

# ITER ORGANIZATION 2017 FINANCIAL REPORT





**790**

▮ Staff

**€3,349 Million**

▮ Property, Plant & Equipment

**€19 Million**

▮ Intangible Assets

**€355 Million**

▮ Cash Contributions received 2017

**€257 Million**

▮ In-Kind Contributions

**€109 Million**

▮ Employee Benefits

**€441 Million**

▮ Total Commitments





## ITER ORGANIZATION

# 2017 FINANCIAL REPORT

The ITER Organization celebrated its tenth anniversary in November 2017 – one decade after the ITER Agreement was formally ratified by all Members. The same month, the project passed the 50 percent mark for total construction work scope on the road to First Plasma. According to project performance metrics the 50 percent calculation takes into consideration all of the design, component manufacturing, building construction, shipping and delivery, assembly, and installation activities on the road to ITER's first operational event in 2025.

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A world of concrete and metal: in one year, the buildings of the Tokamak Complex have emerged to dominate the platform and the pace of construction is increasing.





At the start of the year, work is still evolving at basement-level in the Tokamak Complex and a number of projects are just getting off to a start on the platform. Twelve months later, structures have risen in a dozen areas and the bioshield stands 30 metres tall.



# Foreword from the Director-General

*It is my pleasure to present the 2017 ITER Organization Financial Report – an important event in the annual lifecycle of financial reporting for a publically funded organization. The pages that follow provide a complete and transparent account of the financial position, the financial performance and the cash flow of the ITER Organization in accordance with International Public Sector Accounting Standards (IPSAS) and ITER Project Resource Management Regulations (PRMR), as well as a report from independent auditors nominated by the ITER Council (the Financial Audit Board).*

**T**he year 2017 was a decisive one for the ITER community as, collectively, we passed the 50 percent mark for total construction work scope on the road to First Plasma.

“Total construction work scope” is a metric that calculates our progress toward having a machine and a facility that are ready to operate. It includes all phases of work – from design through component manufacturing, building construction, shipping and delivery, assembly, and installation.

What was true ten years ago as the Members established the ITER Organization “for the joint implementation of the ITER Project” remains true today – to achieve our goals the commitment and support of every Member is absolutely pivotal. By choosing to build the ITER machine in an integrated way, as set out in the framework of the international ITER Agreement that was signed in Paris in 2016, we are taking advantage of the scientific and industrial expertise of every Member, learning from one another for the benefit of all. But it also makes our actions highly interdependent – meaning that a shortfall in the commitment of any Member can have a devastating cascade effect in delay and cost to all others.

Based on the updated project schedule approved by the ITER Council (Baseline 2016) the path ahead is clearly drawn out.



In their industrial activities, the Domestic Agencies are working to agreed completion and delivery milestones that correspond to need dates for the assembly and installation of the ITER plant. Here on the ITER site in southern France, we are preparing for the intensive phase ahead as the components begin arriving in massive numbers by finalizing improvements to our project management and control systems, adapting our construction oversight organization, and reviewing and strengthening our data management processes.

In sum, we are working to shift the direction of our Organization from research and engineering to construction and commissioning.

First Plasma, scheduled for December 2025, will be the first stage of operation for ITER as a functional machine. It will be followed by a staged approach of additional assembly periods alternating with opportunities for fusion science experiment campaigns in increasingly complex modes, culminating in Deuterium-Tritium Operation in 2035.

For the ITER Members, the project offers both short-term and long-term value. In the short term, it offers a highly leveraged investment in which each Member pays only a portion of the cost, but receives the benefit of new research knowledge and industrial expertise, and gains full access to ITER as a unique experimental platform.

In the long term, ITER offers a value that cannot be rivalled by any other energy investment: the promise of clean, safe, massive, potentially continuous or variable, and virtually unlimited energy. This is why we are so passionate about ITER, and why we are committed to the success of this global collaborative endeavour.

**Bernard Bigot**  
St. Paul-lez-Durance  
July 2018





Aligned in rows across the compartments of the cold basin, these columns will anchor the tall cooling towers of ITER's heat removal system. Water collected at the end of the cooling process will be recirculated through the machine's cooling water system.



# Certificate

The Financial Statements of the ITER Organization have been prepared in accordance with the internal Project Resource Management Regulations (PRMR) and the International Public Sector Accounting Standards (IPSAS).

We hereby certify that, based on the information provided by the Authorizing Officer, we have reasonable assurance that these accounts present a true and fair view of the financial transactions in the year 2017 and of the financial position of the ITER Organization in all material aspects at the end of 2017.

We are not aware of any un-recorded liabilities.



23 March 2018  
**Lionel Rigaux**  
*Accounting Officer*  
Accounting, Treasury & Systems  
Section Leader



23 March 2018  
**Eisuke Tada**  
*Acting Finance & Procurement*  
Department Head

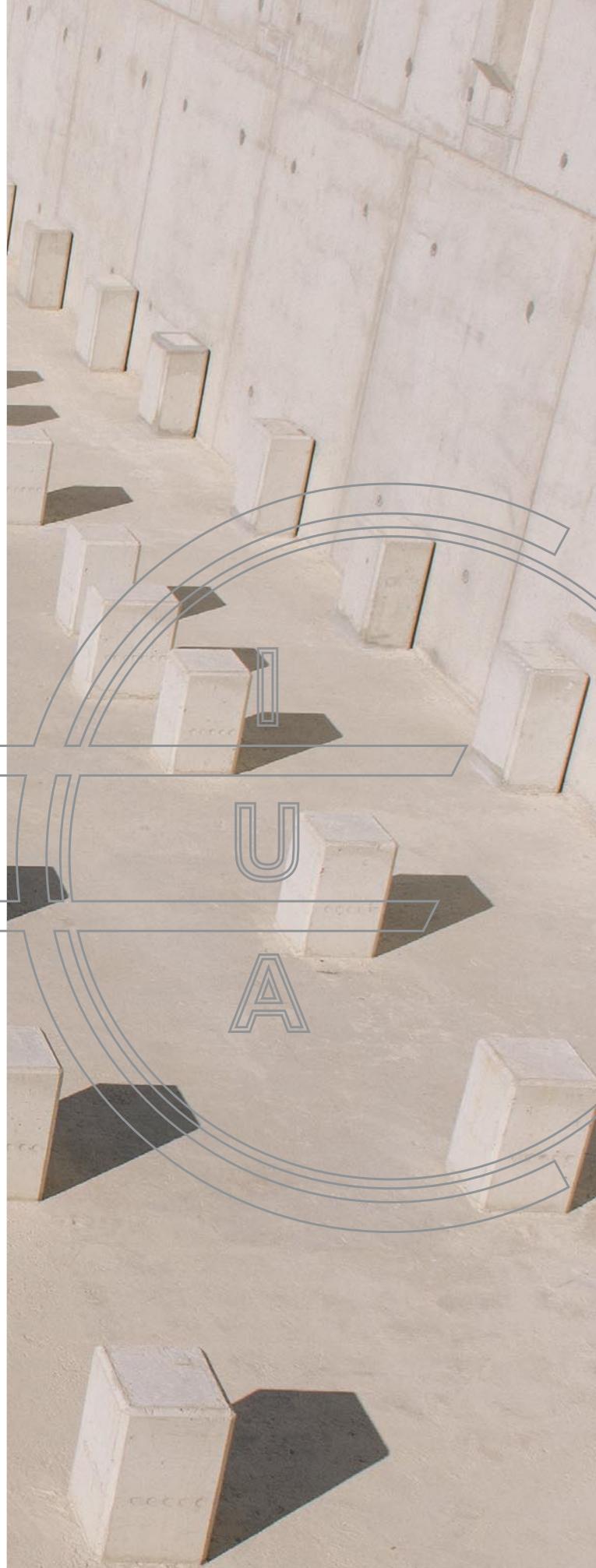
## Statement from the Director-General

I, the undersigned, Director-General of the ITER Organization, in my capacity as Authorizing Officer:

- Declare that the information contained in this report gives a true and fair view;
- State that I have reasonable assurance that the resources have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. This reasonable assurance is based on my own judgement and on the information at my disposal;
- Confirm that I am not aware of anything not reported here which could harm the interests of the ITER Organization.



23 March 2018  
**Bernard Bigot**  
*Authorizing Officer*  
The Director-General





# The Independent Auditors' Report on the Financial Statements

## Opinion

We have audited the financial statements of the ITER International Fusion Energy Organization (IO) as at 31 December 2017, which comprise the Statement of Financial Position, the Statement of Financial Performance, the Cash Flow Statement, the Statement of Changes in Net Assets/Equity, the Comparison of Budget and Actual Amounts, and Notes to the Financial Statements and to the Budget Execution Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the IO as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and the Project Resource Management Regulations (PRMR).

## Basis for Opinion

We conducted our audit in accordance with Article 17 of the ITER Agreement, the FAB's External Financial Audit Procedures,

the relevant articles of the PRMR and the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the IO in accordance with the ethical requirements that are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

The IO management is responsible for the information included in the ITER Organization 2017 Financial Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## Responsibilities of the IO Management and the ITER Council for the Financial Statements

The IO management is responsible for the preparation and fair presentation of the financial statements in accordance with the IPSAS and the PRMR, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the IO management is responsible for assessing the IO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ITER Council either intends to liquidate the IO or to cease operations, or has no realistic alternative other than to do so.

The ITER Council is responsible for overseeing the IO's financial reporting process.







### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. The audit procedures selected depend

on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and of the budget execution statements.

**St. Paul-lez-Durance, France**

23 March 2018

**Mr. Brian GRAY**  
Chair of the Financial Audit Board  
EUROPEAN UNION

**Ms. Yumin GUO**  
PEOPLE'S REPUBLIC OF CHINA

**Mr. Himanshu SHANKER**  
REPUBLIC OF INDIA

**Mr. Yoshinori IZUMI**  
JAPAN

**Mr. Chang Young OH**  
REPUBLIC OF KOREA

**Mr. Sergei IUGAI**  
RUSSIAN FEDERATION

**Ms. Susan MAY**  
UNITED STATES OF AMERICA



# Financial Statement Discussion and Analysis

*This section of the annual Financial Report of the ITER Organization (IO) presents management's discussion and analysis of the Financial Statements for the year ended 31 December 2017. The Financial Statement Discussion and Analysis is not part of the ITER Organization's Financial Statements; however it should be read together with the ITER Organization's Financial Statements on pages 15 to 47 of this report. The 2016 Financial Statements were audited and thereafter approved by the ITER Council in June 2017.*

## Overview

The Financial Statements have been drawn up in accordance with the International Public Sector Accounting Standards (IPSAS) and the Project Resource Management Regulations of the ITER Organization (PRMR). The Financial Statements are therefore in compliance with both sets of standards and regulations.

In accordance with Articles 7 and 9 of the ITER Agreement, the Director-General and the staff of the ITER Organization prepare and submit to the ITER Council the annual Financial Statements by the end of February of the year following the last day of the reporting period.

The functional currency used by the ITER Organization is the Euro. The Financial Statements show tabulations in thousands of Euro, which could cause minor differences due to rounding.

The Financial Statements presented on an accrual basis show the:

- Statement of Financial Position which provides information about the:

- Assets of the Organization (cash; recoverables; prepayments; property, plant and equipment; intangible assets and financial assets);
- Liabilities of the Organization (payables; employee benefits liabilities; long-term payables and deferred revenue).

- Statement of Financial Performance recognizing revenue in the period it is earned and expenses when they occur, regardless of when the associated cash is received or paid. In view of the specific nature of the Organization, which has in essence only one objective, i.e., the operation of an experimental facility, all costs are considered to have been incurred in order to construct and bring the assets to a condition enabling operations to commence ('IO activity costs capitalized for the machine under construction'). The capitalization of costs/values will cease at the start of the Operation Phase. The consequences of this capitalization criterion on the annual results of the ITER Organization are

inter-related with the choice of the accounting policy used in regard to the revenue from Members;

- Statement of Changes in Net Assets/Equity provided for the record (not impacted during the Construction Phase);
- Cash Flow Statement (direct method) which provides information about the ITER Organization's liquidity and solvency, including cash in and cash out;
- Comparison of Budget and Actual Amounts;
- Notes to the Financial Statements making them easier to understand and to compare with the Financial Statements of similar entities. They comprise a summary of accounting policies used:
  - Basis of preparation;
  - Significant accounting policies;
  - Disclosure of the information required by IPSAS that is not presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity or Cash Flow Statement;
  - Reconciliation between the Cash Flow Statement and the Budgetary Out-turn.

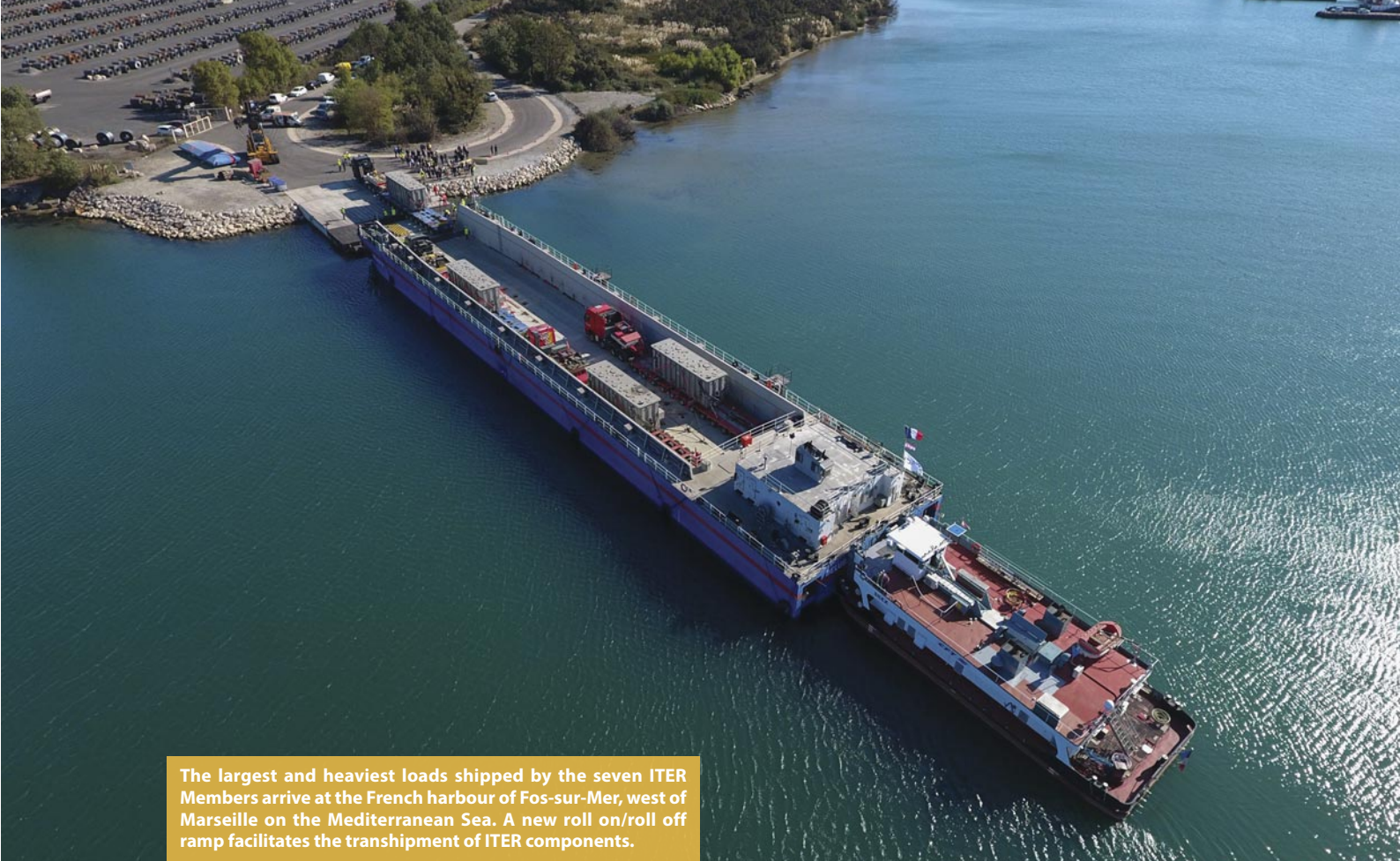
Revenue from the Members constitutes revenue from non-exchange transactions. Members' contributions which are used to acquire property, plant and equipment and intangible assets are taken back to revenue over the period of the utilization of the related assets and are labelled 'Deferred contributions from Members' in the Statement of Financial Performance.

## About the ITER Organization

The ITER Organization provides and promotes cooperation on the ITER Project among its Members, these being the People's Republic of China, the European Union (represented by Euratom), the Republic of India, Japan, the Republic of Korea, the Russian Federation and the United States of America.

This international project aims to demonstrate the scientific and technological feasibility of fusion energy for peaceful purposes,





The largest and heaviest loads shipped by the seven ITER Members arrive at the French harbour of Fos-sur-Mer, west of Marseille on the Mediterranean Sea. A new roll on/roll off ramp facilitates the transhipment of ITER components.

an essential feature of which will be achievement of sustained fusion power generation.

The purpose, functions and other organizational aspects of the ITER Organization are set out in the 'Agreement on the Establishment of the ITER International Fusion Energy Organization for the Joint Implementation of the ITER Project' (the 'ITER Agreement'; <http://www.iaea.org/Publications/Documents/Infcircs/2007/infcirc702.pdf>).

The ITER Agreement was signed by the Members in Paris on 21 November 2006 and the ITER Organization was officially established on 24 October 2007. The Agreement has an initial duration of 35 years.

The ITER Organization has an international legal personality including the capacity to conclude agreements with States and/or other international organizations, and is governed by a Council composed of representatives from each of its Members. The ITER Council elects from among its Members a Chair and Vice-Chair who each serve for a term of one year and who may be re-elected up to three times for a maximum period of four years.

The functions of the ITER Project are construction, operation, exploitation and de-activation (decommissioning) of the ITER facilities in accordance with prescribed technical objectives, specifications and supplemental technical requirements that may be necessary. Upon completion of the Project, decommissioning of the ITER Organization facilities will be financed by the Members and will be carried out by the Host State.

The resources to carry out the construction of the project comprise contributions in kind and in cash from the Members,

as per the following sharing ratio: 45.46% for Euratom and 9.09% for the others.

The cost estimates for the Construction and Operation Phases have been quantified using the ITER Unit of Account (IUA) unit of currency (one IUA was equal to USD 1,000 in January 1989). The conversion rate from IUA to Euro is revised annually by the Director-General and reported to the ITER Council Management Advisory Committee (MAC) thereon.

#### IUA Exchange Rates

Periods	1 IUA =
2017	EUR 1,693.50
2016	EUR 1,690.12
January 1989	USD 1,000.00

Contributions from Members or their respective Domestic Agencies (DAs) are provided in cash and in kind. The Procurement Arrangements (PAs) are contributions in kind foreseen in the ITER Agreement and signed between the ITER Organization and each Member. They are called long-term in-kind contributions. Short-term in-kind contributions are related to Task Agreements (contracts between the ITER Organization and the DAs/Members) and secondments of staff. Both of them are directly recognized in the Statement of Financial Position upon receipt of their delivered milestones or work performed ('credit request mechanism').

PA milestones recorded within 'Machine under Construction' are split into two categories: advance for milestones related to assets produced without transfer of control/responsibilities and risks from the DAs to the ITER Organization; or as capital





Over the course of the year, the Cryoplat Building has progressed from bare pillars to a completed structure. The first equipment was installed in June.



Feeders are the lifeline of the ITER magnet system, relaying electrical power, cryogenics, and instrumentation from outside of the cryostat into the powerful coils. China delivers the first feeder component – a cryostat feedthrough – in October.



work in progress for milestones related to assets produced with transfer of control/responsibilities and risks from the DAs to the ITER Organization.

The measurement basis applied for cash transactions is at historical cost. Assets and liabilities arising from PAs are measured and accounted at their agreed values (as defined in the ITER Agreement).

The 'Common Fund' is the initial 'Trust Fund' created by the International Atomic Energy Agency (IAEA) to launch the ITER Project in 2006. In the Financial Statements, these funds received by the ITER Organization were allocated to their respective Members as per the agreed sharing (total amount received between 2006 and 2008: EUR 3,830,595 split into EUR 1,741,644 for Euratom, and EUR 348,158 for each of the other Members).

The ITER Organization has developed the ITER Project Associates (IPA) scheme to increase flexibility in the use of ITER Organization and DA resources and to strengthen cooperation between the ITER Organization and institutions or bodies of the Members (including DAs). This scheme allows staff of Member institutes, universities, industrial enterprises, and other relevant bodies (termed as Home Institutes) to participate in the ITER Project. Detailed Implementing Agreements (IAs) are signed between the ITER Organization and the Home Institutes (HI) to assign individuals or a group of IPAs. They take into account the Member/Country specificities and financial aspects.

Administrative agreements are agreements with DAs, DA Institutes, Member/DA related entities etc., to enable the ITER Organization to provide them with administrative, logistical and/or related services (outside the scope of the ITER Organization budget).

The Partnership Arrangement with the Principality of Monaco concluded for ten years in 2008 included a contribution of EUR 5.50 million for post-doctorate fellowships and the organization of conferences on scientific and technical subjects related to ITER.

Since 2013, the ITER Organization has signed arrangements/Memoranda of Understanding (MoU) with the DAs for undertaking some construction activities on their behalf. Financial resources for the ITER Organization's execution of these arrangements are being provided separately by the DAs concerned, outside the ITER Council-approved IO budget.

Revenue from these Construction Contracts and the Partnership Arrangement is recognized only to the extent of contract costs incurred that it is probable to be recovered and contract costs are recognized as an expense in the period in which they are incurred/used. Any excess of revenue/costs over associated costs/revenue is shown as payable/receivable in Notes A9/A5.

The costs incurred by the ITER Organization arising from these construction contracts (on behalf of the DAs) and the Partnership Arrangement are therefore not considered part of the construction cost of the experimental equipment. Details of

these Construction Contracts and the Partnership Arrangement are disclosed in Note A16.

The address of the ITER Headquarters is Route de Vinon-sur-Verdon, CS 90 046, 13067 St. Paul-lez-Durance Cedex, France. The land on which the ITER Project is being constructed has been provided free of charge by the French State through the Commissariat à l'Energie Atomique et aux Energies Alternatives (CEA) for the duration of the ITER Project (initially foreseen to end in October 2042).

## Highlights

The ITER Organization celebrated its tenth anniversary in November 2017, one decade after the ITER Agreement was formally ratified by all Members. In the same month, the project passed a significant progress milestone – the completion of 50% of the total construction work scope through First Plasma. According to project performance metrics, the 50% calculation takes into consideration all of the design, component manufacturing, building construction, shipping and delivery, assembly, and installation activities on the road to ITER's first operational event in 2025.

The increased pace of work under ITER Director-General Bernard Bigot is tangible both on site and in Member factories around the world. In both 2016 and 2017 the project met every agreed ITER Council milestone. Progress on some of ITER's most technically challenging components – the vacuum vessel, the cryostat, toroidal and poloidal field coils, the central solenoid, and magnet feeders to name a few – has been strong, and the first completed units are expected on site in late 2018 or early 2019. The assembly sequences and need dates for critical-path components are well established and manufacturing progress is monitored closely so that action can be taken swiftly in the event of projected delay.

At the end of 2017 only one pour remained to complete the ITER bioshield – the 30-metre concrete fortress that will surround the machine. The completion of the bioshield, the erection of the Tokamak Building, and the extension of the heavy lift crane rails are all important milestones in keeping to the start of planned machine assembly and installation activities.

Elsewhere on the ITER site, buildings and technical areas under construction for plant systems are progressing well. In both the Cryoplat and Magnet Power Conversion buildings the installation of equipment has begun. The concrete infrastructure of the heat rejection system is well advanced and the first system components are arriving on site. The first large assembly tool has been delivered to the Assembly Hall and work is underway to prepare footings and rails.

At ITER Headquarters, staff recruitment is proceeding at a rate that matches project needs for the upcoming assembly and installation phase. Direct hiring is complemented by two programs created to leverage qualified resources from the ITER Members – the ITER Project Associates and ITER Scientist Fellows. The fine-tuning of the construction management oversight organization continues to ensure that all parties – the work contractors, the Construction Management-as-Agent,

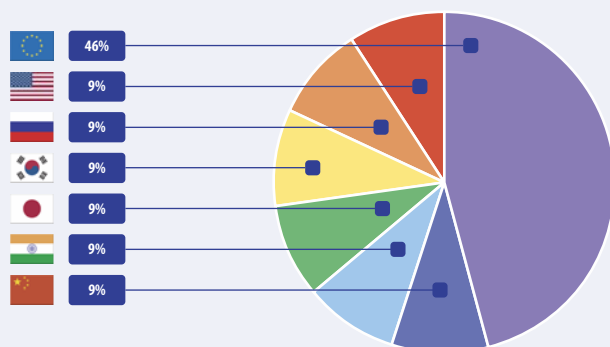
## Cumulative Position Statement by Member as at 31 December 2017

Amounts in thousands of Euro

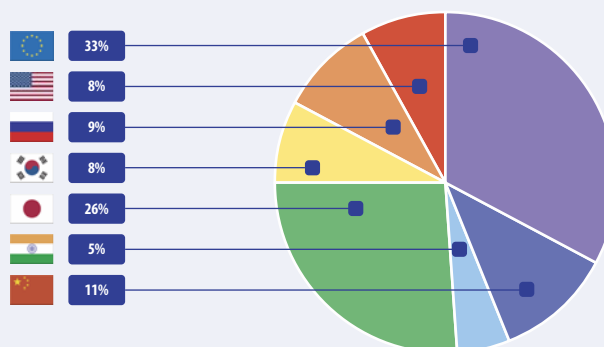
	Contributions in Cash (Cash and Short-Term In-Kind)		Contributions in Kind (Procurement Arrangements)		Total Contributions	
Euratom (*)	901,607	45.60%	465,581	32.73%	1,367,188	40.21%
People's Republic of China	179,546	9.08%	159,419	11.21%	338,965	9.97%
Republic of India	179,546	9.08%	76,540	5.38%	256,086	7.53%
Japan (*)	179,546	9.08%	368,156	25.88%	547,702	16.11%
Republic of Korea	179,546	9.08%	111,074	7.81%	290,620	8.55%
Russian Federation	179,546	9.08%	134,137	9.43%	313,683	9.23%
United States of America	177,959	9.00%	107,742	7.57%	285,701	8.40%
<b>Total</b>	<b>1,977,296</b>		<b>1,422,648</b>		<b>3,399,944</b>	

(\*) Cumulative credits granted to Japan include a contribution from the European Union corresponding to IUA 146,085 amounting to EUR 245.03 million (including IUA 24,917 for deliverables achieved in 2017) for procurements for which the procurement responsibility has been transferred to Japan within the framework of the transferred procurement responsibilities from Euratom to Japan.

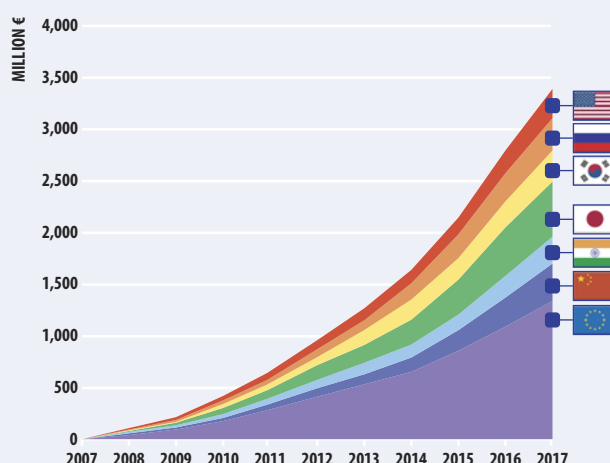
### Contributions in Cash (Cash and Short-Term In Kind)



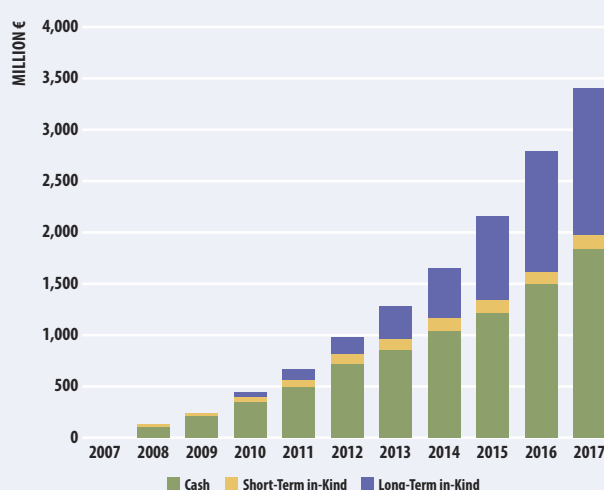
### Contributions in Kind (Procurement Arrangements)



### Cumulative Position by Member



### Deferred Contributions



The pace of deferred contributions related to the achievement of Procurement Arrangement milestones (in purple) continued its increase in 2017 (compared to 2016), reflecting an acceleration of construction and component fabrication activities



and the ITER Organization technical departments – plan activities in a coordinated manner.

Finally, the ITER Organization signed a Cooperation Agreement in June 2017 with the National Nuclear Center of the Republic of Kazakhstan. After Australia in 2016, this is the second technical collaboration agreement signed with a non-Member state.

### Risks and Uncertainties

The ITER Organization is now completing its 11th financial year. Systems and procedures that have evolved over this period are documented and disseminated, and have now stabilized; these are also regularly updated and reviewed with the aim of making them contemporary and simple to understand and put in practice. Procedures are in place for providing mandatory training courses to new arrivals in respect of these procedures, as well as refresher courses. The Management and Quality Program (MQP) framework, with a hierarchy of policies, process-related procedures and working instructions, has also been stabilized.

In order to manage risks, several measures have been taken over the years. The aim of the exercise is to keep them at an acceptable level and levels of residual risks are periodically assessed. The ITER Organization is confronted with the risk of direct or indirect losses arising from a wide variety of causes associated with its processes, staff, technology and infrastructure (including site preparation and construction of the experimental asset), and from external factors such as those arising from legal and regulatory requirements, environmental factors and on account of accepted standards of corporate behaviour.

In 2011, the Internal Control Standards were adopted as a means of providing a framework of sufficient assurance on the proper execution of its activities and operations. The standards, based on the COSO framework, cover aspects such as ethical values, staff evaluation, and objective indicators for performance, organizational structure, management supervision and monitoring and business continuity. Requirements under these aspects are defined and measured periodically. The process of risk assessment is interwoven in the process of contract award and all the major contracts awards related to fabrication/construction and manufacturing invariably have to be accompanied by risk assessment and management documents that are evaluated by the Technical Responsible Officers (TROs).

An organization-wide review of the risk portfolio is carried out annually and, based on the risk assessment exercise, mitigating strategies in terms of audit plans are developed for the ensuing period. The risk assessment exercise is comprehensive in nature covering major technical, administrative, financial and information technology and quality assurance processes. The corrective actions are monitored and regularly reported as a follow-up to the audits.

The Risk & Opportunity Management (R&OM) framework has been substantially strengthened over the years, especially after the adoption of the Baseline 2016. Decisions on the handling of significant risks are being reviewed by the independent senior



The tall circular structure of the bioshield, seen here by drone, has become the defining feature of the Tokamak Complex. Machine assembly will begin within its walls in 2020.

body, the Project Risk and Opportunity Management Committee Working Group (PROMC-WG), for decision by the Configuration Control Board (CCB) and the Executive Project Board (EPB).

At the request of the ITER Council in November 2016, an In-depth Independent Review on Risk Management was organized and carried out by the Management Advisory Committee (MAC) in early 2017. The Review Panel concluded that:

- A systematic and regular approach to the identification of risk exists;
- The ITER team has a structure for analyzing, assessing and monitoring risks;
- The Project Risk and Opportunity Register (PROR) is comprehensive in its structure;
- The IO and DAs are familiar with the process and implementation is continuing;
- The IO has developed appropriate response actions for high-level risk.

The ITER Organization has also developed an Enhanced 2017 Improvement Plan for Risk and Opportunity Management (R&OM) to foster and improve the R&OM culture within the ITER Project through enhancing competencies in R&OM; reinforcing the R&OM governance across the ITER Organization and DAs; measuring improvements in R&OM; improving reporting on R&OM by developing key performance indicators (KPIs); and reporting on overall risk exposure. For each of the above objectives, specific actions have been described and defined with deadlines for achieving completion. This is being closely monitored by the MAC.

Further, an Ethics Committee comprising staff members was established during the year to reinforce ethical standards in conduct; it met at regular intervals to deliberate and advise on subject matters of importance. A training program was also conducted for its members. A new policy to prevent harassment at the work place is being finalized.





A temporary lid has been installed in the bioshield to protect workers below while the last pours take place at the top. This impressive structure at the centre of ITER construction rose 20 metres in 2017.





# ITER ORGANIZATION 2017 FINANCIAL STATEMENTS



## Statement of Financial Position as at 31 December 2017

Amounts in thousands of Euro

	Note	31.12.2017	restated 31.12.2016
<b>ASSETS</b>			
<b>Current assets</b>		<b>405,908</b>	<b>253,478</b>
Cash and cash equivalents	A3	293,699	209,164
Recoverables from non-exchange transactions	A4	100,424	35,742
Receivables from exchange transactions	A5	10,078	6,751
Prepayments	A6	1,706	1,821
<b>Non-current assets</b>		<b>3,337,657</b>	<b>2,777,143</b>
Property, plant and equipment	A7	3,327,808	2,768,961
Intangible assets	A8	9,847	8,180
Financial assets		2	2
<b>TOTAL ASSETS</b>		<b>3,743,565</b>	<b>3,030,620</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>195,244</b>	<b>117,226</b>
Payables	A9	191,209	114,078
Employee benefits liabilities	A10	4,035	3,148
<b>Non-current liabilities</b>		<b>3,548,321</b>	<b>2,913,394</b>
Long-term payables	A11	5,077	-
Deferred revenue	A12	3,543,244	2,913,394
<b>TOTAL LIABILITIES</b>		<b>3,743,565</b>	<b>3,030,620</b>
<b>NET ASSETS/EQUITY</b>			
Brought forward surplus		-	-
<b>TOTAL NET ASSETS/EQUITY</b>		<b>-</b>	<b>-</b>

## Statement of Financial Performance for the Year ended 31 December 2017

Amounts in thousands of Euro

	Note	2017	2016
<b>REVENUE</b>			
Deferred contributions from Members	A12	6,418	5,082
Construction contracts and partnership arrangement	A16	8,271	23,024
Other revenue	A13	121	113
<b>TOTAL REVENUE</b>		<b>14,810</b>	<b>28,220</b>
<b>EXPENSES</b>			
Employee benefits	A14	107,331	94,247
Other expenses	A15	30,119	42,856
Depreciation of property, plant and equipment	A7	3,512	3,347
Amortization of intangible assets	A8	2,906	1,735
<b>TOTAL EXPENSES</b>		<b>143,867</b>	<b>142,185</b>
Activity costs capitalized for the machine under construction	A7	129,057	113,965
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>-</b>	<b>-</b>



## Cash Flow Statement for the Year ended 31 December 2017

Amounts in thousands of Euro

	Note	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Contributions from Members		305,504	249,935
Construction Contracts		35,529	28,640
Partnership Arrangement (Monaco)		425	581
Administrative Agreements		3,933	4,099
Interest received		734	1,093
Other		1,577	294
<b>Payments</b>			
Construction Contracts		(7,333)	(22,049)
Partnership Arrangement (Monaco)		(294)	(478)
Administrative Agreements		(2,695)	(2,638)
Reserve Fund payments to DAs		(17,967)	(11,662)
Other		(1,251)	(174)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>318,163</b>	<b>247,641</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
VAT reimbursement		17,107	17,444
<b>Payments</b>			
Capital Expenditure		(250,700)	(197,787)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(233,594)</b>	<b>(180,343)</b>
Net (decrease)/increase in cash and cash equivalents		84,569	67,297
Effects of exchange rate changes on the balance of cash held in foreign currencies		(34)	18
Cash and cash equivalents at 1 January		209,164	141,849
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	A3	<b>293,699</b>	<b>209,164</b>

## Statement of Changes in Net Assets/Equity for the Year ended 31 December 2017

Amounts in thousands of Euro

	2017	2016
<b>BALANCE AT 1 JANUARY</b>	-	-
Surplus/(deficit)	-	-
<b>NET ASSETS/EQUITY AT 31 DECEMBER</b>	-	-





## Comparison of Budget and Actual Amounts for the Year ended 31 December 2017

Amounts in thousands of Euro

	Chapter	Initial budget 2017	Final budget 2017	Actual amounts 2017	Actual amounts 2016
<b>INCOME</b>					
Contributions from Members	71	404,084	355,669	354,839	283,970
Internal tax	72	22,084	22,084	20,359	17,929
Financial Income	73	1,500	1,500	734	1,135
Other Income	74	(192)	(192)	482	(2,670)
<b>TOTAL INCOME</b>	(a)	<b>427,476</b>	<b>379,062</b>	<b>376,414</b>	<b>300,364</b>
<b>PAYMENTS</b>					
Direct Investment (Fund)	11	231,179	193,439	121,051	75,250
R&D Expenditure	21	4,409	3,431	2,877	5,958
Staff Expenditure	31	115,983	111,991	106,840	94,639
Organizational Expenditure	32	75,905	70,202	57,073	51,248
<b>TOTAL PAYMENTS</b>	(b)	<b>427,476</b>	<b>379,062</b>	<b>287,841</b>	<b>227,096</b>
<b>BUDGETARY OUT-TURN</b>	(a)-(b)	-	-	<b>88,573</b>	<b>73,268</b>

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## Note A1 - Basis of Preparation

The 2017 Financial Statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and the ITER Project Resource Management Regulations (PRMR), the former being published by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC).

The measurement basis applied for cash transactions is at historical cost. Assets and liabilities arising from Procurement Arrangements (PAs) are measured and accounted at their agreed values (as defined in the ITER Agreement).

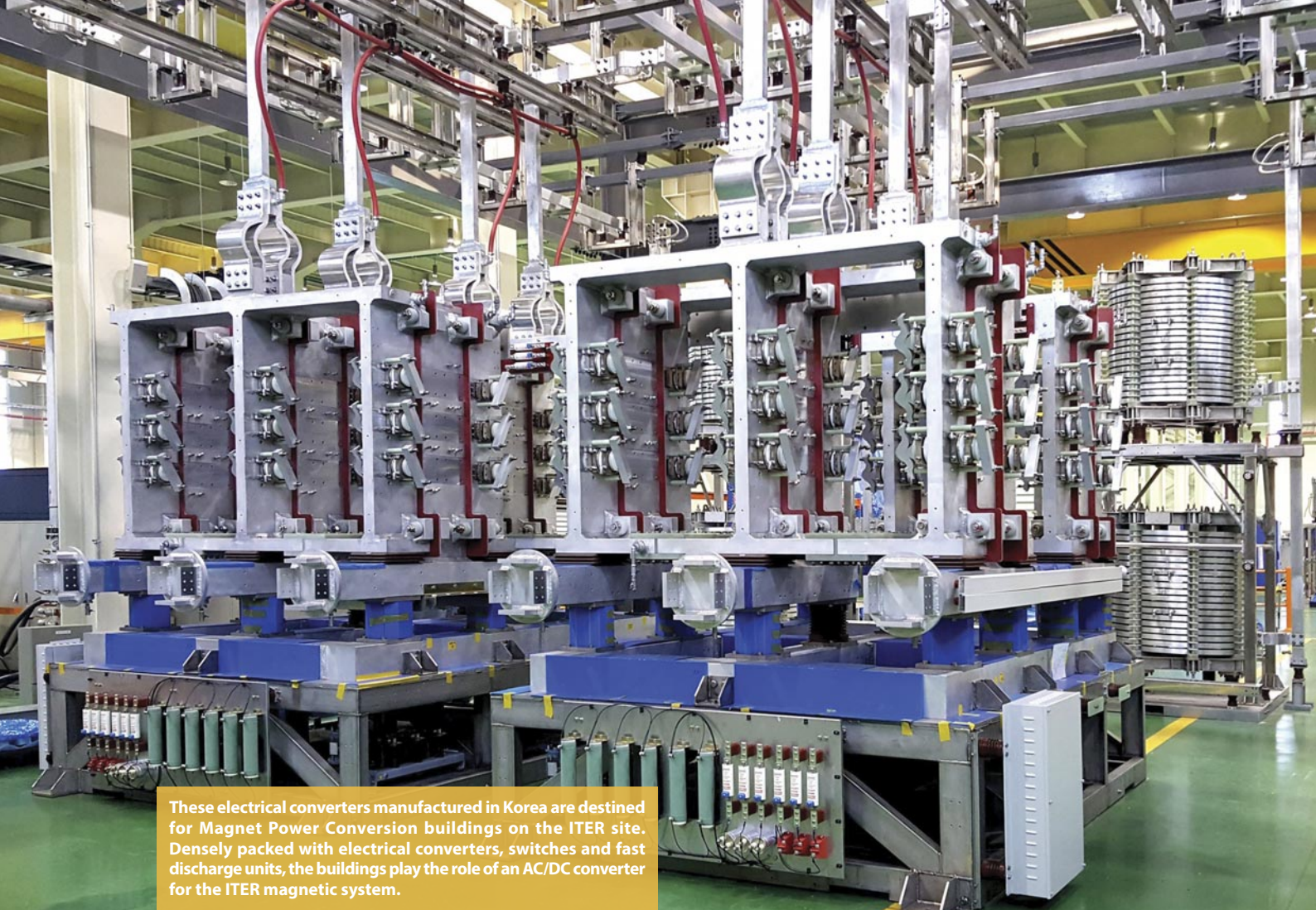
The accounting policies set out in Note A2 - Significant Accounting Policies are applied consistently with previous years except for the offsetting of recoverables and payables relating to Members' in-kind contributions. Both payables and recoverables from non-exchange transactions related to accrued in-kind contributions from Members are disclosed in the notes Note A4 - Recoverables from Non-Exchange Transactions as they are offset against their counterparts in Note A9 Payables. This new policy applicable from the Financial Statements 2017 has been adopted by management in order to simplify the presentation and improve understandability. Comparative figures for the Statement of Financial Position at 31 December 2016 have been adjusted.

The full cost capitalization approach, adopted by the ITER Organization (IO), implies that Members' contributions and other revenue are deferred over the construction period but also that depreciation/amortization and write-back to revenue of the deferred revenue are equivalent.

During the Construction Phase, certain costs, such as the depreciation and amortization of the activated non-current assets, are expensed to the Statement of Financial Performance and also the equivalent amount of Members' contributions is shown as revenue recorded in the Statement of Financial Performance under the heading 'Deferred contributions from Members (write-back to revenue)'.

Development costs are capitalized as part of the cost of the experimental equipment to the extent that such costs can be measured reliably, the product or process is technically feasible, future service potential is probable, and the entity has sufficient resources and intends to complete the development and to use the asset. The ITER Organization considers that during the Construction Phase, no research costs can be recognized.





These electrical converters manufactured in Korea are destined for Magnet Power Conversion buildings on the ITER site. Densely packed with electrical converters, switches and fast discharge units, the buildings play the role of an AC/DC converter for the ITER magnetic system.

Expenditure on property, plant and equipment relating to the construction of the experimental equipment is recognized as an asset on the basis that future economic benefits or service potential associated with the item will flow to the ITER Organization, and that the cost or fair value of the item has been measured reliably. Such expenditure is incurred in accordance with the ITER Organization's objectives and therefore is considered to meet the 'service potential' criteria.

The Cash Flow Statement is presented using the "Direct Method" which gives a better understanding of the gross cash receipts and payments. During the Construction Phase, all movements attributable to Capital Expenditure are considered as investing activities whereas the others are operating. The Cash Flow Statement has now been slightly reshuffled to fully address that criterion (investing/operating).

The budgetary statements are prepared on a modified cash basis as required by the PRMR. The reconciliation between the Cash Flow Statement and the Budgetary Out-turn is provided in Note A17.

#### **Effect of new accounting standards**

The standards IPSAS 34-38 related to Interests in Other Entities are effective for annual periods beginning on 1 January 2017. These new standards have superseded IPSAS 6-8.

These new standards did not result in any material effect on the 2017 Financial Statements.

#### **Effect of forthcoming accounting standards**

Two new IPSAS standards are not yet effective for the year ended 31 December 2017, and have not been adopted earlier in preparing these Financial Statements.

##### **• IPSAS 39 Employee Benefits**

IPSAS 39 prescribes the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, bonuses, profit-sharing and nonmonetary benefits); pensions; post-employment life insurance and medical benefits; termination benefits, and other long-term employee benefits (long-service leave, disability, deferred compensation, and bonuses and long-term profit-sharing), except for share-based transactions and employee retirement benefit plans.

The ITER Organization has reviewed its employee benefits arrangements and is not expecting any material impact from the adoption of the new standard on 1 January 2018.

##### **• IPSAS 40 Public Sector Combinations**

IPSAS 40 establishes requirements for classifying, recognizing and measuring public sector combinations. A public sector combination is defined as the "bringing together of separate operations into one public sector entity."

The ITER Organization has reviewed the standard and is not expecting any material impact from the adoption of the new standard on 1 January 2019.





As the year draws to a close, completed structures scintillate in their polished metal cladding. The structures, infrastructure and technical areas needed for facility start-up in 2025 are just over 40 percent complete.



## Note A2 - Significant Accounting Policies

### a) Foreign Exchange Accounting

The Financial Statements are presented in thousands of Euro, which is the ITER Organization's functional and presentation currency.

Transactions in foreign currencies are converted into Euro at exchange rates prevailing on the dates of the transactions; the exchange rates used are the ones applicable for that month, published by the European Commission (<http://ec.europa.eu/budg/inforeuro/>).

Realized and unrealized gains and losses resulting from the settlement of such transactions and from the reconversion at the reporting date of assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance. The spot rates used at year end are those published by the European Central Bank (<http://www.ecb.int/stats/exchange/>).

As indicated in the Section 'Revenue Recognition', the ITER Organization's revenue comes mainly from Members' contributions to finance the phases of the ITER Project. The cost estimates for the Construction and Operation Phases have been determined using the IUA unit of currency.

### b) Use of Estimates and Judgements

The preparation of the Financial Statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### c) Property, Plant and Equipment

In the Statement of Financial Position, items of property, plant and equipment (PPE) are shown at historical cost, after deduction of accumulated depreciation and accumulated impairment losses. PPE includes the costs associated with the construction of the experimental machine ('Machine under Construction') together with associated infrastructure and pre-operation activity costs. It also includes land and buildings, fixtures and fittings, vehicles, IT telecom, office equipment and furniture necessary to conduct the project.

The cost of a PPE item comprises its purchase price, import duties, any non-refundable purchase taxes and attributable costs of bringing the asset to working condition for its intended use. Examples of these costs are those of site preparation, initial delivery and handling costs, installation costs, and professional fees such as those for architects and engineers. Additionally, administration and other general costs attributable to the acquisition of the asset or costs of bringing the asset to its working condition are included in the cost of the asset. The costs of self-constructed assets include costs of materials and any other costs (including tools) directly attributable to bringing the asset to working condition for its intended use. Purchased



In the European winding facility on site, a tape dispenser automatically wraps the conductor with five layers of insulating material.

software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Concerning the technical nature of the ITER Project and the intrinsic difficulty in identifying separate useful lives to such costs, related expenditure is capitalized as 'Machine under Construction' and depreciated over a uniform period. Accounting-wise, 'Machine under Construction' is composed of the following four elements:

- ITER Organization Activity costs capitalized;
- ITER Organization Direct investment;
- Advances from DAs of in-kind contributions;
- Capital work in progress of in-kind contributions.

PPE related to in-kind contributions from Members are initially recorded at agreed values with Members using the Euro/IUA conversion rate prevailing for the year of their completion (acceptance date by the ITER Organization). PA milestones recorded as under construction are split into two categories: either as Advance for milestones related to assets produced without transfer of control/responsibilities and risks from the DAs to the ITER Organization or as Capital Work in Progress (CWIP) for milestones related to assets produced with transfer of control/responsibilities and risks from the DAs to the ITER Organization. Accruals from PAs at year end are also recorded as PPE under construction upon reception of credit requests submitted by the DAs (on completed milestones).

Upon completion of the Construction Phase, and once operations have commenced, the costs of decommissioning and removing the reactor and restoring the site on which it is located, will be incorporated into the cost of the experimental equipment. Such costs of dismantling will be based on the estimated cost at current value.

Depreciation is recognized in the Statement of Financial Performance on a straight-line basis over the estimated useful life of each part of an item of PPE. Depreciation of the experimental



equipment will begin when it will be available for intended use which is expected to be at the start of the Operation Phase.

The estimated useful lives of PPE are as follows:

• Buildings	20 - 30 years
• Plant and equipment experimental assets	20 years
• Fixtures and fittings	10 - 20 years
• Furniture, equipment	8 years
• Transport equipment	4 years
• IT, telecom equipment	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed on each reporting date.

In accordance with the ITER Organization's rules, acquisitions of PPE which are individually below 3 IUA are expensed directly to the Statement of Financial Performance. When such expenses are incurred and the aggregate of these costs for a common group of assets exceeds 3 IUA, the costs may be capitalized even though some of the individual items/materials are less than 3 IUA.

#### **d) Impairment**

The carrying values of PPE and intangible assets are reviewed for impairment if events or changes in circumstances indicate that they may be impaired. If such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of any impairment loss. Any impairment loss is charged against the Statement of Financial Performance in the year concerned.

In particular, the impairment reviews relating to the experimental assets take into account technological developments, changes in the major assumptions of the ITER Organization, and any unforeseen difficulties which may require a revision of the asset's useful life applied or an impairment charge to write down to the recoverable service amount of the asset. These reviews are performed on a yearly basis.



Russia is procuring 5.4 kilometres of electrical busbars to connect the superconducting magnet coils to their power supplies. Busbars are like cables, only more massive and rigid.  
Photo: ITER Russia

#### **e) Intangible Assets**

Expenditure on intangible assets relating to the experimental equipment is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the ITER Organization, and if the cost or fair value of the item can be measured reliably. Such expenditure is incurred in accordance with the ITER Organization's objectives and is considered to meet 'service potential' criteria.

In the Statement of Financial Position, intangible assets acquired by the ITER Organization which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets expenditure is capitalized only when it increases the future economic benefits or service potential embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and licenses, is recognized in the Statement of Financial Performance as incurred.

Amortization is recognized in the Statement of Financial Performance on a straight-line basis over the estimated useful life of intangible assets from the date that they are available for use. The estimated useful life is as follows:

- Software 4 years

Amortization methods, useful lives and residual values are reviewed on each reporting date.

Acquisitions of intangible assets which are individually under 3 IUA are expensed directly to the Statement of Financial Performance.

#### **f) Spare Parts**

Spare parts are measured at the lower of cost and net realizable value except when received in kind from the Members. In such a case they are measured at their agreed value. Their costs are based on the principle of the weighted average unit price, and include expenditure incurred in acquiring them, conversion costs and other costs incurred in bringing them to their existing location and condition.

#### **g) Employee Benefits**

The ITER Organization has set up a defined contribution pension plan, a medical insurance scheme, and a life and invalidity insurance scheme:

##### **• Defined contribution pension plan**

The ITER Organization has a defined contribution pension plan for its employees, which is a post-employment benefit plan under which it pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to such defined pension contribution plans are recognized as employee benefit expenses when they are due.

##### **• Short-term benefits**

The ITER Organization has contracted out a medical insurance scheme, and a life and invalidity insurance scheme. Monthly

contributions to these schemes are deducted from the employees' remuneration and supplemented by a contribution from the ITER Organization. These employer contributions are expensed in the period when the employees have rendered the related services.

Termination benefits are payable to employees under certain circumstances prescribed in the Staff Regulations of the ITER Organization (hereinafter Staff Regulations). The amount of the termination benefits payable depends on the length of service of the employee concerned. Termination benefits are recognized as an expense upon termination of the employment contract for one of the reasons stipulated in the Staff Regulations.

- **End-of-contract departure and removal costs**

Considering the nature of ITER Organization staff employment conditions and related uncertainties in estimation, end-of-contract departure and removal costs are charged in the year in which they are incurred.

#### ***h) Revenue Recognition***

ITER Organization revenue comprises contributions from the Members, miscellaneous income, internal tax, financial income, revenue from construction contracts, exchange rate gains, insurance claim reimbursements, liquidated damages, donations, sponsorships and the contribution resulting from the Partnership Arrangement with the Principality of Monaco.

- **Contributions from the Members**

Contributions from the Members are determined annually, based on estimates of the required level of operating and capital payments for that year. These contributions are recorded as revenue in the year for which they are requested. Any contribution which has not been fully paid up by Members at year-end is shown within recoverables from non-exchange transactions (Note A4). Contributions received from Members which at year-end exceed amounts requested are shown within payables (Note A9).

Members' Contributions are made in the form of either cash or in-kind contributions. In-kind contributions comprise the providing of assets, other goods and services, and seconded staff. Revenue recorded relating to in-kind contributions is measured at the agreed value (ITER Agreement) of the asset or service contributed.

The construction of some assets may take place in the country of a Member over several years. Upon attainment of certain milestones, the counterpart of Members' contributions relating to PPE is recorded within the PPE under construction.

- **Internal Tax**

An Internal Tax is applied to the basic salary of the ITER Organization's employees for the purpose of ensuring fair taxation for all its staff. Funds are collected monthly by the ITER Organization and set off against the Members' Contributions. This revenue is deferred and will be used for salaries, related benefits and infrastructure.



Senior representatives from the seven ITER Members convene twice a year as part of the ITER Council – the ITER Organization's top governing body.

- **Financial Income**

Financial Income is an income generated by the cash held on secured fixed-term deposits in the banks. This revenue is deferred and will be used whenever required and agreed by the ITER Council.

- **Donation and Sponsorship**

The principle of Donation and Sponsorship was agreed by the ITER Council in 2015 under certain conditions. These additional resources, if any, do not modify the level of the agreed Members' Contributions nor its sharing. The costs incurred by the ITER Organization arising from any donation or sponsorship agreements are therefore not considered as part of the construction costs of the experimental equipment.

Other voluntary donations in kind are recorded as revenue in the year of their reception and then deferred.

#### ***i) Deferred Revenue***

Revenue used to acquire PPE or intangible assets is deferred and written back to revenue in the Statement of Financial Performance over the period of utilization of the related assets.

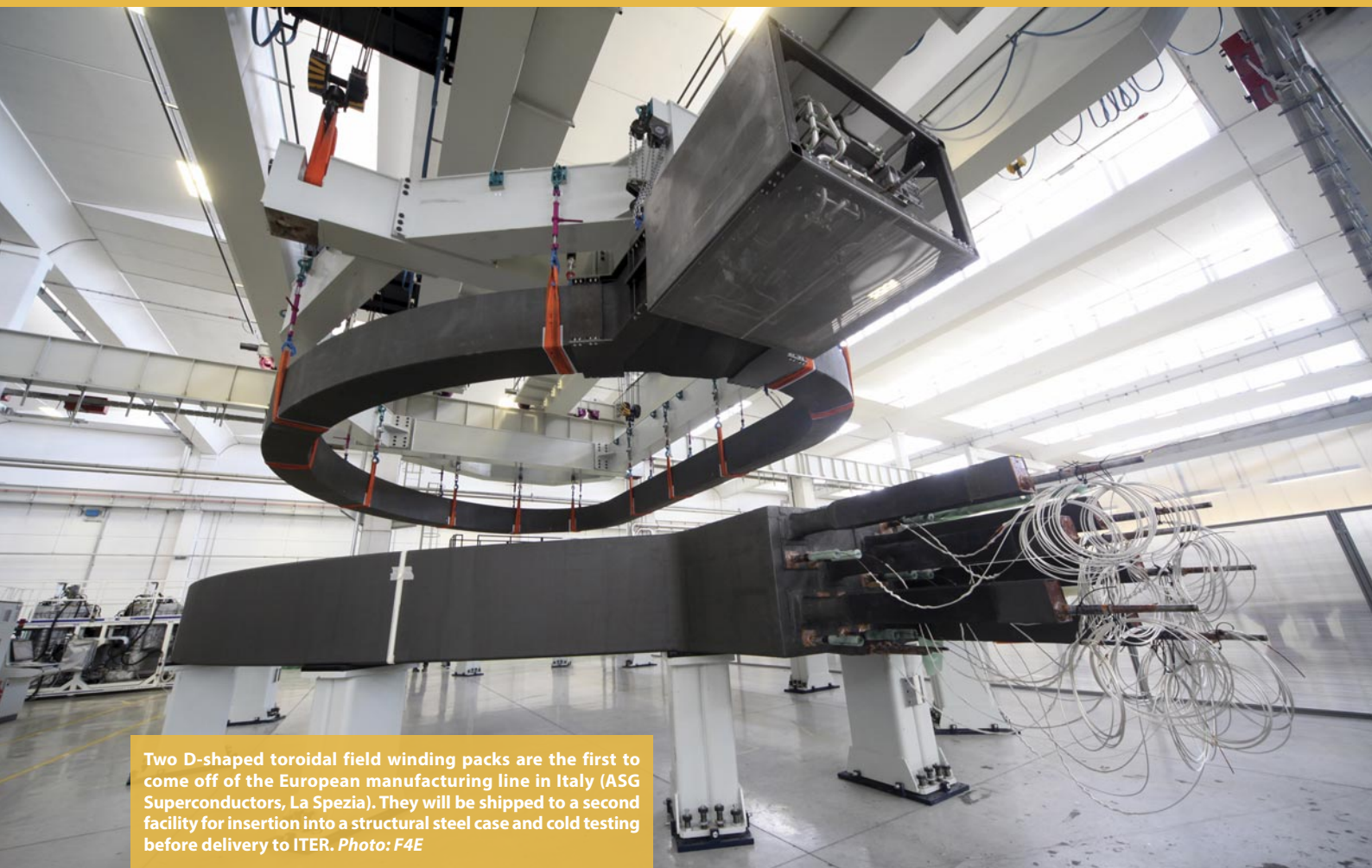
Most of the ITER Organization's revenue comes from contributions from the Members which could be either in the form of cash, short-term in-kind contributions (seconded staff and Task Agreements) and long-term in-kind contributions (through Procurement Arrangements). Other revenue consists of internal tax (levied on the salaries of the ITER Organization staff), and financial income, etc. The ITER Organization utilizes these contributions and other revenue in order to enable it to construct and operate, and thereafter deactivate and decommission the ITER experimental machine.

Contributions from the Members and other revenue used to acquire tangible or intangible assets have to be deferred and written back to revenue over the useful life of the related assets (mainly the ITER experimental machine). For the contributions and other revenue used to create the ITER machine, the write-back will start after the machine is ready for use. Such contributions from Members (in cash or in kind)





Following the successful qualification of winding tooling and procedures, series production begins in 2017 in the on-site European facility for poloidal field coils. Work is underway on the double pancake layers for PF5 – the first of four coils to be produced in this space.



Two D-shaped toroidal field winding packs are the first to come off of the European manufacturing line in Italy (ASG Superconductors, La Spezia). They will be shipped to a second facility for insertion into a structural steel case and cold testing before delivery to ITER. Photo: F4E



are recorded as deferred revenue during the Construction Phase and will be taken back to revenue during the Operation Phase/utilization period through the write-back mechanism, correspondingly reducing the total amount of deferred revenue. Currently, such contributions and other revenue related to the ITER experimental machine remain fully deferred.

For other assets, e.g., office buildings, vehicles, IT equipment, furniture and fittings etc., this write-back has already commenced from the dates when these assets were ready for use.

#### **j) Reserve Fund**

The ITER Council approved the creation of the Reserve Fund, and the associated Terms of Reference of the Reserve Fund and the Reserve Fund Management Plan in 2015. The purpose of this Reserve Fund is to create a funding mechanism that could be used to implement scope and design changes within the ITER Organization and DAs in order to prevent schedule delays or cost overruns. The annual ITER Organization budgets include the contributions towards the Reserve Fund. This is a source of funding and not an objective of expenditure.

Three possible payment methods have been developed by the ITER Organization to suit the individual needs of the DAs and Members. Cash Payments can be made directly from the ITER Organization's bank account. Alternatively, funds may be deducted from the Member's Cash Contributions to the ITER Organization. In cases in which the Member concerned may not accept cash or reductions in its contributions, an equivalent amount of credit in IUA may be granted to decrease the Member's overall in-kind contribution to the construction of ITER and is recognized as long-term payable in Euro in the Statement of Financial Position.

#### **k) Construction Contracts**

As the outcome of the ITER Organization's construction contracts cannot be estimated reliably, the revenue and costs from fixed price construction contracts are recognized based on the following method:

- Revenue is recognized only to the extent of contract costs incurred; and
- Contract costs are recognized as an expense in the period in which they are incurred.

If and when the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized as an expense. As ITER expects to be able to recover all costs on all construction contracts, no such losses are recognized during work in progress.

ITER determines contract costs and progress billings on a contract-by-contract basis, grouped by PA. For contracts where contract costs incurred to date exceed progress billings, the



surplus is shown under 'Construction Contract' as a receivable on the Statement of Financial Position (Note A5). For contracts where the amounts received on progress billings exceed contract costs incurred to date, the surplus is shown under 'amounts due by ITER Organization' as a payable (Note A9) on the Statement of Financial Position. Advance billing (above the progress of the work performed) not received by the ITER Organization at the reporting date is disclosed in Note A16.

#### **l) Provisions**

A provision is recognized if, as a result of a past event, the ITER Organization has a present legal or constructive obligation that can be estimated reliably, and provided it is probable that an outflow of economic benefits or service potential will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### **• Asset Decommissioning/Site Restoration**

In light of the PRMR provisions, the Members shall contribute jointly through the Budget of the ITER Organization, to the accumulation of the Decommissioning Fund from the date of First Plasma throughout the Operation Phase. This is done by making regular annual payments through the Budget of the ITER Organization. Upon achievement of First Plasma, the Decommissioning Fund will be established accordingly.

#### **m) Segment Reporting**

The ITER Organization considers that all its activities are linked to a single 'Construction' segment.

#### **n) Financial Instruments**

The ITER Organization has very little exposure to financial risks as most of its financial assets are kept in Euro. Cash balances on deposits are held in secure interest-bearing bank accounts or short fixed-term deposits. The Japanese Yen and US Dollar bank accounts are valued in Euro using official year-end exchange rates prevailing on the reporting date. Term deposits are all held to maturity.



## Note A3 – Cash and Cash Equivalents

Amounts in thousands of Euro

	31.12.2017	31.12.2016
<b>Cash at bank - Euro accounts</b>	<b>111,417</b>	<b>52,754</b>
BNP Paribas, France	111,417	52,754
<b>Cash at bank - JP Yen account</b>	<b>4</b>	<b>5</b>
BNP Paribas, France	4	5
<b>Cash at bank - US Dollar accounts</b>	<b>13</b>	<b>315</b>
BNP Paribas, France	11	313
HSBC, USA	-	34
Bank of the West, USA	51	-
Cheques issued and not yet disbursed	(48)	(32)
<b>Saving/Deposits with banks - Euro accounts</b>	<b>182,265</b>	<b>147,091</b>
BNP Paribas, France	0	25,440
Caisse d'Epargne, France	5,000	-
Crédit Agricole PCA, France	58,829	20,132
Crédit Mutuel, France	118,436	101,519
<b>Cash-in-transit</b>	<b>-</b>	<b>9,000</b>
Cash-in-transit	-	9,000
<b>Total Cash and Cash Equivalents</b>	<b>293,699</b>	<b>209,164</b>

The balance of the ITER Organization's cash and cash equivalents arises from Members' contributions, financial income and other income including the annual contribution from the Partnership Arrangement with the Principality of Monaco, and cash from other Arrangements.

The high level of cash at year end includes EUR 94.02 million received in advance from the Members toward their 2018 cash Contributions (detailed in Note A9) and EUR 51.65 million for Construction Contracts and Partnership Arrangement (detailed in Note A16).

Cash balances on deposits are held in secure interest-bearing bank accounts or fixed-term deposits. The Japanese Yen and US Dollar bank accounts are valued in Euro using official year-end exchange rates prevailing on 31 December 2017.

In 2017, the Financial Income of EUR 0.78 million was realized by the ITER Organization. This amount represents an average rate of return of 0.39% of the average daily available cash balance (invested). In comparison, the average 2017 Eonia® (Euro OverNight Index Average) index was -0.35%.

As the ITER Organization is financed through public funding, the investments are limited to low-risk opportunities (only secured deposits/investments are allowed).

## Note A4 – Recoverables from Non-Exchange Transactions

Amounts in thousands of Euro

	31.12.2017	restated 31.12.2016
<b>Members' cash contributions yet to be received</b>	<b>86,814</b>	<b>25,559</b>
Euratom	-	-
People's Republic of China	-	-
Republic of India	32,400	118
Japan	-	-
Republic of Korea	-	-
Russian Federation	-	-
United States of America	54,415	25,441
<b>Other recoverables from non-exchange transactions</b>	<b>13,610</b>	<b>10,183</b>
EU Domestic Agency	1,529	1,326
CN Domestic Agency	-	-
IN Domestic Agency	110	151
JA Domestic Agency	9	-
KO Domestic Agency	-	-
RF Domestic Agency	-	-
US Domestic Agency	606	387
VAT receivable	11,254	8,271
Other	101	49
<b>Total Recoverables from Non-Exchange Transactions</b>	<b>100,424</b>	<b>35,742</b>

The ITER Organization is exempt from paying taxes (corporate income, business licence and Value Added Tax (VAT)). VAT invoiced by French suppliers for purchasing goods and services is recovered by requesting the reimbursement from the French Ministry of Foreign Affairs (the amount already requested at reporting date was EUR 4.99 million, the amount to be requested was EUR 4.25 million and the VAT on accruals was EUR 2.01 million).

The recoverables from non-exchange transactions related to accrued in-kind contributions from Members are disclosed below, for information, as they are offset against their counterpart in Note A9 Payables.

Amounts in thousands of Euro	31.12.2017	31.12.2016
Euratom	50,992	16,820
People's Republic of China	8,468	1,690
Republic of India	-	3,401
Japan	338	8,492
Republic of Korea	3,048	-
Russian Federation	1,430	421
United States of America	12,255	671
<b>Accrued Members' in-kind contributions (TAs &amp; PAs)</b>	<b>76,531</b>	<b>31,495</b>





Korea is manufacturing four of the nine vacuum vessel sectors. Pictured: a segment of sector #6 in fabrication at Hyundai Heavy Industries. Photo: ITER Korea

## Note A5 – Receivables from Exchange Transactions

Amounts in thousands of Euro

	31.12.2017	31.12.2016
Down payment to suppliers	9,785	6,602
Accrued interest	191	149
Construction contracts	102	-
<b>Total Receivables from Exchange Transactions</b>	<b>10,078</b>	<b>6,751</b>

'Down payment to suppliers' shows the open amount paid to suppliers for financing their long-lead procurement items. Where material, these amounts are covered by guarantees.

'Accrued interest' is the financial income generated during the reporting period but not yet received (cash on deposits is held in secure interest-bearing bank accounts or short-term deposits).

'Construction contracts' details can be found in Note A16.

## Note A6 – Prepayments

Amounts in thousands of Euro

	31.12.2017	31.12.2016
Licence fees	730	739
Maintenance licences	517	555
Subscriptions	180	232
Maintenance and repair	180	220
Rent warehouse	49	21
Insurance	26	25
Other	25	29
<b>Total Prepayments</b>	<b>1,706</b>	<b>1,821</b>

Prepayments correspond to expenditure incurred in 2017 for which the acquired goods/services relate to 2018 or beyond.

The amount reported in 2016 under 'Other' (EUR 49 thousand) has been split under 'Rent warehouse' and 'Other' in the 2017 Financial Statements.



## Note A7 – Property, Plant and Equipment (PPE)

Amounts in thousands of Euro

	Buildings	Fixtures and fittings	Furniture, IT, telecom, transport equipment	'Machine' under Construction (MuC)				Total MuC	Total
				IO Activity costs capitalized	IO Direct investment	Advances from DAs for in-kind contributions	Capital work in progress for in-kind contributions		
<b>Cost</b>									
<b>Balance 01.01.2016</b>	<b>73,131</b>	<b>790</b>	<b>7,945</b>	<b>940,006</b>	<b>288,218</b>	<b>568,455</b>	<b>334,808</b>	<b>2,131,486</b>	<b>2,213,352</b>
Additions	3,198	369	380	113,965	94,988	111,949	248,827	569,729	573,676
Disposals	-	-	-	-	-	-	-	-	-
Transfers	6	-	-	-	(6)	-	-	(6)	-
<b>Balance 31.12.2016</b>	<b>76,334</b>	<b>1,160</b>	<b>8,325</b>	<b>1,053,971</b>	<b>383,200</b>	<b>680,404</b>	<b>583,635</b>	<b>2,701,209</b>	<b>2,787,028</b>
Additions	5,517	148	1,454	129,057	160,412	148,286	117,304	555,060	562,179
Disposals	-	-	(35)	-	-	-	-	-	(35)
Transfers	1,677	-	(278)	-	(1,399)	-	-	(1,399)	-
<b>Balance 31.12.2017</b>	<b>83,528</b>	<b>1,307</b>	<b>9,466</b>	<b>1,183,028</b>	<b>542,213</b>	<b>828,690</b>	<b>700,939</b>	<b>3,254,871</b>	<b>3,349,172</b>
<b>Accumulated depreciation</b>									
<b>Balance 01.01.2016</b>	<b>(7,980)</b>	<b>(274)</b>	<b>(6,467)</b>						<b>(14,720)</b>
Depreciation of the year	(2,490)	(75)	(782)						(3,347)
Write-back	-	-	-						-
<b>Balance 31.12.2016</b>	<b>(10,470)</b>	<b>(348)</b>	<b>(7,248)</b>						<b>(18,067)</b>
Depreciation of the year	(2,810)	(109)	(593)						(3,512)
Write-back	1	-	214						215
<b>Balance 31.12.2017</b>	<b>(13,279)</b>	<b>(457)</b>	<b>(7,628)</b>						<b>(21,364)</b>
<b>Net carrying amount</b>									
<b>Balance 31.12.2016</b>	<b>65,864</b>	<b>811</b>	<b>1,077</b>	<b>1,053,971</b>	<b>383,200</b>	<b>680,404</b>	<b>583,635</b>	<b>2,701,209</b>	<b>2,768,961</b>
Net variation	4,386	38	762	129,057	159,014	148,286	117,304	553,661	558,847
<b>Balance 31.12.2017</b>	<b>70,249</b>	<b>850</b>	<b>1,838</b>	<b>1,183,028</b>	<b>542,213</b>	<b>828,690</b>	<b>700,939</b>	<b>3,254,871</b>	<b>3,327,808</b>

'Capital work in progress for in-kind contributions' and 'Advances from DAs for in-kind contributions' reflect the statuses of achievement of milestones under the Procurement Arrangements (PAs) and Task Agreements (TAs). They show the continuous increase of the milestones (PAs) achieved during the reporting period.

## Note A8 – Intangible Assets

Amounts in thousands of Euro

	Computer software	Intangible assets under development (computer software)	Total
<b>Cost</b>			
<b>Balance 01.01.2016</b>	<b>5,264</b>	<b>7,899</b>	<b>13,162</b>
Additions	783	488	1,271
Disposals	-	-	-
Transfers	7,899	(7,899)	-
<b>Balance 31.12.2016</b>	<b>13,945</b>	<b>488</b>	<b>14,433</b>
Additions	3,308	1,265	4,573
Disposals	-	-	-
Transfers	-	-	-
<b>Balance 31.12.2017</b>	<b>17,253</b>	<b>1,754</b>	<b>19,006</b>
<b>Accumulated amortization</b>			
<b>Balance 01.01.2016</b>	<b>(4,518)</b>		<b>(4,518)</b>
Amortization of the year	(1,735)		(1,735)
Write-back	-		-
<b>Balance 31.12.2016</b>	<b>(6,253)</b>		<b>(6,253)</b>
Amortization of the year	(2,906)		(2,906)
Write-back	-		-
<b>Balance 31.12.2017</b>	<b>(9,159)</b>		<b>(9,159)</b>
<b>Net carrying amount</b>			
<b>Balance 31.12.2016</b>	<b>7,692</b>	<b>488</b>	<b>8,180</b>
Net variation	402	1,265	1,667
<b>Balance 31.12.2017</b>	<b>8,093</b>	<b>1,754</b>	<b>9,847</b>



## Note A9 – Payables

Amounts in thousands of Euro

	31.12.2017	restated 31.12.2016
<b>Advance Payments on Members' Contributions</b>	<b>94,025</b>	<b>63,474</b>
Euratom	54,525	22,149
People's Republic of China	0	9,600
Republic of India	-	-
Japan	4,401	-
Republic of Korea	13,107	20,442
Russian Federation	21,992	11,284
United States of America	-	-
<b>Other Payables</b>	<b>97,184</b>	<b>50,604</b>
Creditors (suppliers and accrued charges)	44,314	20,989
Amounts due by IO for Construction Contracts and Partnership Arrangement	51,973	24,188
Reserve Fund transfer of credits	-	5,077
Personnel	134	184
Other	763	167
<b>Total Payables</b>	<b>191,209</b>	<b>114,078</b>

'Advance Payments on Members' Contributions' corresponds to cash received by the ITER Organization exceeding the requested amount due at reporting date.

'Creditors (suppliers and accrued charges)' is the liability recognized in the 2017 Financial Statements but not yet paid as at 31 December 2017. It includes the Task Agreements in cash.

'Amounts due by IO for Construction Contracts and Partnership Arrangement' relates to the amounts deferred at the reporting date. Related costs and revenue are not considered part of the construction costs of the experimental equipment but should be reported as performed by the ITER Organization. Details are provided in Note A16.

'Reserve Fund transfer of credits' is now recognized as long-term payable and shown in Note A11.

'Personnel' is mainly the year-end unpaid costs related to travel undertaken by staff during the reporting year.

'Other' relates to administrative agreements with partners.

The payables related to accrued in-kind procurement from Members are disclosed below, for information, as they are offset against their counterpart in Note A4 Recoverables from Non-Exchange Transactions.

	31.12.2017	31.12.2016
Accruals from Task Agreements in kind	4,932	2,027
Accruals from Procurement Arrangements in kind	71,599	29,468
<b>Accrued Members' in-kind procurement (TAs &amp; PAs)</b>	<b>76,531</b>	<b>31,495</b>

## Note A10 – Employee Benefits Liabilities

Amounts in thousands of Euro

	31.12.2017	31.12.2016
Accrued untaken leave	2,386	2,127
Social benefits	1,244	995
Other	405	27
<b>Total Employee Benefits Liabilities</b>	<b>4,035</b>	<b>3,148</b>

‘Accrued untaken leave’ represents annual leave entitlement accrued by staff during the reporting year. Untaken annual leave is usually carried forward to the following year with a maximum of 14 days per staff.

The accrued untaken leave liability is net of EUR 14.26 thousand arising from excessive leave taken during the reporting period. The accrued untaken leave liability is computed on gross basis and therefore includes EUR 472.70 thousand of internal taxes.

‘Social benefits’ is the amount outstanding for social security and pension schemes.

‘Other’ corresponds mainly to the amount estimated on account of judgments related to litigation by former ITER Organization staff. It is computed on gross basis and therefore includes an amount of EUR 84.81 thousand of internal taxes.

## Note A11 – Long-Term Payables

Amounts in thousands of Euro

	31.12.2017	31.12.2016
Reserve Fund transfer of credits	5,077	-
<b>Total Payables</b>	<b>5,077</b>	<b>-</b>

‘Reserve Fund transfer of credits’ refers to the cases where the Member does not accept cash or reductions in its contributions. This amount recognized as Payable in 2016 Financial Statements is now transferred to Long-Term Payables as it is understood the equivalent amount of credit in IUA will be granted to decrease the Member’s overall in-kind contribution to the construction of ITER.



## Note A12 – Deferred Revenue as at 31 December 2017

Amounts in thousands of Euro

	Cash			Short-term in kind Seconded Staff and Task Agreements		
	End of 2016	2017	End of 2017	End of 2016	2017	End of 2017
<b>Deferred contributions</b>						
Euratom (*)	654,049	157,986	812,035	81,532	8,040	89,572
People's Republic of China	143,801	32,330	176,131	3,415	-	3,415
Republic of India	142,795	32,282	175,077	4,468	-	4,468
Japan (*)	146,342	32,330	178,672	874	-	874
Republic of Korea	137,297	32,427	169,725	9,821	-	9,821
Russian Federation	144,015	32,330	176,345	3,201	-	3,201
United States of America	121,509	28,974	150,482	26,433	1,044	27,477
<b>Total Deferred contributions</b>	<b>1,489,808</b>	<b>348,660</b>	<b>1,838,468</b>	<b>129,744</b>	<b>9,084</b>	<b>138,828</b>
<b>Other deferred revenue</b>						
Internal tax	119,096	20,359	139,454			
Donations	22,400	882	23,282			
Financial income	11,153	777	11,930			
<b>Total Other deferred revenue</b>	<b>152,649</b>	<b>22,018</b>	<b>174,667</b>			
Deferred contributions from Members (during the Construction Phase, write-back to revenue equals the depreciation and amortization costs)						
<b>Total deferred revenue</b>	<b>1,642,457</b>	<b>370,678</b>	<b>2,013,135</b>	<b>129,744</b>	<b>9,084</b>	<b>138,828</b>

(\*) Cumulative credits granted to Japan include a contribution from the European Union corresponding to IUA 146,085 amounting to EUR 245.03 million (including IUA 24,917 for deliverables achieved in 2017) for procurements for which the procurement responsibility has been transferred to Japan within the framework of the transferred procurement responsibilities from Euratom to Japan.

	Total cash including Cash, Seconded Staff and Task Agreements			Long-term in kind Procurement Arrangements			Total		
	End of 2016	2017	End of 2017	End of 2016	2017	End of 2017	End of 2016	2017	End of 2017
	735,581	166,026	901,607	362,838	102,743	465,581	1,098,419	268,770	1,367,188
	147,215	32,330	179,546	137,093	22,325	159,419	284,309	54,656	338,965
	147,264	32,282	179,546	62,616	13,924	76,540	209,880	46,206	256,086
	147,215	32,330	179,546	319,950	48,206	368,156	467,166	80,536	547,702
	147,119	32,427	179,546	102,440	8,634	111,074	249,559	41,061	290,620
	147,215	32,330	179,546	115,954	18,183	134,137	263,169	50,513	313,683
	147,941	30,018	177,959	65,251	42,491	107,742	213,192	72,509	285,701
	<b>1,619,551</b>	<b>357,744</b>	<b>1,977,296</b>	<b>1,166,142</b>	<b>256,506</b>	<b>1,422,648</b>	<b>2,785,693</b>	<b>614,251</b>	<b>3,399,944</b>
	119,096	20,359	139,454				119,096	20,359	139,454
	22,400	882	23,282				22,400	882	23,282
	11,153	777	11,930				11,153	777	11,930
	<b>152,649</b>	<b>22,018</b>	<b>174,667</b>				<b>152,649</b>	<b>22,018</b>	<b>174,667</b>
							(24,949)	(6,418)	(31,366)
	<b>1,772,200</b>	<b>379,762</b>	<b>2,151,963</b>	<b>1,166,142</b>	<b>256,506</b>	<b>1,422,648</b>	<b>2,913,394</b>	<b>629,850</b>	<b>3,543,244</b>



## Note A13 – Other Revenue

Amounts in thousands of Euro

	2017	2016
Liquidated damages	53	9
Insurance claim reimbursements	42	43
Exchange rate gains	11	62
Other	16	-
<b>Total Other Revenue</b>	<b>121</b>	<b>113</b>

‘Exchange rate gains’ are shown in this Note whereas the exchange rate losses are in Note A15.

The amount reported in 2016 under ‘Other’ (EUR 51 thousand) has been split under ‘Liquidated damages’ and ‘Insurance claim reimbursements’ in the 2017 report.

## Note A14 - Employee Benefits

Amounts in thousands of Euro

	Professional staff		Technical support staff		Total	
	2017	2016	2017	2016	2017	2016
Wages and salaries	61,625	52,239	18,302	18,012	79,927	70,251
Pension funds	8,641	7,328	2,581	2,544	11,222	9,872
Medical care insurance	1,543	1,309	461	454	2,004	1,763
Life and invalidity insurances	617	523	184	182	802	705
Other employee benefits	8,890	7,444	2,747	2,749	11,637	10,193
Accrued untaken leave	228	233	31	8	259	241
Awards	320	189	144	103	464	291
Indemnities for loss of job	122	121	-	-	122	121
On-call duty indemnity			61	57	61	57
Seconded staff	1,532	1,462	103	103	1,635	1,565
Bonus for temporary assignment	6	5	-	2	6	7
Trainees					136	87
Occupational medicine / infirmary					241	220
Social activities					134	103
Other (canteen)					317	336
<b>Total</b>	<b>83,522</b>	<b>70,853</b>	<b>24,614</b>	<b>24,213</b>	<b>108,965</b>	<b>95,812</b>
<b>Total excluding seconded staff</b>	<b>81,990</b>	<b>69,391</b>	<b>24,511</b>	<b>24,110</b>	<b>107,331</b>	<b>94,247</b>

An internal tax is applied to basic salary costs including overtime and night work. This tax is collected by the ITER Organization by withholding it from the monthly salary payments. No liability is recorded for the amounts withheld as the internal tax is not paid to external organizations or authorities. Amounts withheld are/will be used for salaries, related benefits and infrastructure of the ITER Organization. ‘Employee benefits’ presents the gross costs including the corresponding internal tax.

The seconded staff costs are directly capitalized and values credited to their respective Members (short-term in kind).

The ITER Organization has set up a defined pension contribution scheme with an external company. These contributions, equal to 7% of gross basic salary, are deducted from employee remuneration and are supplemented by a contribution from the ITER Organization of 14% of gross basic salary.

Medical and life insurance schemes have also been set up with an external provider. Employee contributions to the medical insurance amount to 1.25% of gross basic salary supplemented by an ITER Organization contribution of 2.5% of gross basic salary. Employee contributions for the Life and Invalidity insurances amount to 0.5% of gross basic salary supplemented by an ITER Organization contribution of 1% of gross basic salary.

On 31 December 2017 the ITER Organization had the following number of staff, per category:

	Professional staff		Technical support staff		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
ITER Organization staff (Direct Employed Staff)	512	443	266	255	778	698
Seconded staff	11	11	1	1	12	12
<b>Sub-total within cap(*)</b>	<b>523</b>	<b>454</b>	<b>267</b>	<b>256</b>	<b>790</b>	<b>710</b>
Others (postdoctoral and IO staff recruited for work on Construction Contracts)	21	18	14	12	35	30
<b>Total</b>	<b>544</b>	<b>472</b>	<b>281</b>	<b>268</b>	<b>825</b>	<b>740</b>

(\*) The cap for the number of staff originally decided by the ITER Council for 2017 was 796. The ITER Council has since determined an overall ITER Organization staff cap of 1050.





One of three cryogenic "cold boxes" is moved to its final position in the cryoplant. These 21-metre-long vessels will provide an insulated environment for the cryogenic components of the liquid helium plant.

## Note A15 - Other Expenses

Amounts in thousands of Euro

	2017	2016
Telecom and IT equipment	1,110	787
Electricity	700	762
IT licenses and software	548	421
Furniture and equipment	518	478
Material	429	15
Small fitting-out premises	215	212
Office supplies	184	183
Water	168	155
Other	4	13
<b>Total supplies and consumables</b>	<b>3,877</b>	<b>3,025</b>
External services	13,382	28,335
Maintenance and repairs	3,598	3,819
Temporary staff	1,877	1,706
Travel and related costs (IO staff)	1,690	1,870
Licence yearly fees	1,423	1,122
Documentation and seminar expenses (conferences)	726	910
Removal expenses	717	705
Rental of equipment and buildings	699	84
Communication	642	315
Travel and related costs (non-IO staff)	404	322
ITER Project Associates	300	15
Post and telecommunication	253	327
Exchange rate losses	153	21
Insurance	107	106
Transport of goods	105	31
Reception and representation	95	82
Membership fees	70	57
Bank charges	1	2
Other	2	2
<b>Total external services and other expenses</b>	<b>26,242</b>	<b>39,831</b>
<b>Total Other Expenses</b>	<b>30,119</b>	<b>42,856</b>

Within 'supplies and consumables', the amount reported in 2016 under 'Other' (EUR 28 thousand) has been split under 'Material' and 'Other' in the 2017 Financial Statements.

Within 'external services and other expenses', the amount reported in 2016 under 'Other' (EUR 58 thousand) has been split under 'Membership fees' and 'Other' in the 2017 Financial Statements.



## Note A16 – Construction Contracts and Partnership Arrangement

The list of Construction Contracts (earmarked funds) is as follows:

- PPS – Procurement of Upper & Equatorial Port Plug Structures, EU-DA, IN-DA, JA-DA, KO-DA and US-DA;
- SSEN – Procurement of the Steady-State Electrical Network High Voltage Substation Structures, the Battery Banks and LV Distribution & Sub-Distribution Panel boards, US-DA;
- TBS – Design and procurement of the Test Blanket System Connection Pipes, CN-DA, EU-DA, IN-DA, JA-DA and KO-DA;
- TCWS – Completion of the final design of the Tokamak Cooling Water System and procurement of the piping for this system, US-DA;
- TFCC – Procurement of the Integration Toroidal Field Coil Conductor, US-DA;
- VAS – Procurement of the Piping for Tokamak Vacuum Auxiliary System, US-DA;
- VVS – Supply of Sectors #7 and #8 of the Vacuum Vessel, EU-DA, KO-DA.

In 2017, RF-DA decided to order the Port Plugs Structures under its responsibility directly from the manufacturer. Therefore, their contribution through either credit transfers or extra-budgetary funds has been removed from this plan.

The VVS Arrangement involves an amendment to the Procurement Arrangement for the Vacuum Vessel sectors between ITER Organization and EU-DA, an agreement on additional contribution between ITER Organization and EU-DA, a delegation agreement between the ITER Organization and KO-DA for the supply of Sectors #7 and #8, and a trilateral agreement between the ITER Organization, EU-DA and the EU-DA supplier consortium for transfer of material.

The Partnership Arrangement with the Principality of Monaco supports post-doctorate fellowships and the organization of conferences on scientific and technical subjects related to ITER.

Revenues have been recognized to the extent of contract costs incurred in the period. There are no recognized surpluses or losses estimated to date.

All costs and revenues are directly allocated to their related Arrangement/Partnership.

An amount of EUR 7.98 million of advance billing has not been received by the ITER Organization at the reporting date in line with the progress of the work.

## Details of Construction Contracts and Partnership Arrangement

Amounts in thousands of Euro

	Construction Contracts								Partnership Arrangement	Total
	PPS	SSEN	TBS	TCWS	TFCC	VAS	VVS	Sub-total	MCP	
<b>Total amounts of revenue agreed</b>	<b>12,008</b>	<b>3,041</b>	<b>3,800</b>	<b>95,598</b>	<b>1,880</b>	<b>5,381</b>	<b>95,400</b>	<b>217,108</b>	<b>5,500</b>	<b>222,608</b>
<b>At 01.01.2016</b>										
Costs incurred to date		(328)	-	(5,655)	(82)	(115)		(6,180)	(3,448)	(9,629)
Revenue recognized to date		328	-	5,655	82	115		6,180	3,448	9,629
Advances requested to date		393	380	21,794	1,172	112		23,851	3,800	27,651
Advances received to date		(393)	(380)	(21,794)	(1,172)	(112)		(23,851)	(3,800)	(27,651)
Gross amount due to date		65	380	16,139	1,089	(3)		17,670	352	18,022
<b>At 31.12.2016</b>										
Employee benefits recognized in the period		2	-	(2,292)	(28)	(190)	-	(2,509)	(337)	(2,845)
Other expenses recognized in the period		(29)	(1)	(826)	(910)	(43)	(18,152)	(19,962)	(216)	(20,179)
<b>Costs incurred in the period</b>		<b>(28)</b>	<b>(1)</b>	<b>(3,118)</b>	<b>(939)</b>	<b>(233)</b>	<b>(18,152)</b>	<b>(22,471)</b>	<b>(553)</b>	<b>(23,024)</b>
<b>Revenue recognized in the period</b>		<b>28</b>	<b>1</b>	<b>3,118</b>	<b>939</b>	<b>233</b>	<b>18,152</b>	<b>22,471</b>	<b>553</b>	<b>23,024</b>
<b>Costs incurred to date</b>		<b>(356)</b>	<b>(1)</b>	<b>(8,773)</b>	<b>(1,021)</b>	<b>(349)</b>	<b>(18,152)</b>	<b>(28,651)</b>	<b>(4,001)</b>	<b>(32,653)</b>
<b>Revenue recognized to date</b>		<b>356</b>	<b>1</b>	<b>8,773</b>	<b>1,021</b>	<b>349</b>	<b>18,152</b>	<b>28,651</b>	<b>4,001</b>	<b>32,653</b>
Surplus or (deficit) recognized to date		-	-	-	-	-	-	-	-	-
Advances requested in the period	1,393	-	2,153	4,454	-	484	42,929	51,413	550	51,963
Advances received in the period	(84)	-	(2,153)	(4,454)	-	(484)	(21,465)	(28,640)	(550)	(29,190)
Advance billing not received	1,309	-	-	-	-	-	21,465	22,773	-	22,773
<b>Amounts due by IO at 31.12.2016</b>	<b>84</b>	<b>38</b>	<b>2,532</b>	<b>17,476</b>	<b>151</b>	<b>247</b>	<b>3,312</b>	<b>23,839</b>	<b>349</b>	<b>24,188</b>
<b>At 31.12.2017</b>										
Employee benefits recognized in the period	-	-	-	(2,692)	1	(131)	-	(2,822)	(357)	(3,180)
Other expenses recognized in the period	(624)	(15)	(56)	(3,803)	(588)	(5)	-	(5,091)	-	(5,091)
<b>Costs incurred in the period</b>	<b>(624)</b>	<b>(15)</b>	<b>(56)</b>	<b>(6,496)</b>	<b>(588)</b>	<b>(135)</b>	<b>-</b>	<b>(7,914)</b>	<b>(357)</b>	<b>(8,271)</b>
<b>Revenue recognized in the period</b>	<b>624</b>	<b>15</b>	<b>56</b>	<b>6,496</b>	<b>588</b>	<b>135</b>	<b>-</b>	<b>7,914</b>	<b>357</b>	<b>8,271</b>
<b>Costs incurred to date</b>	<b>(624)</b>	<b>(370)</b>	<b>(57)</b>	<b>(15,268)</b>	<b>(1,608)</b>	<b>(484)</b>	<b>(18,152)</b>	<b>(36,565)</b>	<b>(4,359)</b>	<b>(40,923)</b>
<b>Revenue recognized to date</b>	<b>624</b>	<b>370</b>	<b>57</b>	<b>15,268</b>	<b>1608</b>	<b>484</b>	<b>18,152</b>	<b>36,565</b>	<b>4,359</b>	<b>40,923</b>
Surplus or (deficit) recognized to date	-	-	-	-	-	-	-	-	-	-
Advances requested in the period	(871)	2,647	633	15,958	709	1,658	-	20,735	425	21,160
Advances received in the period	(438)	(2,647)	(633)	(7,979)	(709)	(1,658)	(21,465)	(35,529)	(425)	(35,954)
Advance billing not received	-	-	-	7,979	-	-	-	7,979	-	7,979
<b>Amounts due by IO at 31.12.2017</b>	<b>(102)</b>	<b>2,670</b>	<b>3,109</b>	<b>18,959</b>	<b>272</b>	<b>1,770</b>	<b>24,777</b>	<b>51,455</b>	<b>416</b>	<b>51,871</b>
Advances requested to date	522	3,041	3,167	42,206	1,880	2,254	42,929	95,999	4,775	100,774
Advances received to date	(522)	(3,041)	(3,167)	(34,227)	(1,880)	(2,254)	(42,929)	(88,020)	(4,775)	(92,795)
<b>Not requested to date</b>	<b>11,486</b>	<b>-</b>	<b>633</b>	<b>53,392</b>	<b>-</b>	<b>3,128</b>	<b>52,471</b>	<b>121,110</b>	<b>725</b>	<b>121,835</b>





The tall C3 crane, at the centre of the bioshield, will be replaced by a central column tool during the assembly of the vacuum vessel sectors in the pit. The tool's radial beams will support the sectors during in-pit welding operations.



A joint international effort to develop neutral beam injection system prototypes for ITER is under way at the PRIMA facility in Italy. High voltage equipment from Japan (left) and Europe (right) was installed in 2017.

## Note A17 - Reconciliation: Cash Flow Statement - Budgetary Out-turn

Amounts in thousands of Euro

	Note	Operating	2017 Investing	Total	Operating	2016 Investing	Total
<b>Budgetary Out-turn</b>		<b>88,573</b>		<b>88,573</b>	<b>73,268</b>		<b>73,268</b>
Cash contributions requested	B2	(348,660)		(348,660)	(275,157)		(275,157)
Cash contributions received	B2	317,955		317,955	256,928		256,928
Cheques N-1 paid in N	A3	32		32	66		66
Cheques N unpaid at 31.12.N	A3	(48)		(48)	(32)		(32)
Effects of exchange rate changes on the balance of cash held in foreign currencies	CFS	34		34	(18)		(18)
Movements in control accounts	B3	(1,728)		(1,728)	2,820		2,820
Miscellaneous Income	Income execution	-		-	3,263		3,263
<b>Basis differences</b>		<b>(32,415)</b>		<b>(32,415)</b>	<b>(12,129)</b>		<b>(12,129)</b>
Earmarked Funds Out-turn	B5	28,412		28,412	6,159		6,159
<b>Entity differences</b>		<b>28,412</b>		<b>28,412</b>	<b>6,159</b>		<b>6,159</b>
<b>Presentation differences</b>		<b>233,594</b>	<b>(233,594)</b>	<b>-</b>	<b>180,343</b>	<b>(180,343)</b>	<b>-</b>
<b>Net (decrease)/increase in the Cash Flow Statement</b>	<b>CFS</b>	<b>318,163</b>	<b>(233,594)</b>	<b>84,569</b>	<b>247,641</b>	<b>(180,343)</b>	<b>67,297</b>

'Basis differences' are the differences between the statements showing the schedules prepared in accordance with the IPSAS and in particular its Statement of Financial Performance (accruals-based accounting) and the schedules prepared in accordance with the PRMR and its Budgetary Out-turn Statement (modified cash-based accounting):

- 'Cash contributions requested' corresponds to the amount of cash contributions requested from the Members for the current year;
- 'Cash contributions received' corresponds to the amount received in cash in the current year from the Members following the call for contributions (including advances);
- 'Cheques N-1 paid in N' corresponds to the cheques issued in previous year(s) and disbursed in the current year;
- 'Cheques N unpaid at 31.12.N' corresponds to the cheques issued in the current year and not disbursed at the end of the current year;
- 'Effects of exchange rate changes on the balance of cash held in foreign currencies' is not real cash flows but impacts are reported in the Cash Flow Statement;
- 'Movements in control accounts' reconciles other transactions with the Cash Flow Statement and the Budgetary Out-turn.

'Entity differences' comes from the variation of the revenue received and associated costs incurred by the ITER Organization for the Earmarked Funds. These costs and revenue are included in the Statement of Financial Performance but outside the ITER Council-approved ITER Organization budget:

- 'Earmarked Funds Out-turn' corresponds to the balance between Income Execution and Payment Execution for Earmarked Funds for the current year.





Not far from the Tokamak Building the heat rejection zone – with its hot and cold cooling water basins (pictured), powerful pumps, heat exchangers, and cooling towers – is scaled to dissipate the heat load generated during ITER operation.

## Note A18 – Provisions

Asset Decommissioning/Site Restoration

No such provision has been recorded at 31 December 2017, as the experimental equipment is still in the Construction Phase.

## Note A19 – Contingent Liabilities

There are two cases pending before the Tribunal/Court but in the opinion of Legal Affairs of the ITER Organization, the final outcome of these claims is not determinable as at the time of the 2017 financial year closing. Accordingly, these items are not recorded as liability in these accounts. Settlements, if any, resulting from the resolution of these cases will be accounted for in the year in which the liability is determined.

## Note A20 – Spare Parts

No spare parts/inventories had been recorded at 31 December 2017.

## Note A21 – Related Party Disclosures

The ITER Organization is governed by its seven Members and works closely with their representative DAs.

All transactions made between the ITER Organization and the DAs, including construction contracts which have specific mandates, are in essence intended to build the ITER facilities.

Key management personnel of the ITER Organization are the DG and the two DDGs. The aggregate gross remuneration of EUR 0.85 million (EUR 0.84 million in 2016) includes their gross salaries and allowances. In addition, EUR 0.13 million (EUR 0.13 million in 2016) is also recognized as employer's pension and social insurance contributions.

No other material-related party transaction was identified in 2017.

## Note A22 – Events After the Reporting Date

The ITER Organization's reporting date is 31 December 2017. The Financial Statements were submitted to the Financial Audit Board by the Director-General on 23 February 2018 and updated on 23 March 2018. On the date of signing these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the Financial Statements were authorized for issue that would have impacted these statements.





Indian contractors are currently assembling two of the four steel sections that make up the cryostat – the stainless steel “thermos” that insulates the ultra-cold superconducting magnets from the environment. The ten-metre-tall lower cylinder, pictured, is formed from twelve curved segments.





# 2017 BUDGET EXECUTION STATEMENTS



## Budgetary Out-turn 2017

Amounts in thousands of Euro

	2017	2016
Total Income Execution	376,414	300,364
Total Payments Execution	287,841	227,096
<b>TOTAL BUDGETARY OUT-TURN</b>	<b>88,573</b>	<b>73,268</b>

## Income Budget Execution 2017

Amounts in thousands of Euro

	Unrealized Total Income Appropriations brought forward from 2016	Initial Total Income Budget 2017	Cumulative Income Transfers 2017	Final Total Income Budget 2017	Total Income Appropriations 2017	Total Actual Income 2017	Total Actual Income 2016	Unrealized Total Income Appropriations carried forward to 2018
<b>Budget Headings</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4 = 2 + 3</b>	<b>5 = 4 - 1</b>	<b>6</b>	<b>7</b>	<b>8 = 6 - 5</b>
Article 711 Contribution from Euratom	(2,019)	183,696	(22,009)	161,687	163,707	162,450	128,970	(1,257)
Article 712 Contribution from the People's Republic of China	0	36,731	(4,401)	32,330	32,330	32,330	25,808	(0)
Article 713 Contribution from the Republic of India	48	36,731	(4,401)	32,330	32,282	32,282	25,886	(0)
Article 714 Contribution from Japan	0	36,731	(4,401)	32,330	32,330	32,330	25,808	0
Article 715 Contribution from the Republic of Korea	(97)	36,731	(4,401)	32,330	32,427	32,427	25,713	(0)
Article 716 Contribution from the Russian Federation	(0)	36,731	(4,401)	32,330	32,330	32,330	25,808	0
Article 717 Contribution from the United States of America	55	36,731	(4,401)	32,330	32,275	30,689	25,978	(1,586)
<b>Chapter 71 Contributions</b>	<b>(2,013)</b>	<b>404,084</b>	<b>(48,414)</b>	<b>355,669</b>	<b>357,682</b>	<b>354,839</b>	<b>283,970</b>	<b>(2,843)</b>
Article 721 Internal Tax from Professional Staff	2,611	17,377	(0)	17,377	14,766	16,498	14,125	1,731
Article 722 Internal Tax from Technical Staff	(4,873)	4,707	0	4,707	9,581	3,861	3,804	(5,719)
<b>Chapter 72 Internal tax</b>	<b>(2,262)</b>	<b>22,084</b>	<b>0</b>	<b>22,084</b>	<b>24,347</b>	<b>20,359</b>	<b>17,929</b>	<b>(3,988)</b>
Article 731 Financial interest	969	1,500	-	1,500	531	734	1,093	203
Article 732 Exchange rate Income	1,041	-	-	-	(1,041)	-	42	1,041
<b>Chapter 73 Financial Income</b>	<b>2,010</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>	<b>(510)</b>	<b>734</b>	<b>1,135</b>	<b>1,244</b>
Article 741 Cancellation of Appropriations from the current year	311	-	-	-	(311)	-	-	311
Article 742 Cancellation of Appropriations from previous year(s)	2,389	-	(1,201)	(1,201)	(3,590)	-	-	3,590
Article 743 Monaco Partnership	-	550	-	550	550	425	550	(125)
Article 744 Excess Income from previous years	-	(742)	742	-	-	-	-	-
Article 745 Shortfall Income Budget of the current year	-	-	-	-	-	-	-	-
Article 749 Miscellaneous income	459	-	459	459	(0)	57	(3,220)	57
<b>Chapter 74 Other Income</b>	<b>3,160</b>	<b>(192)</b>	<b>-</b>	<b>(192)</b>	<b>(3,351)</b>	<b>482</b>	<b>(2,670)</b>	<b>3,833</b>
<b>Title VII Income</b>	<b>894</b>	<b>427,476</b>	<b>(48,414)</b>	<b>379,062</b>	<b>378,168</b>	<b>376,414</b>	<b>300,364</b>	<b>(1,754)</b>
<b>TOTAL INCOME</b>	<b>894</b>	<b>427,476</b>	<b>(48,414)</b>	<b>379,062</b>	<b>378,168</b>	<b>376,414</b>	<b>300,364</b>	<b>(1,754)</b>

## Payments Budget Execution 2017

Amounts in thousands of Euro

	Unused Total Payment Appropriations brought forward from 2016	Initial Total Payments Budget 2017	Cumulative Payments Transfers 2017	Final Total Payments Budget 2017	Total Payment Appropriations 2017	Total Actual Payments and Credit Notifications 2017	Total Actual Payments and Credit Notifications 2016	Unused Total Payment Appropriations carried forward to 2018
<b>Budget Headings</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4 = 2 + 3</b>	<b>5 = 1 + 4</b>	<b>6</b>	<b>7</b>	<b>8 = 5 - 6</b>
Article 111 Direct Investment	21,546	153,338	2,142	155,480	177,025	120,121	74,250	56,904
Article 112 Test Blanket Module	22	2,841	(345)	2,496	2,517	930	1,000	1,588
Article 113 Reserve Fund	103,895	75,000	(39,536)	35,464	139,358	-	-	139,358
<b>Title I Direct Investment (Fund)</b>	<b>125,462</b>	<b>231,179</b>	<b>(37,740)</b>	<b>193,439</b>	<b>318,901</b>	<b>121,051</b>	<b>75,250</b>	<b>197,850</b>
Article 211 Research & Development	818	4,409	(978)	3,431	4,249	2,877	5,958	1,372
<b>Title II R&amp;D Expenditure</b>	<b>818</b>	<b>4,409</b>	<b>(978)</b>	<b>3,431</b>	<b>4,249</b>	<b>2,877</b>	<b>5,958</b>	<b>1,372</b>
Article 311 Professional staff salary costs	4,527	82,942	(2,579)	80,363	84,890	81,023	68,578	3,867
Article 312 Technical Support staff salary costs	1,957	28,232	(871)	27,361	29,318	22,674	22,894	6,644
Article 313 Travel and subsistence	2,385	3,048	(584)	2,464	4,849	1,388	1,479	3,462
Article 314 Secondment allowances	-	-	-	-	-	-	-	-
Article 315 Removal expenses	577	649	32	681	1,259	632	760	627
Article 316 Promotions	2	556	122	678	680	674	650	5
Article 317 Awards	284	556	(113)	443	727	450	278	277
<b>Chapter 31 Staff Expenditure</b>	<b>9,732</b>	<b>115,983</b>	<b>(3,993)</b>	<b>111,991</b>	<b>121,723</b>	<b>106,840</b>	<b>94,639</b>	<b>14,882</b>
Article 321 General services	4,447	16,881	(2,345)	14,536	18,983	9,262	8,699	9,721
Article 322 Administrative services	3,435	8,041	(79)	7,963	11,398	7,740	6,901	3,658
Article 323 Equipment	1,201	10,997	565	11,561	12,763	6,333	8,158	6,430
Article 324 External specialized services	8,629	39,986	(4,152)	35,835	44,464	33,510	27,490	10,954
Article 325 IPA Project Associates	-	-	307	307	307	228	-	79
<b>Chapter 32 Organizational Expenditure</b>	<b>17,713</b>	<b>75,905</b>	<b>(5,704)</b>	<b>70,202</b>	<b>87,915</b>	<b>57,073</b>	<b>51,248</b>	<b>30,842</b>
<b>Title III Direct Expenditure</b>	<b>27,445</b>	<b>191,889</b>	<b>(9,696)</b>	<b>182,192</b>	<b>209,637</b>	<b>163,914</b>	<b>145,887</b>	<b>45,724</b>
<b>TOTAL EXPENDITURE</b>	<b>153,725</b>	<b>427,476</b>	<b>(48,414)</b>	<b>379,062</b>	<b>532,787</b>	<b>287,841</b>	<b>227,096</b>	<b>244,946</b>
<b>TOTAL EXPENDITURE (excluding Reserve Fund)</b>	<b>49,831</b>	<b>352,476</b>	<b>(8,878)</b>	<b>343,599</b>	<b>393,429</b>	<b>287,841</b>	<b>227,096</b>	<b>105,588</b>





The first of six independent magnets for the ITER central solenoid has successfully passed through the heat treatment and turn insulation phases at General Atomics (California, United States). Photo: US ITER



3:00 a.m., ITER site: four converter-transformers procured by China pass through the gate for delivery to the Magnet Power Conversion Buildings. In 2017, 18 highly exceptional loads were received along the ITER Itinerary.

## Commitments Budget Execution 2017

Amounts in thousands of Euro

	Unused Total Commitment Appropriations brought forward from 2016	Initial Total Commitments Budget 2017	Cumulative Commitments Transfers 2017	Final Total Commitments Budget 2017	Total Commitment Appropriations 2017	Decommitments and Transfers - of previous years' Total Commitments	Total Actual Commitments 2017	Total Actual Commitments 2016	Unused Commitment Appropriations carried forward to 2018
<b>Budget Headings</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4 = 2 + 3</b>	<b>5 = 1 + 4</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9 = 5 + 6 - 7</b>
Article 111 Direct Investment	14,043	253,309	17,670	270,979	285,022	25,373	257,203	151,868	53,192
Article 112 Test Blanket Module	661	-	-	-	661	3	320	1,253	343
Article 113 Reserve Fund	94,591	75,000	(139,945)	(64,945)	29,646	-	-	-	29,646
<b>Title I Direct Investment (Fund)</b>	<b>109,295</b>	<b>328,309</b>	<b>(122,276)</b>	<b>206,033</b>	<b>315,328</b>	<b>25,376</b>	<b>257,523</b>	<b>153,121</b>	<b>83,181</b>
Article 211 Research & Development	1,339	8	-	8	1,347	226	355	2,431	1,219
<b>Title II R&amp;D Expenditure</b>	<b>1,339</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>1,347</b>	<b>226</b>	<b>355</b>	<b>2,431</b>	<b>1,219</b>
Article 311 Professional staff salary costs	4,527	82,942	(2,579)	80,363	84,890	-	81,023	68,578	3,867
Article 312 Technical Support staff salary costs	1,957	28,232	(871)	27,361	29,318	-	22,674	22,894	6,644
Article 313 Travel and subsistence	2,017	3,048	(354)	2,693	4,711	857	2,226	2,270	3,342
Article 314 Secondment allowances	-	-	-	-	-	-	-	-	-
Article 315 Removal expenses	754	649	(51)	599	1,353	6	695	646	663
Article 316 Promotions	2	556	122	678	680	-	674	650	5
Article 317 Awards	284	556	(113)	443	727	-	450	278	277
<b>Chapter 31 Staff Expenditure</b>	<b>9,540</b>	<b>115,983</b>	<b>(3,846)</b>	<b>112,137</b>	<b>121,678</b>	<b>862</b>	<b>107,742</b>	<b>95,316</b>	<b>14,798</b>
Article 321 General services	737	24,114	(7,828)	16,286	17,024	1,940	13,464	13,806	5,500
Article 322 Administrative services	881	7,616	2,287	9,902	10,783	781	9,551	8,192	2,013
Article 323 Equipment	324	6,759	913	7,672	7,996	225	7,902	5,637	320
Article 324 External specialized services	1,656	48,543	(4,965)	43,579	45,235	2,220	41,719	34,791	5,736
Article 325 IPA Project Associates	-	-	2,512	2,512	2,512	-	2,508	-	4
<b>Chapter 32 Organizational Expenditure</b>	<b>3,598</b>	<b>87,032</b>	<b>(7,081)</b>	<b>79,951</b>	<b>83,549</b>	<b>5,167</b>	<b>75,144</b>	<b>62,426</b>	<b>13,572</b>
<b>Title III Direct Expenditure</b>	<b>13,139</b>	<b>203,015</b>	<b>(10,927)</b>	<b>192,089</b>	<b>205,227</b>	<b>6,029</b>	<b>182,886</b>	<b>157,742</b>	<b>28,370</b>
<b>TOTAL EXPENDITURE</b>	<b>123,772</b>	<b>531,333</b>	<b>(133,203)</b>	<b>398,130</b>	<b>521,903</b>	<b>31,631</b>	<b>440,764</b>	<b>313,294</b>	<b>112,770</b>
<b>TOTAL EXPENDITURE (excluding Reserve Fund)</b>	<b>29,181</b>	<b>456,333</b>	<b>6,743</b>	<b>463,076</b>	<b>492,257</b>	<b>31,631</b>	<b>440,764</b>	<b>313,294</b>	<b>83,125</b>



# Notes to the 2017 Budget Execution Statements

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B4	Statement of Unpaid Commitments	59
B5	Earmarked Funds	60

## Note B1 - Budget Execution

The Project Resource Management Regulations of the ITER Organization (PRMR) and its Implementing Measures require the preparation of certain schedules and notes for inclusion in the Financial Report. The primary budgetary schedules following the requirements from the PRMR are shown from pages 49 to 53, reflecting the Budgetary Out-turn, Income, Payments and Commitments against their respective budgets. Supplementary information required under the PRMR is provided in Notes B1 to B5.

The establishment of these schedules is governed by the basic principles of equilibrium, specification, annuality, budget accuracy, Unit of Account, universality, sound financial management and transparency.

The Budgetary Out-turn corresponds to the difference between the Actual Income and Actual Payments for a defined period of time.

At its nineteenth meeting in November 2016, the ITER Council adopted Commitments, Payments, and Income Budgets for 2017 at the level of EUR 531.33 million for Commitments and EUR 427.48 million for Payments and Income. The Commitments, Payments and Income Budgets and the financial schedules are subdivided into Titles, Chapters and Articles.

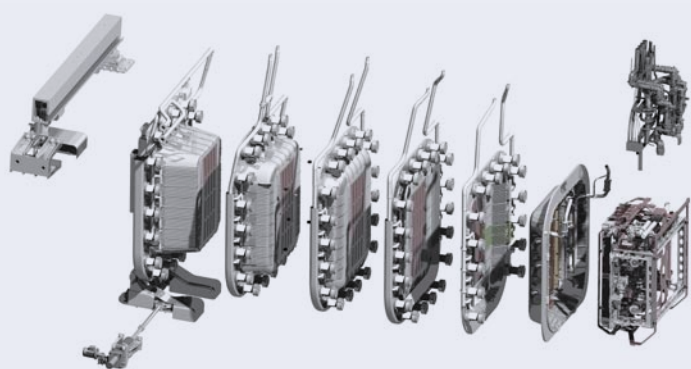
Throughout 2017, the Director-General approved several budgetary transfers within the limits of his mandate. The other budgetary transfers were approved by the ITER Council in June 2017.

All schedules for Income, Payments and Commitments are shown in tables formatted as approved by the ITER Council. They show the cumulative figures of the Cash and Short-Term In-Kind (covering Task Agreements and Seconded Staff) transactions per Budget Article.

### a) Income

The Cash Contributions from the Members are considered as Income in the year for which they are requested regardless of their date of receipt by the ITER Organization, as has been done in previous years. Other sources of income are registered in the year in which they are realized or received.

Considering a final Income Budget in 2017 of EUR 379.06 million and Unrealized Income Appropriations of EUR 0.89 million brought forward from 2016, the total Income Appropriations for 2017 were EUR 378.17 million. The 2017 Total Actual Income being equal to EUR 376.41 million, there was a shortfall in



Millions of watts of heating power can be delivered using neutral beam injection. A full-scale prototype injector for ITER, MITICA, will be tested from 2022 on at the ITER Neutral Beam Test Facility in Prima, Italy.



On the floor of the Assembly Hall is one piece of the first tool procured by Korea for the pre-assembly of vacuum vessel sectors. The completed 800-tonne metal structure will stand 22 metres tall (see next page).

realized Income of EUR 1.75 million to carry forward to 2018 which corresponds to an excess realized Cash Income of EUR 1.31 million together with a shortfall in realized Short-Term In-Kind Income of EUR 3.07 million.

#### **b) Payments**

The final Payments Budget in 2017 was EUR 379.06 million. In addition, an Unused Payment Appropriations brought forward from 2016 of EUR 153.73 million, consisting of EUR 103.89 million from the Reserve Fund, EUR 13.06 million in Undistributed Budget, and EUR 36.77 million due to temporary contracting and staffing delays, resulted in total Payment Appropriations for 2017 of EUR 532.79 million.

Of the total Appropriations for the year, EUR 139.36 million were budgeted as part of the Reserve Fund to address IO-directed design or scope changes in the ITER Organization and DAs, and EUR 46.40 million were considered as Undistributed Budget on several Budget Articles to address risks that materialize within the ITER Organization during Construction. The remaining EUR 347.02 million were allocated to ITER Organization Departments in order to satisfy the payment needs of the ITER Organization for the year.

During 2017, the ITER Organization executed Payments of EUR 287.84 million or Cash Payments of EUR 281.66 million and Short-Term In-Kind Payments, through credit notifications, of EUR 6.18 million.

Excluding the Reserve Fund and Undistributed Budget, which are not part of the planned budgets for the year, the ITER Organization realized an underrun in Payments for 2017 of EUR 58.84 million or 17% of the related Payments Appropriations. This was due to delays in the execution of several contracts, including Vacuum Vessel Field Joint Welding (VVFJW), Shattered Pellet Injection (SPI), Toroidal Coil Insert Testing, In-vessel Handling and Positioning Tools, Construction and Erection All-Risk Insurance (CEAR), the Cryoplat procurement, High-voltage Cables, On-site Logics, and others. It also stemmed from ITER Organization decisions to postpone some commitments until future years, including a Metrology Laboratory, Sector Sub-Assembly Tooling, and Off-site Warehouse space reservations.

In 2017, an amount of EUR 39.54 million was transferred from Article A113 'Reserve Fund' to Article A111 'Direct Investment' in order to execute payments on behalf of the ITER Organization and DAs as a result of approved allocations from the Reserve Fund.

#### **c) Commitments**

The final Commitments Budget in 2017 was EUR 398.13 million. In addition to this amount, an Unused Commitment Appropriation brought forward from 2016 of EUR 123.77 million, consisting of EUR 94.59 million from the Reserve Fund, EUR 6.71 million in Undistributed Budget, and EUR 22.47 million due to temporary contracting and staffing delays, resulted in total Commitment Appropriations for 2017 of EUR 521.90 million.

The total Appropriations included EUR 29.65 million in the Reserve Fund to address IO-directed design or scope changes within the project and EUR 34.78 million as Undistributed Budget on several Budget Articles to cope with risks that occur within the ITER Organization during Construction. The remaining EUR 457.48 million was allocated to the Departments in order to execute project scope for the year.

In 2017, net de-commitments and transfers of previous years' commitments of EUR 31.63 million, the total commitments execution was EUR 409.13 million. Excluding the Reserve Fund and Undistributed Budget, which were not part of the planned budgets for the year, the uncommitted balance was EUR 48.01 million or 10% of the related Commitment Appropriations. This was due to cancellation of foreseen contract for Installation of the Access Control System with postponement of scope, delay in placement of a contract for work in the Lower Cryostat (A0), delays in constructing storage areas due to non-conforming technical offers, underruns in on-site logistics costs as a result of delays in the construction of buildings, and strategic decisions to delay some construction contracts until later years.

During the year, EUR 139.95 million in Commitments were transferred from Article A113 'Reserve Fund' to Article A111 'Direct Investment' in order to initiate corresponding payments on behalf of the ITER Organization and DAs for approved allocations from the Reserve Fund.





What weighs more than 700 small cars and can embrace the cross-section of the ITER Headquarters building in its wingspan? The largest tool in ITER's assembly arsenal – the vacuum vessel sector sub-assembly tool.

## Note B2 - Members' Contributions

### Cash Contributions

Amounts in thousands of Euro

Members	Brought forward from 2016 1	Due for 2017 2	Transfers between Cash and Short Term In-Kind 3	Requested for 2017 4 = 2 + 3	Received in 2017 5	Carry forward to 2018 6 = 1 - 4 + 5
Euratom	22,149	157,761	225	157,986	190,362	54,525
People's Republic of China	9,600	32,330	-	32,330	22,730	0
Republic of India	(118)	32,282	-	32,282	-	(32,400)
Japan	-	32,330	-	32,330	36,731	4,401
Republic of Korea	20,442	32,427	-	32,427	25,093	13,107
Russian Federation	11,284	32,330	-	32,330	43,038	21,992
United States of America	(25,441)	28,974	-	28,974	-	(54,415)
<b>TOTAL</b>	<b>37,916</b>	<b>348,435</b>	<b>225</b>	<b>348,660</b>	<b>317,955</b>	<b>7,210</b>

Following the established practice, the Members' Cash Contributions have been accounted in full as Income of the year, in accordance with the budget, regardless of the cash received as shown in Income Budget Execution 2017. Consequently, over and underpayments have been carried forward as cash liabilities to/from these Members in the above statement.

### Short-Term In-Kind Contributions

Amounts in thousands of Euro

Members	Brought forward from 2016 1	Due for 2017 2	Transfers between Cash and Short Term In-Kind 3	Requested for 2017 4 = 2 + 3	Received in 2017 5	Carry forward to 2018 6 = 1 - 4 + 5
Euratom	(2,019)	3,926	(225)	3,701	4,464	(1,257)
People's Republic of China	0	0	-	0	-	-
Republic of India	48	48	-	48	-	-
Japan	-	-	-	-	-	-
Republic of Korea	(97)	(97)	-	(97)	-	-
Russian Federation	(0)	(0)	-	(0)	-	-
United States of America	55	3,357	-	3,357	1,715	(1,586)
<b>TOTAL</b>	<b>(2,013)</b>	<b>7,234</b>	<b>(225)</b>	<b>7,009</b>	<b>6,179</b>	<b>(2,843)</b>

The Members' Short-Term In-Kind Contributions are recognized when credited. Over and underpayments have been carried forward as Short-Term In-Kind liabilities to/from these Members.

### Total Contributions

Amounts in thousands of Euro

Members	Brought forward from 2016 1	Due/Requested for 2017 2	Received in 2017 3	Carry forward to 2018 4 = 1 - 2 + 3
Euratom	20,130	161,687	194,826	53,268
People's Republic of China	9,600	32,330	22,730	0
Republic of India	(69)	32,330	-	(32,400)
Japan	-	32,330	36,731	4,401
Republic of Korea	20,345	32,330	25,093	13,107
Russian Federation	11,284	32,330	43,038	21,992
United States of America	(25,386)	32,330	1,715	(56,001)
<b>TOTAL</b>	<b>35,903</b>	<b>355,669</b>	<b>324,134</b>	<b>4,367</b>



## Note B3 – Control Accounts

Amounts in thousands of Euro

Origin / Destination	Situation at 1 January 2017	Movements in 2017	Situation at 31 December 2017
EU Domestic Agency	(756)	153	(604)
IN Domestic Agency	(131)	674	543
RF Domestic Agency	-	(1)	-
JA Domestic Agency	-	(1)	(1)
KO Domestic Agency	-	-	-
CN Domestic Agency	-	-	-
US Domestic Agency	(340)	(246)	(587)
<b>Total Domestic Agencies' accounts excl. Members' contributions</b>	<b>(1,228)</b>	<b>580</b>	<b>(648)</b>
Administrative fees	190	53	243
VAT to be reimbursed	(6,594)	(2,655)	(9,249)
Sickness Insurances and Pension Funds Payables	995	254	1,249
Other	(19)	40	21
<b>Total Other</b>	<b>(5,429)</b>	<b>(2,308)</b>	<b>(7,737)</b>
<b>TOTAL</b>	<b>(6,657)</b>	<b>(1,728)</b>	<b>(8,384)</b>

The Control accounts are used to record transactions that are not reflected in the ITER Organization's budget nor related to any of the existing Earmarked Funds, covering moneys that are temporarily received or paid by the ITER Organization, and to be normally regularized within the same or the following year at the latest. Thus, together with the Income, Commitment and Payment Budget Execution Statements and Note B5- Earmarked Funds, this ensures that the totality of transactions undertaken by the ITER Organization is covered in Part B of the Financial Report. This also facilitates the reconciliation of the Cash Flow Statement with Budgetary Out-turn through Note A17.

The Domestic Agencies' accounts (excluding Members' contributions) reflect transactions with the DAs which are not adjustable or reflected in the Members' in-cash contributions. The EU-DA control account shows a final balance of EUR 604 thousand, of which the main part corresponds to the amounts paid by the ITER Organization and not yet recovered at the end of 2017 further to the 'Agreement on site cooperation' and the 'Agreement to make available offices for Fusion for Energy staff and its contractors'. The closing balance in respect of IN-DA includes an amount of EUR 551 thousands on account of VAT refund received from the French State due to IN-DA. The US-DA control account shows a final balance of EUR 587 thousand of US tax paid in advance by the ITER Organization on behalf of the US staff.

'VAT to be reimbursed' represents claims for VAT paid by the ITER Organization, for which the ITER Organization is yet to receive reimbursement from the French State.

'Sickness Insurances and Pension Funds Payables' shows a final balance of EUR 1,249 thousand deducted from ITER Organization staff salaries still to be disbursed, representing EUR 1,068 thousand for the ITER Organization staff (to be paid to the ITER Organization's sickness insurance and service provider) and EUR 181 thousand for the ITER Organization seconded staff from the European Commission (to be paid to the European Commission).

## Note B4 - Statement of Unpaid Commitments

Amounts in thousands of Euro

Budget Headings	Unpaid Total Commitments 1 January 2017	Total Actual Commitments 2017	Decommitments Transfers and Adjustments of previous years' Total Commitments	Total Actual Payments and Credit Notifications 2017	Unpaid Total Commitments 31 December 2017
	1	2	3	4	5 = 1 + 2 - 3 - 4
Article 111 Direct Investment	221,743	257,203	25,373	120,121	333,451
Article 112 Test Blanket Module	5,012	320	3	930	4,399
Article 113 Reserve Fund	-	-	-	-	-
<b>Title I Direct Investment (Fund)</b>	<b>226,754</b>	<b>257,523</b>	<b>25,376</b>	<b>121,051</b>	<b>337,850</b>
Article 211 Research & Development	6,354	355	226	2,877	3,606
<b>Title II R&amp;D Expenditure</b>	<b>6,354</b>	<b>355</b>	<b>226</b>	<b>2,877</b>	<b>3,606</b>
Article 311 Professional staff salary costs	-	81,023	-	81,023	-
Article 312 Technical Support staff salary costs	-	22,674	-	22,674	-
Article 313 Travel and subsistence	923	2,226	857	1,388	905
Article 314 Secondment allowances	-	-	-	-	-
Article 315 Removal expenses	128	695	6	632	186
Article 316 Promotions	-	674	-	674	-
Article 317 Awards	-	450	-	450	-
<b>Chapter 31 Staff Expenditure</b>	<b>1,052</b>	<b>107,742</b>	<b>862</b>	<b>106,840</b>	<b>1,091</b>
Article 321 General services	11,942	13,464	1,940	9,262	14,203
Article 322 Administrative services	6,122	9,551	781	7,740	7,152
Article 323 Equipment	13,305	7,902	225	6,333	14,649
Article 324 External specialized services	43,301	41,719	2,220	33,510	49,290
Article 325 IO Reserve	-	2,508	-	228	2,280
<b>Chapter 32 Organizational Expenditure</b>	<b>74,670</b>	<b>75,144</b>	<b>5,167</b>	<b>57,073</b>	<b>87,574</b>
<b>Title III Direct Expenditure</b>	<b>75,722</b>	<b>182,886</b>	<b>6,029</b>	<b>163,914</b>	<b>88,665</b>
<b>TOTAL EXPENDITURE</b>	<b>308,830</b>	<b>440,764</b>	<b>31,631</b>	<b>287,841</b>	<b>430,121</b>



## Note B5 – Earmarked Funds

### Earmarked Funds Out-turn

Amounts in thousands of Euro

	Actuals 2017	Actuals 2016
Total Income Execution	35,529	28,640
Total Payments Execution	7,117	22,481
<b>Total Earmarked Funds Out-turn</b>	<b>28,412</b>	<b>6,159</b>

### Earmarked Funds Execution

Amounts in thousands of Euro

Fund	Unpaid Commitments at 1 January 2017 1	Total Actual Income 2017 2	Commitments (including Adjustments on Previous Years) 3	Total Actual Payments 2017 4	Unpaid Commitments at 31 December 2017 5 = 1 + 3 - 4
TCWS	7,063	7,979	3,346	5,763	4,646
SSEN	15	2,647	-	-	15
VAS	9	1,658	1,283	140	1,152
TBS	257	633	364	1	621
TFCC	590	709	-	590	-
VVS	77,248	21,465	-	-	77,248
PPS	7,077	438	(1,789)	624	4,664
<b>TOTAL</b>	<b>92,258</b>	<b>35,529</b>	<b>3,204</b>	<b>7,117</b>	<b>88,345</b>

'Earmarked Funds' is dedicated to the realization of specific signed Arrangements/MoU between the ITER Organization and the Domestic Agencies as well as the donations received by the former. These Arrangements/MoU are not part of the ITER Council-approved ITER Organization budget.



Specialized teams in the Cryostat Workshop will execute over one kilometre of welds in the process of assembling four large cryostat sections (base, upper and lower cylinders, and top lid) from dozens of steel segments shipped from India. Every millimetre must be tested for leak tightness.

### Abbreviations and Acronyms

<b>CEA</b>	Commissariat à l’Energie Atomique et aux Energies Alternatives (France)
<b>CEAR</b>	Construction and Erection All-Risk
<b>CFS</b>	Cash Flow Statement
<b>CMA</b>	Construction Management-as-Agent
<b>CN-DA</b>	Chinese Domestic Agency
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>CWIP</b>	Capital Work in Progress
<b>DA</b>	Domestic Agency
<b>DDG</b>	Deputy Director-General
<b>DG</b>	Director-General
<b>DON</b>	Donations
<b>Eonia®</b>	Euro OverNight Index Average
<b>EU-DA</b>	European Domestic Agency
<b>F4E</b>	Fusion for Energy (name of the European Domestic Agency)
<b>FAB</b>	Financial Audit Board
<b>HI</b>	Home Institutes
<b>IA</b>	Implementing Agreement
<b>IAEA</b>	International Atomic Energy Agency
<b>IC</b>	ITER Council
<b>IFAC</b>	International Federation of Accountants
<b>IN-DA</b>	Indian Domestic Agency
<b>IO</b>	ITER Organization
<b>IPA</b>	ITER Project Associates
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISO</b>	International Organization for Standardization
<b>IUA</b>	ITER Unit of Account
<b>JA-DA</b>	Japanese Domestic Agency
<b>KO-DA</b>	Korean Domestic Agency
<b>KPI</b>	Key Performance Indicator
<b>MAC</b>	Management Advisory Committee
<b>MCP</b>	Monaco Partnership Arrangement
<b>MoU</b>	Memorandum of Understanding
<b>MQP</b>	Management Quality Program
<b>MuC</b>	Machine under Construction
<b>PA</b>	Procurement Arrangement
<b>PPE</b>	Property, Plant and Equipment
<b>PPS</b>	Port Plug Structures
<b>PRMR</b>	Project Resource Management Regulations
<b>RF-DA</b>	Russian Federation Domestic Agency
<b>SSEN</b>	Steady-State Electrical Network
<b>TA</b>	Task Agreement
<b>TBS</b>	Test Blanket System
<b>TCWS</b>	Tokamak Cooling Water System
<b>TFCC</b>	Toroidal Field Coil Conductor
<b>US-DA</b>	United States of America Domestic Agency
<b>VAS</b>	Vacuum Auxiliary System
<b>VAT</b>	Value Added Tax
<b>VVS</b>	Vacuum Vessel Sector





china eu india japan korea russia usa



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