The Italian national legislation has been modified with an effect as of 1.1.2019. This modification will reduce the actuarial liability of former Italian Members pension scheme. The impact will be known once the actuarial report of this pension scheme for 2019 will be carried out.

According to the "old" Rules governing the payment of expenses and allowances to Members (hereafter PEAM) Annex I and II the Members in case of invalidity and the survivors and the orphans of the Members have been guaranteed a pension income. These rules were applied for the Members who served the EP until the new Statute for Members of the EP entered into force in the parliamentary term starting in 2009 (14 July 2009). The amount of 31,2 million euro reflects the actuarial liability of this pension scheme as of 31 December 2018.

According to the Statute of the Members that entered into force July 2009 the former Members of the EP are entitled to a transitional allowance at the end of their term of office in the EP. This entitlement

shall continue for one month per year in which their mandate has been exercised, but shall not for less than six months or more than 24 months. In the event the former Member assumes a mandate in another parliament or takes a public office while availing of the transitory allowance, the income derived from the new occupation will be offset against the transitory allowance. The amount of 37,6 million euro reflects the actuarial liability net of community tax pertaining to this allowance as of 31 December 2018.

The pension benefits of the officials and the statutory pension benefits of the Members of the European Parliament are presented in the financial statements of the European Commission.

Movement in present value of employee benefits defined benefit obligation:

Employee benefits	Long Term Liability 2018	Impact in the Statement of Financial Performance	Impact in the Balance Sheet Net Assets
	2018	2018	2018
	EUR	EUR	EUR
Present value at 31.12.2017 (net of plan assets)	-616.311.989		
<i>Current service cost</i>	-3.033.317	3.033.317	
<i>Interest expense</i>	-11.459.280	11.459.280	
<i>Benefits paid</i>	31.078.731	-13.278.731	
<i>Re-measurements:</i>			
- <i>Actuarial G&L - experience adjustments</i>	19.174.219		-19.174.219
- <i>Actuarial G&L - change of demographic assumptions</i>	-1.417.000		1.417.000
- <i>Actuarial G&L - change of financial assumptions</i>	16.157.365		-16.157.365
<i>Change in plan assets during year decrease/(increase)</i>	-24.700.000	17.800.000	6.900.000
Present value as at 31.12.2018 (net of plan assets)	-590.511.271		
Impact in the Statement of Financial Performance		19.013.866	
Impact in the Balance Sheet Net Assets			-27.014.584

According to the EU accounting rule n° 12 (based on IPSAS 39) the actuarial gains and losses are presented in net assets instead of in the statement of financial performance from 1 January 2018 onwards.

The main actuarial assumptions used to establish the actuarial reports are:

Significant actuarial assumptions used to determine benefit obligation	Voluntary Pension Scheme for EP members	Temporary Pension Scheme for Italian EP members	Temporary Pension Scheme for French EP members	Invalidity and Survivors Pension Scheme for EP members	Transitional Allowance Scheme of EP Members
2018					
<i>Nominal discount rate</i>	1,45%	1,46%	1,36%	1,36%	1,90%
<i>Expected inflation rate</i>	1,00%	1,60%	1,50%	1,80%	1,40%
<i>Real Discount rate</i>	0,45%	-0,14%	-0,14%	-0,44%	0,50%
<i>Expected pension (salary for TA) increase</i>	1,45%	1,60%	1,50%	1,80%	1,90%
<i>Retirement age</i>	65	60 to 65	60 to 67	NA	63
2017					
<i>Nominal discount rate</i>	1,55%	1,55%	1,46%	1,40%	2,00%
<i>Expected inflation rate</i>	1,50%	1,50%	1,50%	1,64%	1,60%
<i>Real Discount rate</i>	0,05%	0,05%	-0,04%	-0,24%	0,40%
<i>Expected pension (salary for TA) increase</i>	1,50%	1,50%	1,50%	1,64%	1,30%
<i>Retirement age</i>	63	60 to 65	60 to 67	NA	63

The maturity profile of the defined benefit obligations:

Expected benefit payments (in '000 EUR)	<1year	1-5 years	6-10 years	> 10 years
	EUR	EUR	EUR	EUR
<i>Voluntary Pension Scheme for EP members</i>	19.290	77.450	92.797	248.759
<i>Temporary Pension Scheme for French and Italian EP members</i>	11.611	48.183	57038	168.348
<i>Invalidity and Survivors Pension Scheme for EP members</i>	1.965	7.306	7811	19.960
Total per time period	32.866	132.939	157.646	437.067

V. CURRENT LIABILITIES**3.7.10. Payables**

	31.12.2018	31.12.2017
	EUR	EUR
<i>Amounts payable to consolidated entities</i>	(23.501.775)	(28.939.726)
<i>Invoices and cost claims received from 3rd parties</i>	(17.194.890)	(21.600.814)
<i>Sundry Payables</i>	(629.903)	(963.978)
Current Payables	(41.326.568)	(51.504.518)

Amounts payable to consolidated entities include a request for future funding of 22,5 million euro from the European Commission Interpretation service (DG SCIC) which manages the remuneration of the freelance interpreters. The counterparty is presented in the heading Receivables consolidated entities.

3.7.11. Accrued charges and deferred income

	31.12.2018	31.12.2017
	EUR	EUR
<i>Accrued charges</i>	(53.288.617)	(47.229.190)
<i>Estimated cut-off for eligible expenses for grants to political parties and foundations</i>	(244.541)	(8.515.789)
<i>Accrued charges for untaken annual leave</i>	(14.590.770)	(13.454.860)
Accrued charges and Deferred income	(68.123.928)	(69.199.839)

The heading accrued charges includes 13,7 million euro accrued expenses related to the occupation of the Square De Meeus building up to 31 December 2018.

3.8. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

I. REVENUE

3.8.1. Revenue from non-exchange transactions

Revenue from **Contribution from the EC** refers to the monthly calls for treasury funds made by the EP to the European Commission to replenish its bank account.

Revenue from taxes and other staff contributions relates mainly to withholdings on salary payments such as income tax and pension contributions and on Members parliamentary allowance such as income taxes and insurance coverage. It also includes the transfer of pension rights by staff.

Other non-exchange revenue relates mainly to recovered amounts of unduly paid expenses.

3.8.2. Revenue from exchange transactions

Financial income relates mainly to interest income on the bank accounts.

Other exchange revenue relates to services provided and costs charged to other EU institutions, Political groups of the EP and to income from the Early Childhood Centre.

II. EXPENSES

3.8.3. Expenses

Staff expenses relates mainly to salaries and staff allowances. It also includes the employer's part in the sickness insurance costs.

Fixed assets related expenses include depreciation and amortisation of the fixed assets, impairment losses and losses on disposals. The heading includes also operating lease expenses.

	2018	2017
	EUR	EUR
Intangible assets and property, plant and equipment related expenses	109.481.658	112.629.831
Operating lease expenses	36.936.142	41.099.243
<i>Fixed asset related expenses</i>	<i>(146.417.800)</i>	<i>(153.729.074)</i>

Other administrative expenses includes running costs of the EP to fulfil its mission, such as members' salaries and allowances, travel expenses, utilities and maintenance, IT, communication expenditure.

Finance costs mainly consist of bank charges.

Exchange rate difference loss relates to the conversion of the currency transactions into euro.

3.8.4. Employee benefits

Changes in employee benefits & actuarial assumptions relates to the changes in the provision for the pension rights of the Members of EP.

3.9. OTHER SIGNIFICANT DISCLOSURES

3.9.1. Contingent assets

The contingent assets of the EP as of 31 December 2018 comprised guarantees (mainly performance guarantees received from suppliers) and other contingent assets as follows:

Contingent assets	
	EUR
<i>Guarantees received</i>	44.670.500
<i>Other contingent assets</i>	286.461
<i>Total Contingent assets</i>	44.956.961

3.9.2. Contingent liabilities

The contingent liabilities of the EP as of 31 December comprised guarantees given and contingent liability arising from court cases as follows:

Contingent liabilities	
	EUR
<i>Guarantees given</i>	1.000.000
<i>Contingent liability - legal cases</i>	10.716.603
<i>Total Contingent liabilities</i>	11.716.603

The guarantees given relate to the KAD building project in which the EP has been guaranteeing the loans taken by the SI KAD.

3.9.3. Other disclosures

RAL (Reste à liquider)

	31.12.2018
<i>RAL</i>	(254.661.360)

The RAL is an element of budgetary accounting representing the value of outstanding commitments. This is the difference between commitments entered into and payments, which is due to the time-lag between entering into a commitment and proceeding to the related payment.

The budgetary RAL as of 31 December 2018 was 326,3 million euro. To avoid double reporting the received invoices and cut-off entries of accrued expenses of 71,6 million euro have been deducted from the budgetary RAL to arrive to the reported RAL of 254,7 million euro.

Operating lease

The operating lease contracts of the EP as of 31 December 2018 comprise building rental contracts with third parties and with consolidated entities and other equipment as follows:

Charges still to be paid				
	<1year	1-5 years	>5 years	Total to be paid
Buildings	21.850.986	86.194.121	104.122.005	212.167.112
Buildings with consolidated entities	1.941.724	5.077.606	3.239.970	10.259.300
Other equipment	1.276.371	1.339.015	0	2.615.386
Total Operating lease	25.069.081	92.610.742	107.361.975	225.041.798

In December 2018, the 21-year usufruct contract for a building built at rue *Montoyer 63* in Brussels entered into force. Outstanding payments under this contract are included in the table above.

Other contractual commitments

The contractual liability of the KAD building construction not covered by budgetary commitments yet is estimated to amount to 37,5 million euro.

The other contractual commitments amount to 49,8 million euro as of 31 December 2018 and include contractual engagements that the EP has signed but which are not covered with the RAL and are not reported under Operating lease. These contracts include maintenance, cleaning, security, informatics and other contracts.

4. RECONCILIATION BETWEEN ECONOMIC AND BUDGETARY RESULT

Under the Financial Regulation (FR) applicable to the general budget of the European Union, the accounting system consists of general accounts and budgetary accounts, presented and kept in euros (article 151 of the FR), each of them following different principles. Furthermore, and in accordance with article 141 of the FR, the annual accounts of the EU comprise two main elements: 1) the financial statements (general accounting) and 2) the budgetary accounts. The general accounts are kept in accordance with accrual accounting principles, which means that the effects of transactions and other events are recognised when those transactions or events occur. The budgetary accounts are kept according to modified cash accounting rules. The term “modified” cash accounting is used as, apart from the payments made and revenue cash in, also the carry-overs are included.

CALCULATION OF THE BUDGET RESULT 2018

The budget result of the year is calculated based on the figures of the budgetary implementation in euros.

Cashed in revenues 2018	191.020.946
Cashed in revenues 2018 accrued before 2018	2.977.964
Payments on appropriations of the year 2018	-1.636.858.018
Payments on assigned revenue related appropriations	-22.379.478
Payment appropriations carried over to 2019	-299.095.028
Assigned revenue related appropriations carried over to 2019	-48.980.828
Cancellation of the unused carried over payment appropriations	23.732.117
Adjustment for assigned revenue related appropriations carried over from 2017	47.369.977
Budgetary result 2018	-1.742.212.348

RECONCILIATION OF ECONOMIC RESULT AND BUDGETARY RESULT

	2018	2017
	EUR	EUR
ECONOMIC RESULT OF THE YEAR	53.277.053	90.301.850
Adjustment for accrual items (items not in the budgetary result but included in the economic result)		
<i>Adjustments for Accrual Cut-off (reversal 31.12.N-1)</i>	(101.071.333)	(128.742.753)
<i>Adjustments for Accrual Cut-off (cut-off 31.12.N)</i>	89.859.385	81.276.760
<i>Contribution from EC booked in the economic revenue</i>	(1.756.000.000)	(1.693.000.000)
<i>Unpaid invoices at year end but booked in charges (class 6)</i>	37.173.156	21.367.236
<i>Depreciation of intangible and tangible assets</i>	109.481.658	112.629.831
<i>Changes in employee benefits & actuarial assumptions</i>	14.492.597	(29.413.995)
<i>Impairment on recoverables</i>	2.017.195	193.780
<i>Recovery Orders issued in current year in class 7 and not yet cashed</i>	(6.392.870)	(2.959.597)
<i>Pre-financing given in previous year and cleared in the year</i>	41.350.638	39.161.737
<i>Pre-financing received in previous year and cleared in the year</i>		
<i>Payments made from carry-over of payment appropriations</i>	273.851.884	268.707.443
<i>Exchange rate differences for the year</i>	103.357	4.699
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)		
<i>Asset acquisitions (less unpaid amounts)</i>	(97.893.471)	(109.045.663)
<i>New pre-financing paid in the current year and remaining open as at 31.12</i>	(116.182.364)	(69.681.837)
<i>New pre-financing received in the current year and remaining open as at 31.12</i>		
<i>Budgetary recovery orders issued in previous years and cashed in the current year</i>	3.973.260	4.134.056
<i>Capital payments on financial leasing (they are budgetary payments but not in the economic result)</i>		
<i>Payment appropriations carried over to next year</i>	(348.075.856)	(339.719.268)
<i>Cancellation of unused carried over payment appropriations from previous year</i>	23.732.117	23.211.531
<i>Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue</i>	47.369.977	39.595.290
<i>Payments for pensions (they are budgetary payments but booked against provisions)</i>	(13.278.731)	(13.287.779)
Total	(1.742.212.348)	(1.705.266.679)
BUDGET RESULT OF THE YEAR	(1.742.212.348)	(1.705.266.679)