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SUBJECT: Comprehensive Summary
2019 Budget

SUBMITTED BY: President of the European Patent Office

ADDRESSEES: Administrative Council (for decision)

SUMMARY

This document presents a comprehensive summary of the 2019 Budget and 2020 – 2023 Estimates, which is proposed for external publication. This document is a copy of the Explanatory Memorandum of CA/50/18. In addition, it contains the summary sheets of the budgeted results under both the authorisation and the IFRS views. Besides the financial data, the document contains a summary of the 2019 table of posts and a table of contents has also been added.



**Europäische
Patent-
organisation**

Verwaltungsrat

**European
Patent
Organisation**

Administrative Council

**Organisation
européenne des
brevets**

Conseil d'administration



Comprehensive Summary 2019 Budget

Estimates for 2020 - 2023

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EXPLANATORY MEMORANDUM

A. INTRODUCTION

This explanatory memorandum includes the following information:

- orientations in [section B](#);
- planning principles and assumptions in [section C](#);
- budget results in [section D](#);
- Organisational Unit / Performance Budget View in [section E](#);
- plan financial statements under the International Financial Reporting Standards (IFRS) in [section F](#);
- budgetary outlook on the EPO Boards of Appeal (BoA) in [Attachment A](#);
- overview on the budget appropriations for the European patent with unitary effect upon the introduction of the Unitary Patent Protection in [Attachment B](#).

B. ORIENTATIONS

Authorisation Budget and IFRS

The point of departure for the IFRS calculations is the Authorisation Budget. Of prime concern, however, is the Operating Result of the Organisation under IFRS.

The IFRS forecasts are determined in compliance with the IFRS regulations adopted in full by the Office as from 1 January 2011.

The IFRS forecast assumes a flat discount rate of 5% for employee benefits, identical to the one used for forecasting purpose in previous budgets. The use of a flat discount rate has the merit of assessing the liabilities and the equity on a consistent basis for the 2019-2023 time period, allowing for comparison from year to year. In addition, this approach is aligned with the one retained for the determination of the actuals for the standardised operating result and the Unit Cost, which are comparable with the forecast values under IFRS.

Framework for Strategic Orientations

The main strategic orientations applicable to the Office between 2010 and 2018 were based on the adopted "Efficiency and Quality Scenario", with the Office pursuing its operational improvements, while maintaining the capacity to finance all necessary investments. In order to implement the Strategic Orientations, Roadmaps for IT, Buildings, Co-operation, Quality and HR were executed between 2011 and 2018. The budgetary assumptions were aligned with the progress in the implementation of the different Roadmaps, in particular the finalisation of the roadmaps coming to an end in 2018. The 2019 Budget reflects remaining budgetary appropriations for finalising the New Main building after the successful hand-over in 2018 and investments in Data Centers.

The challenges ahead

The Office is currently in the process to prepare a new multi-annual work program which will contain the strategic plan guiding the initiatives of the Office in a mid-term horizon of the next five years.

With the new Presidency starting July 1, 2018, an emphasis on the strategic directions is expected in the following areas:

- Efficiency and effectiveness: The EPO should position itself at the forefront of digital transformation, through enhancing highly secure automation, and further expanding or integrating new technologies, such as automatic translation, or big data analytics
- Cooperation: Reinforcement of the European Patent Network and pronounced user focus
- Staff engagement: enhancement of EPO capacity to attract, train, retain and manage highly specialised talents.

The new strategic directions will be submitted to the Administrative Council in June 2019. The Budget 2019 has to be understood as a transition budget. Its main underlying assumptions originate from the finalisation of the Roadmaps initiated in 2010.

Ongoing initiatives

Flexibility in the employment framework

The Office has adopted a more flexible employment contract framework supporting a more precise long-term workforce and budget planning adaptable to changing conditions and refinements of strategic directions over time.

The reform aims at:

- allowing more use of contracts (fixed term / open ended),
- aligning and simplifying the recruitment procedures (by type / length of contract),
- ensuring the continuous attractiveness of the EPO as an employer, while allowing for greater flexibility.

The new employment framework is applicable to new employees as of the second quarter of 2018.

Early Certainty in Patent Granting Procedure

On 1 July 2014, Early Certainty from Search (ECfS) was implemented. Under ECfS, the EPO reprioritised its search and examination workload in order to provide certainty as early as possible in the patent granting process. With ECfS, the search report accompanied by a preliminary opinion on patentability is delivered at the latest 6 months after receipt of the file by the search division. Following the full implementation of ECfS, the Early Certainty concept was extended to Examination and Opposition as from July 2016. The target time for examination is to complete examination on average within one year from receipt of a valid request up to the intention to grant. A streamlined opposition procedure will enable opposition decisions within 15 months for standard cases.

After reaching its target for timeliness of Search, the Early Certainty initiative is expected to reach its objective for Examination / Opposition by the end of 2020 enabling the Office to fulfil the Paris Criteria.

The budgetary provisions for the Budget 2019 reflect the Early Certainty objectives. As a result, renewal fees for granted patents exceed renewal fees for patent applications as of 2018. The estimates for 2019 are based on currently observed applicants' behaviour and lead to an expected income of €580m for renewal fees for granted patents and €460m for patent applications.

Boards of Appeal (BoA)

Specific budgetary provisions have been included in the 2019 Budget, in the context of the structural reform of the EPO Boards of Appeal. These budgetary provisions mainly relate to the identification of the budgetary credits necessary for the operation of the BoA.

In order to meet the objectives to settle 90% of cases within 30 months by 2022 and to reduce the number of pending cases below 7000, the total number of permanent posts in the Boards of Appeal increases by 23 technical members from 237 total permanent posts in 2018 to 260 in 2019 (199 members and chairmen, 61 in the administrative area). 16 additional posts for technical members are foreseen in 2020. In order to underpin that the additional posts are temporary and earmarked for dealing with the backlog, no new boards will be created. The stock / backlog will be constantly reviewed as the temporary measures are supposed to end by 2024.

The implementation of the provisions together with the substantiated budget request have been submitted by the President of the BoA to the EPO Boards of Appeal Committee (BoAC) for opinion, prior to its review by the President of the Office.

A presentation of the budgetary allocations of the EPO Boards of Appeal is set out in [Attachment A](#).

Unitary Patent Protection (UPP)

Under a proviso of strict budget neutrality, it is foreseen that the European patent with unitary effect will be fully financed by its own generated revenues. Concerning the European patent with unitary effect and the Unified Patent Court, the Office expects that the participating Member States will find a solution as soon as possible which will allow for a full implementation.

Already in October 2017 the budgetary estimates regarding the European patent with unitary effect were submitted to the Select Committee for the first year of introduction which at that time was expected to be 2018.

An overview on the budget appropriations for the European patent with unitary effect upon the introduction of the Unitary Patent Protection is set out in [Attachment B](#) reflecting the structure approved with the Budget in previous years. The budget appropriations foresee an introduction of the European patent with unitary effect in 2019.

C. PLANNING PRINCIPLES AND ASSUMPTIONS

The 2019 Budget and the Estimates 2020-2023 as well as the Plan Financial Statements under IFRS are presented in Euro (€) and all values are rounded to the nearest thousand (€ '000) unless otherwise indicated. The following main assumptions were used to prepare the 2019 Budget and the Estimates 2020-2023.

Income

Volume assumptions

Current income estimates are based on 336 000 total filings in 2019, compared to an estimate of 310 000 filings in the 2018 Budget. The ratio of Euro-direct filings to International PCT filings for 2019 is assumed to remain almost constant in comparison to 2018, at 21 : 79.

On the basis of this total filings development, the Office forecasts 176 000 Euro-direct applications and PCT applications entering the regional phase during 2019 (169 000 in the 2018 Budget).

In comparison to the past budget estimates, and taking into account the production of the Office the forecast number of published patents has been increased to 125 000 in 2019 (105 000 in the 2018 Budget).

Minimum amount for national renewal fees

The minimum amounts for national renewal fees (for the 3rd to 20th year) provided for in Article 39 EPC are fixed for the periods 2019 and 2020, in accordance with the procedure approved by the Administrative Council in 1997.

Return on RFPSS net assets

The assumed return on the Reserve Funds for Pensions and Social Security (RFPSS) net assets is assumed at 5,25% (2018: 5,5%) reflecting the reduction of the long-term objective decided by the Supervisory Board of the RFPSS in its September 2018 session.

EPO Treasury Investment Fund (EPOTIF)

EPOTIF includes financial investments of the EPO which are managed by external asset managers, following the decision of the BFC in May 2018. The risk management and compliance control is performed by an investment administration company (Master KVG) operating under regulations of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin).

The average size of the EPOTIF portfolio throughout 2019 is expected at € 2 680m. The expected long term return based on the Strategic Asset Allocation is 4% p.a.

In the light of the positive cash flows generated from operating activities, the EPO does not expect it to be necessary to liquidate more than 20% (€ 536m) of the EPOTIF portfolio in 2019. The amount of realised gains or losses on the liquidation of the EPOTIF units would depend on the short term fluctuations in financial markets. The Investment Guidelines of the EPO impose on asset managers a risk limit of 20% of the portfolio (with 95% probability), which applied to the potential liquidation of a €536m stake in EPOTIF results in a potential realised gain or loss of € 107m. As the short term volatility is independent of the long term expected return of 4%, and may have either positive or negative impact on the value of assets, the EPO presents the neutral budget for realised gains and losses from EPOTIF investments, with both financial income and expenditure expected not to exceed € 107m in 2019.

For the purpose of IFRS forecast, the EPO presents an expected return of 4% on the average portfolio amount planned for 2019, which represents a long term forecasted return based on the Strategic Asset Allocation. For further details concerning the forecasted evolution of EPOTIF assets please refer to section F of the Plan Financial Statements under IFRS.

Expenditure

Planning Assumptions for Staff Costs

Following the decision of the Council, the adjustments with effect from 1 July 2018 of salary and other elements of the remuneration of permanent employees of the Office represent +2,9% in the basic salary scale applicable for Germany, +2,6% in the Netherlands and +1,0% in Austria. Additional budgetary credits were reflected in 2019 for a retroactive adjustment of the basic salary scales as of July 1, 2018 in accordance with the salary adjustment method applied. The expected salary adjustments as at 1 July 2019 and beyond have been assumed at 2,5%.

The 2019 budgetary estimates currently foresee, as in 2018, an amount of 3% of the basic salaries for career progression and bonuses to be allocated, in accordance with the provisions of the career/performance management system.

The contribution rates for the social schemes (Pensions, Healthcare insurance and Long Term Care) are unchanged in 2019 compared to 2018. The next actuarial evaluation is expected to be completed in 2019 as at 31.12.2018, in order to reassess the necessary level of contributions in light of the financial position of the schemes.

Staff

Table of Posts

The Table of Posts will continue to be limited to 7 075 permanent posts as the Office will maintain its policy of re-allocating staff resources from support areas towards the patent grant area. Out of the maximum authorised posts, 4492 examiners posts are budgeted for 2019 including a reserve of some 200 posts leading to additional flexibility in matching capacity with workload.

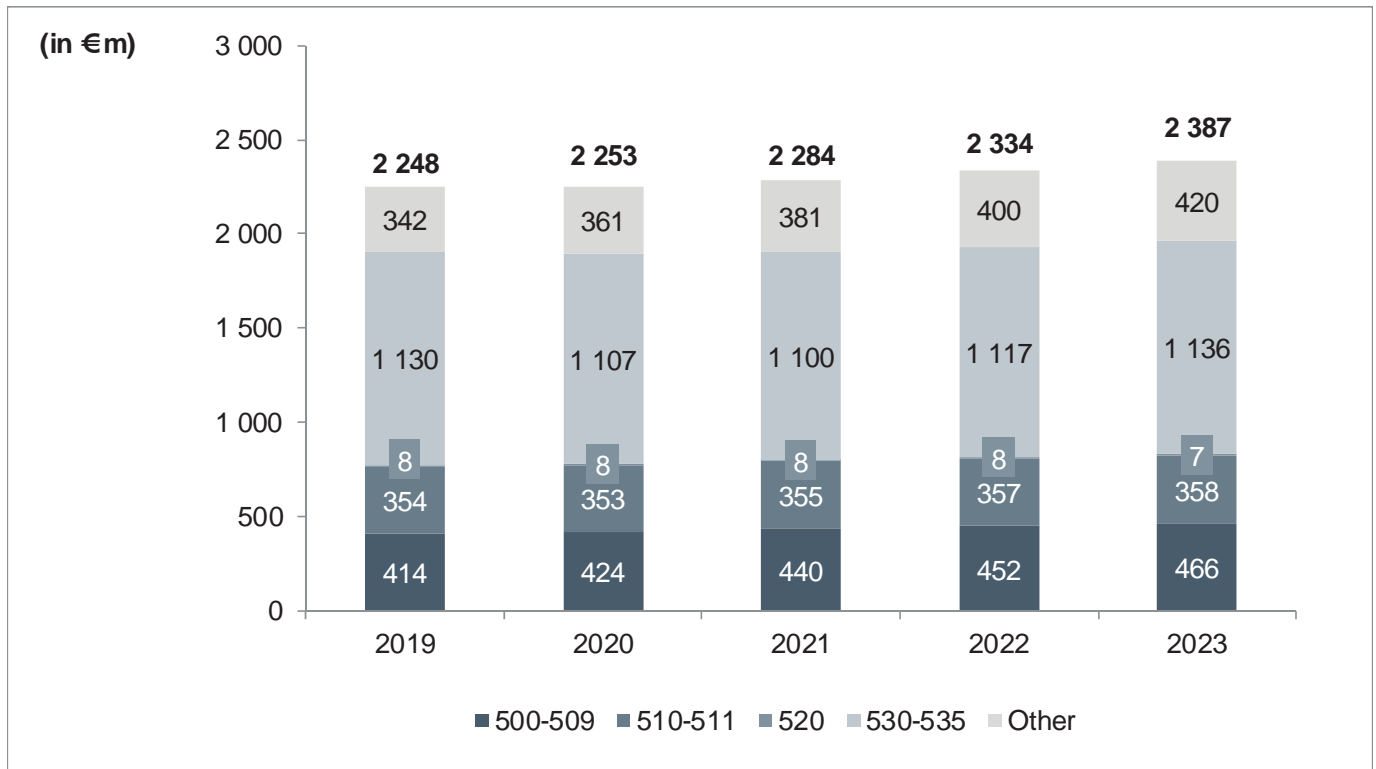
Posts foreseen for The Hague

Out of the 7 075 posts, 2 843 posts are foreseen to be located in The Hague in the 2019 Budget, which is in full respect with the provisions of the Protocol on the Staff Complement of the European Patent Office at The Hague (Protocol on Staff Complement) of 29 November 2000.

D. BUDGET RESULTS

2019 MAIN BUDGET AND 2020-2023 ESTIMATES

a) Budget Operating Income



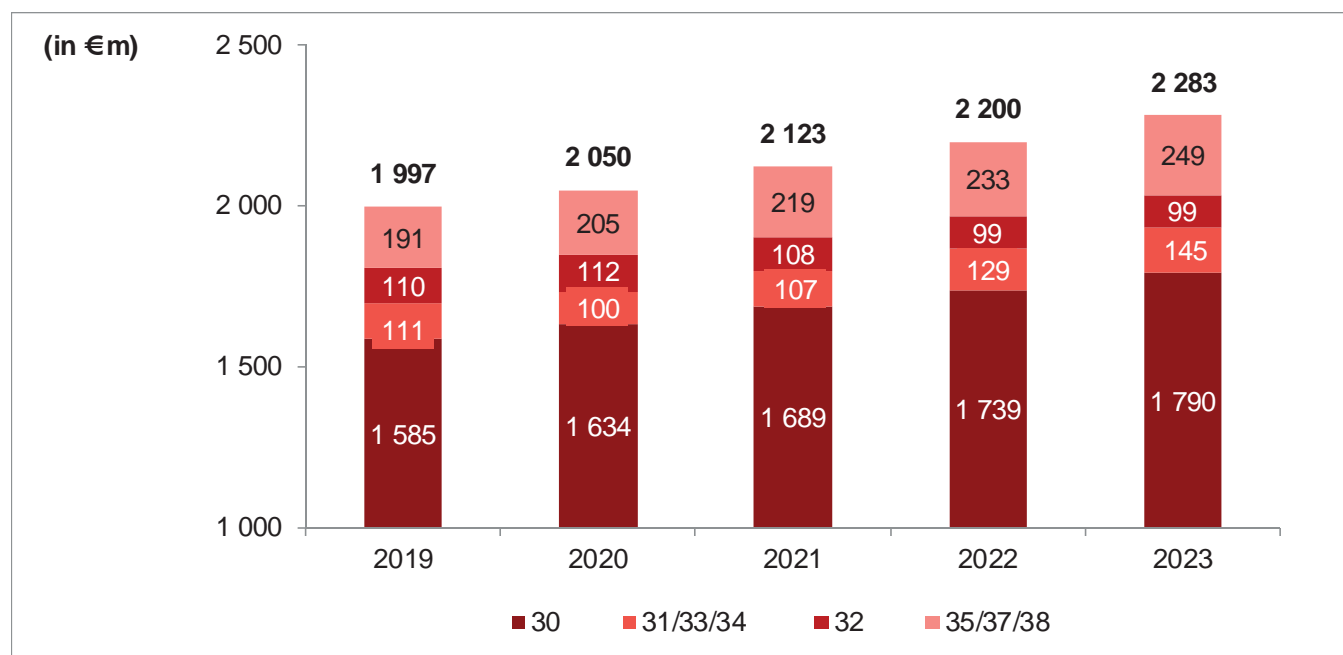
(in €m)	Actual	Budget			Estimates							
		2017	2018	2019 %	2020 %	2021 %	2022 %	2023 %				
Group												
500-509	397	397	414	+4	424	+2	440	+4	452	+3	466	+3
510-511	338	352	354	+1	353	-0	355	+0	357	+0	358	+0
520	5	7	8	+18	8	+0	8	+0	8	-5	7	-8
530-535	1 137	1 108	1 130	+2	1 107	-2	1 100	-1	1 117	+2	1 136	+2
thereof IRF	544	465	460		400		360		330		315	
thereof NRF (EPO share)	505	555	580		605		620		645		660	
Other	233	280	342	+22	361	+6	381	+5	400	+5	420	+5
TOTAL	2 110	2 144	2 248	+5	2 253	+0	2 284	+1	2 334	+2	2 387	+2

The forecasted Income for Filing and Search (Groups 500-509) is expected to increase by € 17m in Budget 2019 compared to 2018. Income for Examination, Grant and Opposition (Groups 510-511) is expected to slightly increase by € 2m in Budget 2019 compared to 2018.

Income from Designation and Renewal Fees (Group 530-535) for 2019 is estimated to increase by €22m. The ongoing productivity efforts of the Office are expected to contribute to reduce the pending stock and further quality/timeliness efforts will reduce the average pendency period of applications and "rejuvenate" the application stock pending with the EPO. Consequently, the renewal fees for applications are currently foreseen to decrease while the renewal fees for granted patents are expected to increase. The renewal fees for patent applications are estimated at €460m in 2019 and will further decrease to some €315m in 2023, whereas the higher number of grants shall materialise in higher revenues for renewal fees for granted patents. The EPO share of renewal fees for granted patents amounts to €580m in 2019 and is expected to increase to €660m until 2023, representing an increase of €80m within 5 years. It is worth stressing that the forecast for the Operating Income is based on an extrapolation of applicant's behaviour as currently observed.

Other Operating Income rises by €62m from €280m in 2018 to €342m in 2019 mainly caused by the potential realised gains on financial investments, which increase from €47m in 2018 budget to €107m in 2019. This increase results from the completion of the transition of the existing treasury portfolio to EPOTIF by the end of 2018. The amount planned for 2018 (€47m) reflected a forecasted return of 3,5% on the EPOTIF portfolio over the second half of 2018. As the EPOTIF will be fully operational as of December 2018, the planned realised gains and losses on sale of EPOTIF units reflect the increased potential volatility of the financial result.

b) Budget Operating Expenditure



(in €m)	Actual	Budget				Estimates						
	2017	2018	2019	%	2020	%	2021	%	2022	%	2023	%
Chapter												
30	1 442	1 548	1 585	+2	1 634	+3	1 689	+3	1 739	+3	1 790	+3
31/33/34	64	101	111	+10	100	-10	107	+7	129	+21	145	+12
32	101	123	110	-10	112	+2	108	-3	99	-9	99	+0
35/37/38	62	102	191	+89	205	+7	219	+7	233	+6	249	+7
TOTAL	1 668	1 873	1 997	+7	2 050	+3	2 123	+4	2 200	+4	2 283	+4

In comparison with the 2018 Budget, the total Operating Expenditure increases by € 124m (+7%).

Staff costs (Ch. 30) increase by € 37m (+2,4%) compared to 2018. The moderate increase of basic salary expenditure (excluding internal tax) of € 19m is driven by four elements:

- firstly, the inflation adjustment, resulting from the application of the salary method, assumed at 2,5% as of July 1, 2019;
- secondly, the effect of the career progression and bonuses, which continues to be assumed at a value of 3% for planning purposes;
- thirdly, the opt-in of former Non-Renewal Contracts (NRCs) that are reflected under Basic Salaries (Art. 3000) according to the Modernisation of the employment framework while the relating expenditure was previously part of Art. 3010 (Remuneration of other employees);
- fourthly, the reduction in the 2019 staff costs, which is compensating the increases in the three elements before, and is mainly the result of the difference in the salary between the newcomers and retirees as well as revised parameters relating to the timing of filling open posts.

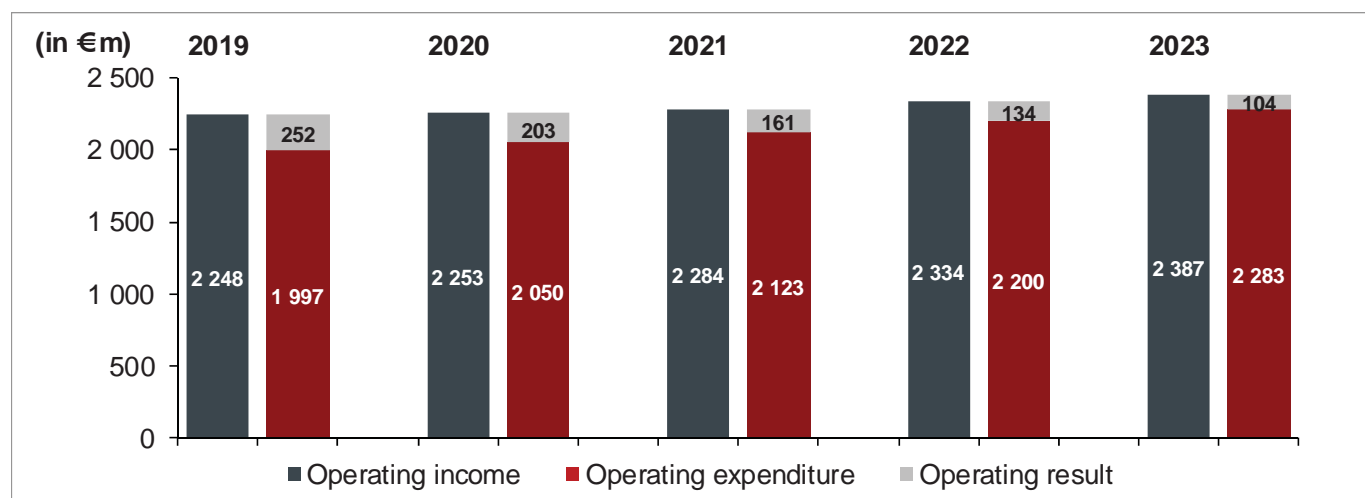
Within Ch. 30, Expenditure for Tax Adjustments increases by € 6m reflecting the higher number of pensioners in 2019, which is covered by the Office Budget. This obligation as well as the liability for Family Allowances for pensioners is not funded by the PSSS and hence is covered by the Office.

The increase in Ch. 31/33/34 is mainly driven by higher expenditure for Property and Equipment Maintenance, in particular budgetary appropriations for the optimisation of technical installations for buildings in Munich for € 28m, Budgetary credits for other projects are reduced compared to 2018 Budget going along with the finalisation of Project New Main. Ch. 31 includes € 20m of budgetary appropriations for the completion of the construction site for New Main, including demolition of Old Main and landscaping both taking place in 2019.

The decrease in IT Operating Expenditure (Ch. 32) by € 13m is caused by an alignment of budgetary appropriations to the capacity of the IT organisation.

The increase in Other Expenditure (Ch. 35/37/38) by € 89m is mainly caused by revised estimates reflecting the size and the asset allocation of the EPOTIF portfolio (budgetary credits for potential realised losses of EPOTIF amount to € 107m in 2019 Budget).

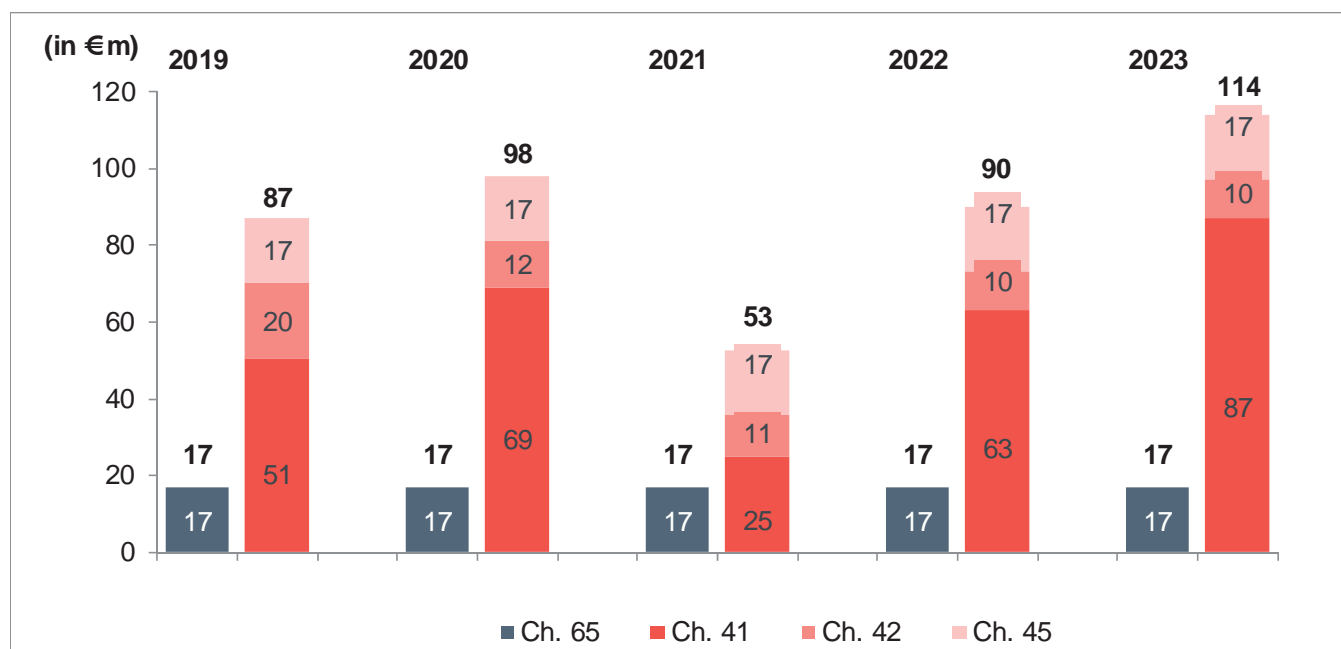
c) Budget Operating Result



(in €m)	Actual	Budget		Estimates			
	2017	2018	2019	2020	2021	2022	2023
Operating income	2 110	2 144	2 248	2 253	2 284	2 334	2 387
Operating expenditure	1 668	1 873	1 997	2 050	2 123	2 200	2 283
Operating result	442	271	252	203	161	134	104

The Operating Result is the difference between the Operating Income and the Operating Expenditure. The Operating Result for 2019 is expected to decrease by € 19m in comparison to 2018.

d) Budget Capital Income and Expenditure



(in €m)	Actual	Budget			Estimates							
	2017	2018	2019	%	2020	%	2021	%	2022	%	2023	%
Capital income												
Ch. 65	17	17	17	+0	17	+0	17	+0	17	+0	17	+0
Capital expenditure												
Ch. 41	97	77	51	-34	69	+37	25	-64	63	+153	87	+38
Ch. 42	18	24	20	-17	12	-40	11	-8	10	-9	10	+0
Ch. 45	17	17	17	+0	17	+0	17	+0	17	+0	17	+0
TOTAL	132	117	87	-26	98	+12	53	-46	90	+71	114	+27
Capital result	-115	-101	-71	-30	-81	+15	-36	-56	-73	+103	-97	+33

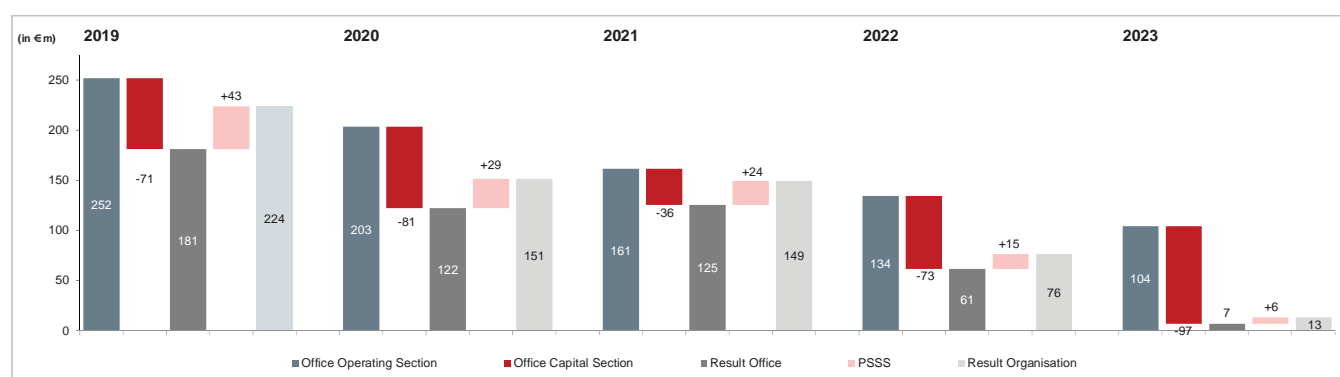
Budgeted Capital Income (Ch. 65) includes only home loans repayments by staff, which are equal to the expected amount of home loans to be granted (Capital Expenditure, Ch. 45).

The capital result is expected to improve by € 30m going along with the finalisation of project New Main for which budgetary credits for capital investments are foreseen in Ch. 41. The Capital Expenditure for Project New Main reflected in Ch. 41 amounts to € 7m and relates to the last payment milestones of this project. Capital Expenditure until 2023 is mainly driven by additional investment needs in buildings in The Hague.

The decrease in Ch. 42 for IT Capital Expenditure is linked to the finalisation of the IT Roadmap for which budgetary appropriations were included in the 2018 Budget. The 2019 Budget foresees € 7m for Patent Granting Process, € 7m for Knowledge Management Service Program and € 6m for Data Centers totalling up to € 20m.

e) Total Authorisation Budget Results of the Office and of the Organisation

The overall budget result for the period is as follows:



(in €m)	Actual	Budget		Estimates			
	2017	2018	2019	2020	2021	2022	2023
Office Operating Section	442	271	252	203	161	134	104
Office Capital Section	-115	-101	-71	-81	-36	-73	-97
Result Office	327	170	181	122	125	61	7
PSSS	76	64	43	29	24	15	6
Result Organisation	403	235	224	151	149	76	13

The planned 2019 Result of the Organisation amounts to € 224m, a decrease of € 11m (-4,7%) compared to Budget 2018.

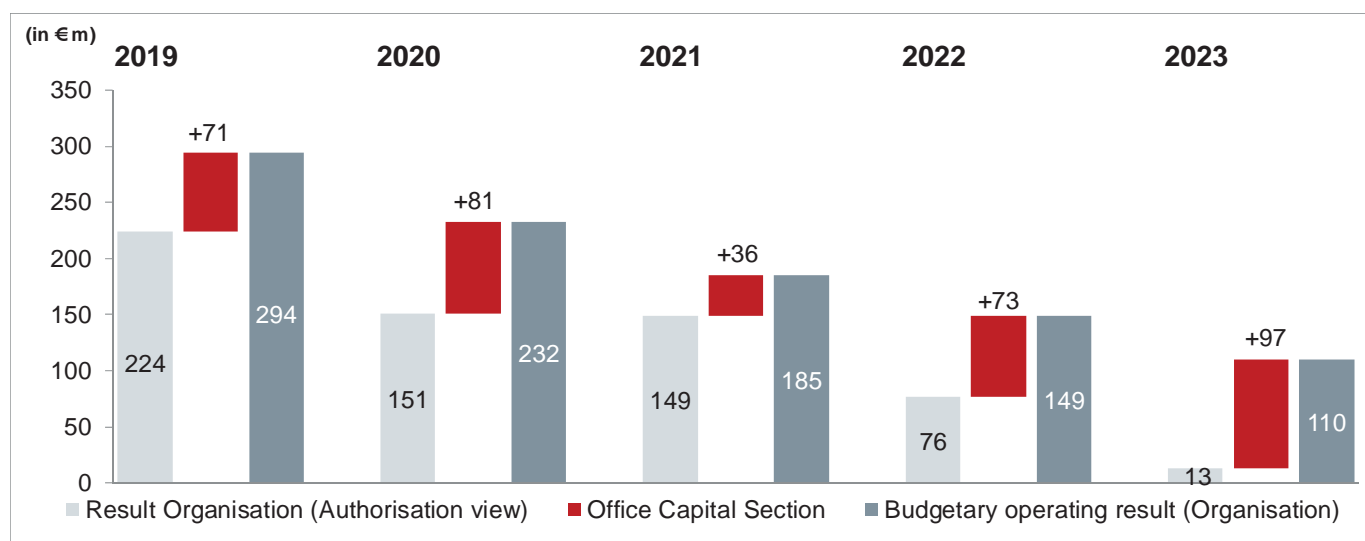
The result of the Office Operating Section is mainly driven by moderate increases in procedural fees and a partial shift of renewal fees from patent applications to renewal fees for granted patents on the Income side. The suspension of the biennial inflation-based fee adjustment in 2018/2020/2022 and the PCT strategy with further fee reductions reduce the result of the Office over the planning period. On the Expenditure side, the increase is determined by staff costs which increase by 3% on average p.a. As a consequence, the total result of the Office Operating Section is expected to decrease over the planning period.

Over the period, the development of the Office Capital Section is dominated by investments in Buildings. With the completion of Project New Main, the Capital Expenditure will decrease in 2019 compared to 2018 leading to an improvement of the Office Capital Section. In 2020 improvement projects for transparent and modern working environment in Munich and intended building investments in The Hague in the late planning period induce further decreases.

With the projected number of pensioners increasing over the planning period, the result of PSSS is expected to decrease in 2019-2023 compared to 2018.

f) Basis for transition from Authorisation Budget to IFRS

The basis for the transition from the Authorisation Budget to IFRS presentation of the results is the Total Authorisation Budget result of the Organisation which is adjusted by the capital transactions that are not relevant for IFRS, in order to calculate the Budgetary Operating Result (Organisation).



Basis for transition from Authorisation Budget to IFRS (in €m)	Actual	Budget		Estimates			
	2017	2018	2019	2020	2021	2022	2023
Result Organisation (Authorisation view)	403	235	224	151	149	76	13
Elimination of capital transactions Office - Office Capital Section	115	101	71	81	36	73	97
Budgetary operating result (Organisation)	518	335	294	232	185	149	110

E. ORGANISATIONAL UNIT / PERFORMANCE BUDGET VIEW

The Organisational Unit / Performance Budget View has been prepared in accordance with the purpose of the budgetary funds of the Main Budget Operating and Capital Section (entrusted funds perspective).

EPO Budget 2019								
	Total 2019	DG 0	DG 1	DG 4	DG 5	BoA	UPP	Unallocated
		Management	Patent Granting Process	Corporate Services	Legal and Int. Affairs	Boards of Appeal	Unitary Patent Protection	
Headcounts - Permanent Posts								
Job group 1-4	5 549	110	4 688	404	131	216	0	0
Job group 5-6	1 526	71	812	477	122	44	0	0
Total	7 075	181	5 500	881	253	260	0	0
Operating section - Expenditure in €'000								
Ch./Grp.								
Staff								
300 Basic Salaries and allowances, internal tax	1 528 880	22 230	1 033 215	146 155	46 025	64 235	0	217 020
301-305 Other (including NRCs, trainings, school)	55 845	575	7 125	46 545	395	390	0	815
31 Property and equipment maintenance	67 150	0	0	67 150	0	0	0	0
32 IT Operating Expenditure	110 000	0	0	110 000	0	0	0	0
33 Co-operation and meetings	23 660	15	190	2 240	19 625	0	485	1 105
34 Patent information and communication	19 900	8 450	6 425	835	4 165	25	0	0
35 General operating expenditure	84 240	7 305	11 865	60 370	4 240	460	0	0
37 Project expenditure funded by third parties	135	0	35	0	100	0	0	0
38 Financial expenditure	107 100	0	0	107 100	0	0	0	0
30-38 Total Operating Expenditure	1 996 910	38 575	1 058 855	541 210	74 550	65 110	485	218 125
Operating section - Income in €'000								
Ch./Grp.								
500 Income from filing and search (EPC)	222 640	0	222 640	0	0	0	0	0
501 Income from filing and search (PCT)	125 980	0	125 980	0	0	0	0	0
509 Income from other search work	65 110	0	65 110	0	0	0	0	0
510 Income from examination, grant and opposition (EPC)	339 665	0	339 665	0	0	0	0	0
511 Income from examination (PCT)	14 670	0	14 670	0	0	0	0	0
52 Appeal fees	8 290	0	0	0	0	8 290	0	0
530 Designation and renewal fees (EPC)	1 125 575	0	0	0	0	0	0	1 125 575
532 Renewal fees (UPP)	2 830	0	0	0	0	0	2 830	0
535 Extension and validation fees	1 460	0	0	0	0	0	0	1 460
540 Patent information products	7 710	0	0	0	7 710	0	0	0
55 General operating income, internal tax	225 785	0	3 800	1 780	2 300	20	0	217 885
57 Third-party project funding	135	0	35	0	100	0	0	0
58 Financial income	108 600	0	0	108 600	0	0	0	0
50-58 Total Operating Income	2 248 450	0	771 900	110 380	10 110	8 310	2 830	1 344 920
Total Operating Result	251 540	-38 575	-286 955	-430 830	-64 440	-56 800	2 345	1 126 795
Capital Section in €'000								
Total Capital Expenditure	87 335	0	0	87 335	0	0	0	0
Total Capital Income	16 800	0	0	16 800	0	0	0	0
Total Capital Result	-70 535	0	0	-70 535	0	0	0	0
Result Office	181 005	-38 575	-286 955	-501 365	-64 440	-56 800	2 345	1 126 795
References to Unit Cost Products								
		DG 0	DG 1	DG 4	DG 5	BoA	UPP	Unallocated
Product name	-		1. Filing 2. Search 3. Examination 4. Opposition	-	6. Patent Information / Publication 7. Technical Cooperation 8. European Patent Academy	5. Appeal	-	-

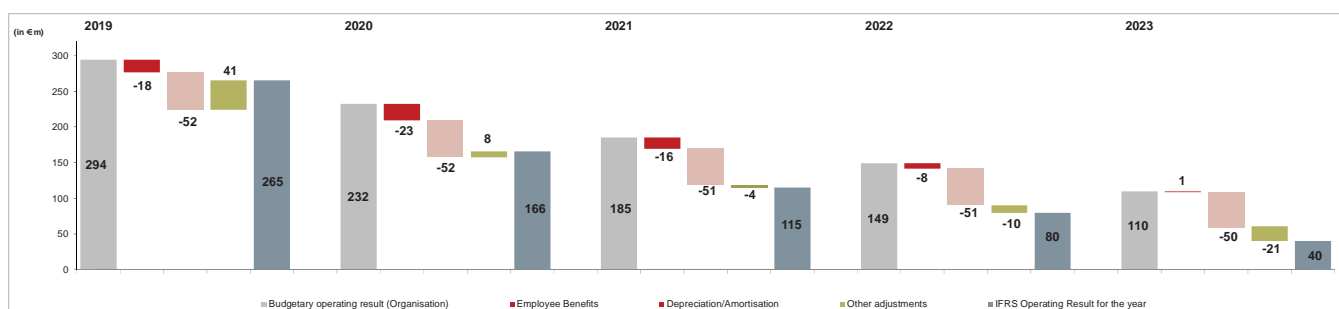
F. PLAN FINANCIAL STATEMENTS UNDER IFRS

a) Statement of Comprehensive Income

Operating Result

The Plan Statement of Comprehensive Income is derived from the Authorisation Budget of the Organisation (Operating Result) in which the following adjustments are being made:

- Employee Benefits: Contributions to PSSS are replaced by the current and past service cost on DBOs and service cost for SSP. Further adjustments relate to differences in benefits paid as well as changes in provisions for leave not taken and personnel expenses for home loans;
- Depreciation and amortisation for fixed assets are introduced;
- Other adjustments relate to timing difference in revenue recognition for procedural fees (Prepaid Fees difference between opening and closing balance), recognition of internally developed intangible assets, finance lease adjustments and reallocations of Income and Expenditure between Operational and Financial Result which are treated differently between the Authorization Budget and IFRS.



Transition from Authorisation Budget to IFRS (in €m)	Budget / Plan		Estimates / Plan			
	2018	2019	2020	2021	2022	2023
Budgetary operating result (Organisation)	335	294	232	185	149	110
Employee Benefits	-52	-18	-23	-16	-8	1
Depreciation/Amortisation	-48	-52	-52	-51	-51	-50
Other adjustments	-79	41	8	-4	-10	-21
IFRS Operating Result for the year	157	265	166	115	80	40

The IFRS Operating Result comprises of the following items:

(in €m)	Budget / Plan		Estimates / Plan			
	2018	2019	2020	2021	2022	2023
Operating income	1 898	2 006	1 937	1 918	1 913	1 913
Employee benefit expenses	-1 386	-1 385	-1 433	-1 473	-1 510	-1 545
Depreciation and amortisation expenses	-48	-52	-52	-51	-51	-50
Other operating expenses	-309	-304	-286	-279	-272	-278
IFRS Operating Result for the year	157	265	166	115	80	40

The Operating Income for 2019 is expected to increase by € 108m in comparison with Plan 2018 mainly resulting from higher production. The evolution up to 2023 reflects the implementation of Early Certainty as well as the constant aim of the Office towards quality and efficiency. The EPO is currently implementing the new Revenue Recognition Standard IFRS 15 (Revenue from Contracts with Customers). The IFRS Plan 2019-2023 already reflects the impact on revenues and equity as currently expected.

Employee benefits in 2019 are constant compared to 2018 (slight decrease by € 1m), which is mainly resulting from a re-assessment of current service costs reflecting the estimates provided by the International Service for Remunerations and Pensions (ISRP) of the OECD. As it was done in previous years, the ISRP has provided estimates on the Defined Benefit Obligations (DBOs). The Office has continued to retain for the 2019 Plan and Estimates 2020-2023 the flat 5% forecast discount rate, already used since 2012.

The Operating Result for 2019 is positive at € 265m, an increase of € 108m compared to the budgeted Operating Result for 2018.

Financial Result

The composition of IFRS Financial Result comprises of the following items:

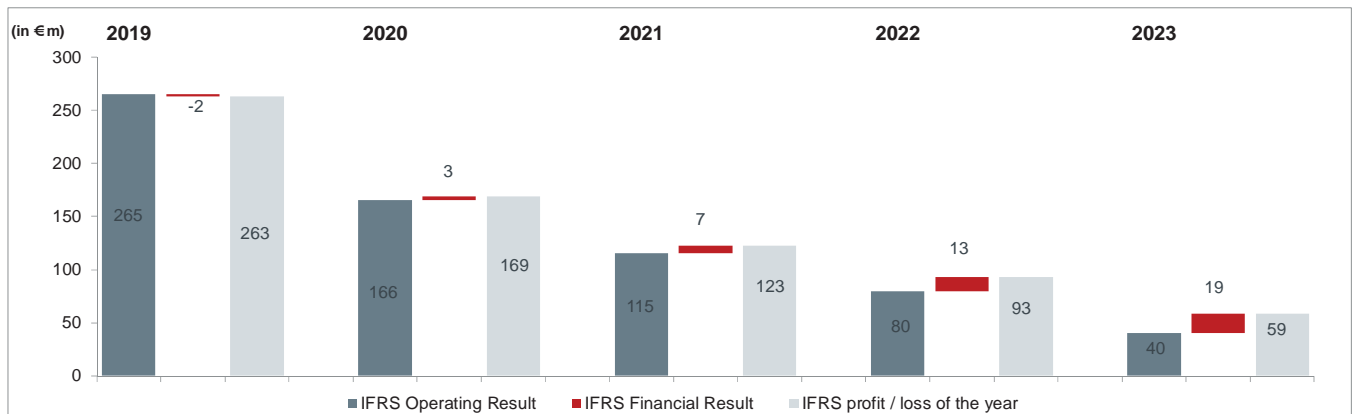
Composition of Financial Result (in €m)	Budget / Plan		Estimates / Plan			
	2018	2019	2020	2021	2022	2023
EPOTIF	38	99	111	123	135	147
RFPSS	429	451	475	500	527	556
DBO interest cost	-515	-554	-585	-617	-651	-685
Other Financial result	1	1	2	2	2	1
IFRS Financial Result for the year	-46	-2	3	7	13	19

The Financial Result is mainly triggered by the return on the expected level of assets of the RFPSS and EPOTIF assets netted by the interest cost of the Defined Benefit Obligation (DBO).

The contributions of EPOTIF to the Financial result amounts to some € 100m p.a. reflecting the expected long-term performance of the investments (4%). The actual Financial Result remains highly volatile, as being dependent on the evolution of the financial markets.

IFRS Total Comprehensive Income for the year

The forecast IFRS results of the Organisation are shown below, with a breakdown between the Organisation's Operating and Financial results.



(in €m)	Budget / Plan		Estimates / Plan			
	2018	2019	2020	2021	2022	2023
IFRS Operating Result	157	265	166	115	80	40
IFRS Financial Result	-46	-2	3	7	13	19
IFRS profit / loss of the year	111	263	169	123	93	59
IFRS Other Comprehensive Income for the year	-	-	-	-	-	-
IFRS Total Comprehensive Income for the year	111	263	169	123	93	59

The expected IFRS Profit for the year 2019 amounts to € 263m, an improvement of € 152m compared to Budget 2018.

Since the Other Comprehensive Income for the year is primarily driven by fluctuations on the financial market, no forecast value is considered here.

The Total Comprehensive Income for the year is therefore identical to the projected Profit under IFRS.

b) Statement of Financial Position under IFRS

(in €m)	Budget / Plan		Estimates / Plan			
	01.01.2019	31.12.2019	2020	2021	2022	2023
Fixed Assets	750	768	797	783	805	852
RFPSS Net Assets	8 587	9 046	9 528	10 039	10 579	11 150
Liquidity	0	15	15	15	15	15
EPOTIF	2 566	2 878	3 126	3 399	3 617	3 801
Other Assets	352	384	422	461	508	553
TOTAL ASSETS	12 255	13 092	13 888	14 697	15 523	16 370
Equity	-258	5	174	296	389	448
DBO	11 038	11 661	12 303	12 975	13 675	14 404
Prepaid Fees	981	903	868	848	844	860
Other Liabilities	494	522	543	577	615	659
TOTAL EQUITY AND LIABILITIES	12 255	13 092	13 888	14 697	15 523	16 370

Assets

Fixed Assets

The fixed assets of the EPO (property, plant, equipment and intangible assets) are expected to slightly increase in 2019, following the investments after the completion of the building investments for the New Main in The Hague and the capitalisation of intangible assets related to the IT Roadmap. The increase in fixed assets until 2023 is mainly determined by investments in buildings as well as improvement projects for the building landscape in Munich and The Hague.

RFPSS Net Assets

The RFPSS assets are expected to grow by 5,4% on average p.a. reaching €11 150m in 2023. The growth of the RFPSS assets reflects the contributions netted with benefits paid to the pension and health schemes as well as the expected return rate of 5,25%. Additionally, a cash injection of €200m has been assumed in the last quarter of 2018.

EPOTIF

Following the revision of Investment Guidelines, financial assets relating to EPOTIF are now included as a separate line item in the balance sheet while until Budget 2018 the assets purchased by the Office for treasury investments were shown as bonds and liquidity. The evolution of the EPOTIF portfolio is driven by the expected return rate of 4,0% reduced by the management fees as well as systematic cash transfers into EPOTIF.

Liquidity

The liquidity is made up of cash and cash equivalents as defined under IFRS. The low level of the remaining Office liquidity reflects the assumptions of systematic cash transfers from the Office liquidity into EPOTIF.

Other Assets

Other Assets are planned to increase between 2019 and 2023 following the growth in trade and other receivables as well as in Salary Savings Plan Assets.

Equity and Liabilities

Equity

The equity of € 5m in 2019 is expected to progressively improve reaching € 448m in 2023.

It should be noted that the standardised negative equity at the beginning of 2019 amounts to € -258m and is less negative than the one as at end of the latest closed accounting period (31.12.2017): € - 10 866m). The variation is primarily caused by the difference between the assumed discount rate of 5% for the DBO (comprising pensions as most important item) and the actual discount rate at the year-end closure 2017 (e.g. 1,71% for pensions).

The volatility of the discount rate, combined with the high sensitivity of the assessment of the liabilities to changes in the discount rate, can lead, at least in the short term, to extreme fluctuations in the actual values of the liabilities and consequently of the negative equity. The development of the Equity shown in the table before is therefore meant to illustrate primarily its expected evolution from year-to-year when computed on a comparable basis, rather than to allow for comparison between forecasts and actuals.

Defined Benefit Obligations (DBO)

Throughout the planning period, a standardized discount rate of 5% has been applied. The Defined Benefit Obligations are planned to grow on average by 5,4% p.a., which is equivalent to the expected growth of the RFPSS assets, reaching € 14 404m in 2023.

Prepaid Fees

The prepaid fees (current and non-current), shows a decrease of € 43m (-5%) over the planning period, corresponding to the planned evolution of pending applications following the implementation of Early Certainty and the efficiency gains in the Patent Granting Process of the last years.

Other Liabilities

Other liabilities (current and non-current) mainly increase due to higher trade and other payables as well as Salary Savings Plan Obligations. The weight of the Salary Savings Plan in both assets and liabilities is still low throughout the planning period, and amounts to € 250m or 1,7% of the DBO by the end of 2023.

Future renewal fees for European and Unitary patents as well as costs for work not completed in the excess of prepaid fees received

(in €m)	Budget / Plan		Estimates / Plan			
	2018	2019	2020	2021	2022	2023
NPV of renewal fees	3 600	4 000	4 300	4 500	4 700	4 900
Costs for work not completed in excess of prepaid fees received	-800	-710	-680	-650	-640	-610

The net present value (NPV) of future renewal fees for European and Unitary patents is not recognized as an asset in the Organisation's Statements of Financial Position, because there is no obligation on the part of the patentees to renew their patents each year. These fees are therefore excluded from the Statement of Financial Position under IFRS, but are included as a note to the Financial Statements, for information purposes only.

Another element that is not recognized in the Statement of Financial Position under IFRS relates to costs for work not completed in excess of prepaid fees. Despite the achievements in recent years as well as the expected further improvements in productivity it is expected that income from procedural and renewal fees for pending applications will not cover its remaining costs in granting the patent. As such future operating losses do not meet the criteria of a liability, no provision is recognized. While the amount of prepaid fees for work not yet completed is included as a liability, the true cost of performing this work in excess of those fees received is not. The amount of costs for work not completed in excess of prepaid fees decreases over the period 2019-2023 caused by two aspects:

- firstly, the prepaid fees balance for pending applications is expected to decrease going along with the Early Certainty objectives and the efficiency gains,
- secondly, the expected productivity increases lead to a reduction of the expected costs not covered by the procedural fees.

The table above shows the respective figures of these two elements. When considering these amounts, however, it should be borne in mind that they relate to two different portfolios: namely granted patents and pending applications. Furthermore, they also have different cash flow patterns. Therefore, they are, as such, not directly comparable with each other. Furthermore, they do not fully represent the future development of costs and revenues. Also they do not take account of future renewal fees on pending applications.

G. ANNEXES

1. Authorisation Budget (Organisation)

**SUMMARY OF INCOME AND EXPENDITURE
(PARTS I AND II OF THE BUDGET)**

in €'000

	INCOME	EXPENDITURE
PART I MAIN BUDGET	2 516 790	2 516 790
PART II PENSION AND SOCIAL SECURITY SCHEMES	383 770	383 770
TOTAL	2 900 560	2 900 560
Adjustment for transferrals within the budget:		
PART I MAIN BUDGET		
Section 1: Operating section		
Office contributions to pension and social security schemes (Articles 3002/3)		223 150
Transfer of operating result		251 540
Section 2: Capital section		
Transfer of operating result (Article 6000)	251 540	
PART II PENSION AND SOCIAL SECURITY SCHEMES		
Section 1: Operating section		
Office contributions to pension and social security schemes (Articles 5600-5)	223 150	
Transfer of operating results		42 590
Section 2: Capital section		
Transfer of operating results (Article 6600)	42 590	
NET TOTAL	2 383 280	2 383 280

- 2. Authorisation Budget**
 - Office**
 - Pension and Social Security Schemes**
 - Office and Pension and Social Security Schemes – consolidated**

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS - OFFICE

in €'000

Chap. Art.	E X P E N D I T U R E	Accounts	Budget		Estimates			
		2017	2018	2019	2020	2021	2022	2023
Section 1: Operating section								
30	Staff	1 442 394	1 547 880	1 584 725	1 634 105	1 688 800	1 739 125	1 790 415
31	Property and equipment maintenance	39 325	58 995	67 150	47 535	41 065	42 375	43 425
32	IT Operating Expenditure	100 749	122 650	110 000	111 800	108 300	99 000	99 000
33	Co-operation and meetings	12 129	23 300	23 660	32 115	45 705	66 330	80 410
34	Patent information and communication	12 260	18 490	19 900	20 050	20 315	20 565	20 865
35	General operating expenditure	61 378	91 220	84 240	84 545	86 410	87 480	90 980
37	Project expenditure funded by third parties	38	140	135	135	135	135	135
38	Financial expenditure	117	10 205	107 100	120 100	132 100	145 100	158 100
30-38	Sub-total	1 668 391	1 872 880	1 996 910	2 050 385	2 122 830	2 200 110	2 283 330
	Operating section, surplus	442 008	271 000	251 540	203 100	161 185	134 385	103 575
	TOTAL operating section	2 110 399	2 143 880	2 248 450	2 253 485	2 284 015	2 334 495	2 386 905
Section 2: Capital section								
410	Land and buildings	96 184	71 000	47 785	68 745	24 440	62 610	86 555
411	Furniture and equipment	904	5 630	2 750	485	495	510	515
42	IT tangible and intangible assets	18 292	24 000	20 000	12 000	11 000	10 000	10 000
45	Loans and advances to third parties	16 800	16 800	16 800	16 800	16 800	16 800	16 800
49	Authorisation budget, surplus	326 744	170 370	181 005	121 870	125 250	61 265	6 505
	TOTAL capital section	458 924	287 800	268 340	219 900	177 985	151 185	120 375

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS - OFFICE

in €'000

Chap. Art.	I N C O M E	Accounts	Budget		Estimates			
		2017	2018	2019	2020	2021	2022	2023
Section 1: Operating section								
500	Income from filing and search (EPC)	201 844	209 440	222 640	229 060	240 355	247 905	256 685
501	Income from filing and search (PCT)	133 446	129 560	125 980	129 385	133 340	136 945	140 765
509	Income from other search work	61 583	58 105	65 110	65 110	66 270	67 430	68 595
510	Income from examination, grant and opposition (EPC)	322 711	334 790	339 665	338 425	339 750	341 345	342 335
511	Income from examination (PCT)	15 559	17 135	14 670	15 035	15 405	15 770	16 135
52	Appeal fees	5 247	6 700	8 290	8 290	8 290	7 875	7 255
530	Designation and renewal fees (EPC)	1 136 298	1 104 655	1 125 575	1 084 165	1 050 145	1 026 075	1 016 370
532	Renewal fees (UPP)	0	2 830	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	284	960	1 460	1 840	1 830	1 820	1 810
540	Patent information products	7 871	8 010	7 710	7 710	7 720	7 720	7 730
55	General operating income	209 584	221 905	225 785	231 780	239 065	245 605	252 110
57	Third-party project funding	38	140	135	135	135	135	135
58	Financial income	15 934	49 650	108 600	121 600	133 600	146 600	159 600
50-58	Sub-total	2 110 399	2 143 880	2 248 450	2 253 485	2 284 015	2 334 495	2 386 905
TOTAL operating section		2 110 399	2 143 880	2 248 450	2 253 485	2 284 015	2 334 495	2 386 905
Section 2: Capital section								
60	Operating section, surplus	442 008	271 000	251 540	203 100	161 185	134 385	103 575
650	Repayment of staff home loans	16 916	16 800	16 800	16 800	16 800	16 800	16 800
TOTAL capital section		458 924	287 800	268 340	219 900	177 985	151 185	120 375

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a FINREGS
PENSION AND SOCIAL SECURITY SCHEMES
in €'000

Art.	EXPENDITURE	Accounts		Budget		Estimates		
		2017	2018	2019	2020	2021	2022	2023
Section 1: Operating section								
3600	Pension payments	178 033	187 000	214 000	230 500	243 500	258 500	276 500
3601	Salary Savings Plan (SSP)	490	1 785	2 900	3 300	3 400	3 900	4 300
3605	Healthcare	68 021	74 070	73 060	76 785	80 695	84 805	89 125
3605	Long-term care	5 331	5 925	6 080	6 235	6 385	6 545	6 705
3605	Death	1 254	2 385	2 445	2 505	2 580	2 655	2 745
3605	Incapacity payments fixed-term	0	0	105	170	225	300	370
Sub-total		253 130	271 165	298 590	319 495	336 785	356 705	379 745
Operating section, surplus		57 721	64 410	42 590	29 205	23 890	15 025	6 320
TOTAL operating section		310 851	335 575	341 180	348 700	360 675	371 730	386 065
Section 2: Capital section								
Chap.								
46	Transfer of pension and social security scheme surpluses to reserve funds / SSP	57 721	64 410	42 590	29 205	23 890	15 025	6 320
TOTAL capital section		57 721	64 410	42 590	29 205	23 890	15 025	6 320
INCOME								
Section 1: Operating section								
5600	Pension contributions	203 593	215 730	214 825	216 250	222 685	228 430	236 815
5601	Salary Savings Plan (SSP)	13 688	16 725	18 090	20 055	21 315	22 425	23 850
5605	Healthcare	77 758	86 635	90 895	94 345	97 900	101 380	105 115
5605	Long-term care insurance	14 557	14 100	14 820	15 375	15 970	16 540	17 170
5605	Death insurance	1 254	2 385	2 445	2 505	2 580	2 655	2 745
5605	Incapacity contributions	0	0	105	170	225	300	370
TOTAL operating section		310 851	335 575	341 180	348 700	360 675	371 730	386 065
Section 2: Capital section								
Chap.								
66	Net income pension and social security schemes	57 721	64 410	42 590	29 205	23 890	15 025	6 320
TOTAL capital section		57 721	64 410	42 590	29 205	23 890	15 025	6 320

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS
OFFICE / PENSION AND SOCIAL SECURITY SCHEMES
 (consolidated, adjusted for transferrals within the budget)
 in € '000

Chap.	E X P E N D I T U R E	Accounts			Budget			
		2017	2018	2019	2020	2021	2022	2023
Section 1: Operating section								
30	Staff	1 239 279	1 331 770	1 361 575	1 403 985	1 450 735	1 493 740	1 537 520
31	Property and equipment maintenance	39 325	58 995	67 150	47 535	41 065	42 375	43 425
32	IT Operating Expenditure	100 749	122 650	110 000	111 800	108 300	99 000	99 000
33	Co-operation and meetings	12 129	23 300	23 660	32 115	45 705	66 330	80 410
34	Patent information and communication	12 260	18 490	19 900	20 050	20 315	20 565	20 865
35	General operating expenditure	61 378	91 220	84 240	84 545	86 410	87 480	90 980
36	Pension and Social Security Schemes	272 990	271 165	298 590	319 495	336 785	356 705	379 745
37	Project expenditure funded by third parties	38	140	135	135	135	135	135
38	Financial expenditure	117	10 205	107 100	120 100	132 100	145 100	158 100
30-38	Sub-total	1 738 265	1 927 935	2 072 350	2 139 760	2 221 550	2 311 430	2 410 180
	Operating section, surplus	479 869	335 410	294 130	232 305	185 075	149 410	109 895
	TOTAL operating section	2 218 134	2 263 345	2 366 480	2 372 065	2 406 625	2 460 840	2 520 075
Section 2: Capital section								
410	Land and buildings	96 184	71 000	47 785	68 745	24 440	62 610	86 555
411	Furniture and equipment	904	5 630	2 750	485	495	510	515
42	IT tangible and intangible assets	18 292	24 000	20 000	12 000	11 000	10 000	10 000
45	Loans and advances to third parties	16 800	16 800	16 800	16 800	16 800	16 800	16 800
	Consolidated surplus	364 605	234 780	223 595	151 075	149 140	76 290	12 825
	TOTAL capital section	496 785	352 210	310 930	249 105	201 875	166 210	126 695

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS
OFFICE / PENSION AND SOCIAL SECURITY SCHEMES
 (consolidated, adjusted for transferrals within the budget)
 in €'000

Chap. Gr.	I N C O M E	Accounts		Budget				
		2017	2018	2019	2020	2021	2022	2023
Section 1: Operating section								
500	Income from filing and search (EPC)	201 844	209 440	222 640	229 060	240 355	247 905	256 685
501	Income from filing and search (PCT)	133 446	129 560	125 980	129 385	133 340	136 945	140 765
509	Income from other search work	61 583	58 105	65 110	65 110	66 270	67 430	68 595
510	Income from examination, grant and opposition (EPC)	322 711	334 790	339 665	338 425	339 750	341 345	342 335
511	Income from examination (PCT)	15 559	17 135	14 670	15 035	15 405	15 770	16 135
52	Appeal fees	5 247	6 700	8 290	8 290	8 290	7 875	7 255
530	Designation and renewal fees (EPC)	1 136 298	1 104 655	1 125 575	1 084 165	1 050 145	1 026 075	1 016 370
532	Renewal fees (UPP)	0	2 830	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	284	960	1 460	1 840	1 830	1 820	1 810
540	Patent information products	7 871	8 010	7 710	7 710	7 720	7 720	7 730
55	General operating income	209 584	221 905	225 785	231 780	239 065	245 605	252 110
56	Pension and Social Security Schemes	107 735	119 465	118 030	118 580	122 610	126 345	133 170
57	Third-party project funding	38	140	135	135	135	135	135
58	Financial income	15 934	49 650	108 600	121 600	133 600	146 600	159 600
TOTAL operating income		2 218 134	2 263 345	2 366 480	2 372 065	2 406 625	2 460 840	2 520 075
Section 2: Capital section								
60/66	Operating section, surplus	479 869	335 410	294 130	232 305	185 075	149 410	109 895
650	Repayment of staff home loans	16 916	16 800	16 800	16 800	16 800	16 800	16 800
TOTAL capital section		496 785	352 210	310 930	249 105	201 875	166 210	126 695

3. IFRS Results

PLAN IFRS STATEMENTS OF COMPREHENSIVE INCOME
EUROPEAN PATENT ORGANISATION
(in €'000)

	IFRS Plan 2019
REVENUE	
Revenue from patent and procedural fees	
Ch. 50 Filing and search	342 210
51 Examination, grant and opposition	440 360
52 Appeal	6 610
53 Designation, renewal, extension and validation	1 127 345
54 Other revenue	76 620
Other operating income	
Ch. 55 General operating income	7 625
57 Third party project funding	135
Work performed and capitalised	5 000
Total	2 005 905
EXPENSES	
Employee benefit expenses	
Ch. 30 Staff/Personnel expenses	1 384 760
Depreciation and amortisation expenses	
Ch. 39 Depreciation	52 390
Other operating expenses	
Ch. 31 Property and equipment maintenance	67 150
32 IT Operating Expenditure	110 000
33 Co-operation and meetings	22 070
34 Patent information and public relations	19 900
35 General operating expenditure	84 340
37 Project expenditure funded by third parties	135
Total	1 740 745
OPERATING RESULT	265 160
Finance revenue	
Ch. 58 Finance income	557 495
Finance costs	
Ch. 38 Finance expenditure	559 755
FINANCIAL RESULT	-2 260
PROFIT/(LOSS) FOR THE YEAR	262 900
Other Comprehensive Income	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	262 900

**PLAN IFRS STATEMENTS OF COMPREHENSIVE INCOME
EUROPEAN PATENT ORGANISATION**

(in €'000)

IFRS Plan			
2020	2021	2022	2023
354 690	368 180	378 725	390 945
392 090	378 105	364 570	346 470
9 040	9 955	10 575	10 700
1 095 100	1 074 660	1 071 165	1 075 515
76 620	77 790	78 950	80 125
4 125	4 100	4 075	4 075
135	135	135	135
5 000	5 000	5 000	5 000
1 936 800	1 917 925	1 913 195	1 912 965
1 433 105	1 473 440	1 509 530	1 544 875
51 900	50 510	51 360	50 400
47 535	41 065	42 375	43 425
111 800	108 300	99 000	99 000
22 180	22 270	22 390	22 505
20 050	20 315	20 565	20 865
84 395	86 670	87 975	91 610
135	135	135	135
1 771 100	1 802 705	1 833 330	1 872 815
165 700	115 220	79 865	40 150
595 090	633 020	673 645	715 835
592 115	625 625	660 710	697 270
2 975	7 395	12 935	18 565
168 675	122 615	92 800	58 715
0	0	0	0
168 675	122 615	92 800	58 715

**PLAN IFRS STATEMENTS OF FINANCIAL POSITION
EUROPEAN PATENT ORGANISATION**

Estimated opening Statement of Financial Position per 01.01.2019 and
Plan IFRS Statement of Financial Position per 31.12.2019 (in € '000)

	IFRS Plan	
	01.01.2019	31.12.2019
NON-CURRENT ASSETS		
Property, plant and equipment	687 338	700 081
Intangible assets	62 417	67 921
RFPSS assets	8 586 862	9 046 472
EPOTIF	2 566 432	2 878 476
Home loans to staff	70 110	70 310
Salary Savings Plan Asset	101 099	124 934
	12 074 258	12 888 194
CURRENT ASSETS		
Trade and other receivables	174 245	182 090
Home loans to staff	6 740	6 660
Cash and cash equivalents	190	15 000
	181 175	203 750
TOTAL ASSETS	12 255 434	13 091 943
EQUITY AND LIABILITIES		
EQUITY		
Retained earnings	-2 042 013	-1 779 113
Other reserves	1 784 179	1 784 179
TOTAL EQUITY	-257 834	5 065
NON-CURRENT LIABILITIES		
Defined benefit obligation	11 037 903	11 661 374
Salary Savings Plan Obligation	101 099	124 934
Trade and other payables	40 660	41 670
Prepaid fees	604 435	556 405
	11 784 098	12 384 383
CURRENT LIABILITIES		
Trade and other payables	343 860	347 120
Provisions	8 585	8 585
Prepaid fees	376 725	346 790
	729 170	702 495
TOTAL LIABILITIES	12 513 268	13 086 878
TOTAL EQUITY AND LIABILITIES	12 255 434	13 091 943

PLAN IFRS STATEMENTS OF FINANCIAL POSITION EUROPEAN PATENT ORGANISATION Plan IFRS Statements of Financial Position per 31.12.2020 - 31.12.2023 (in €'000)			
IFRS Plan			
31.12.2020	31.12.2021	31.12.2022	31.12.2023
728 643	714 586	738 233	787 556
68 791	68 372	66 586	64 031
9 527 792	10 038 767	10 578 692	11 149 577
3 125 513	3 398 626	3 616 814	3 801 483
70 310	70 310	70 230	70 250
152 019	181 799	214 254	249 849
13 673 067	14 472 461	15 284 809	16 122 746
193 080	202 500	216 625	226 045
6 660	6 660	6 690	6 680
15 000	15 000	15 000	15 000
214 740	224 160	238 315	247 725
13 887 807	14 696 620	15 523 123	16 370 471
-1 610 438	-1 487 823	-1 395 023	-1 336 308
1 784 179	1 784 179	1 784 179	1 784 179
173 740	296 356	389 156	447 871
12 303 257	12 974 925	13 674 533	14 403 664
152 019	181 799	214 254	249 849
42 840	44 245	45 500	46 745
534 460	522 695	520 210	529 490
13 032 577	13 723 665	14 454 498	15 229 748
340 045	342 330	346 350	353 422
8 335	8 495	8 890	9 420
333 110	325 775	324 230	330 010
681 490	676 600	679 470	692 852
13 714 067	14 400 265	15 133 968	15 922 600
13 887 807	14 696 620	15 523 123	16 370 471

4. 2019 Table of Posts

Job Group	Budget					
	Office (DGs 0, 1, 4, 5)		Boards of Appeal		TOTAL EPO	
	2018	2019	2018	2019	2018	2019
1	5	5	1	1	6	6
2	28	30	29	29	57	59
3	338	328	148	171	486	499
4	4 957	4 970	15	15	4 972	4 985
5	233	235	5	5	238	240
6	1 277	1 247	39	39	1 316	1 286
Total	6 838	6 815	237	260	7 075	7 075

Notes

Art. 25(2) a) FinRegs

The President is authorised to delete a number of redundant vacant permanent posts in Job Groups 5 and 6 up to the yearly limit specified in Annex I FinRegs and replace these with the corresponding number of permanent posts in Job Groups 2 to 4 (CA/D 21/13).

Employees on fixed-term

Employees on fixed-term appointments may account up to 20% of the total of budgeted posts at the European Patent Office.

Job Groups

- 1 Includes grades G16 - G17
- 2 Includes grades G15 - G16
- 3 Includes grades G13 - G15
- 4 Includes grades G7 - G13
- 5 Includes grades G7 - G10
- 6 Includes grades G1 - G9

5. Attachment A – Boards of Appeal

Budgetary outlook on the EPO Boards of Appeal (BOA)

Income (in €'000)	2019
Direct Budgetary Income	
Class 5 Article 5200 Appeal fees	8 290
IFRS adjustment (Prepaid Fees)	-1 675
Revenue for product Appeal	6 615

Cost (in €'000)	2019
Direct Budgetary Operating Expenditure	
Class 3	
Group 300 Salaries and Allowances	64 235
Group 301-303 Other Staff Costs	460
Chapter 31 Property and Equipment Maintenance	3 155
Chapter 32 IT Operating Expenditure	750
Chapter 33 Cooperation and Meetings	30
Chapter 34 Patent Information and Communication	25
Chapter 35 General Operating Expenditure	1 545
Subtotal	70 200
Forecast allocation of other costs under the Unit Cost methodology	15 909
Cost for product Appeal	86 109

Capital Expenditure (in €'000)	2019
Direct Budgetary Capital Expenditure	
Class 4	
Chapter 41 Property and Equipment	920
Total Capital Expenditure	920

6. Attachment B – Unitary Patent Protection (UPP)

Budget appropriations for the European patent with unitary effect*

Income (in €'000)	2019	2020
UPP Fees collected by EPO		
- Renewal Fees for granted patents (Article 5320)	2 800	20 740
- Additional Fees for belated payment of Renewal Fees (Article 5320)	30	210
- Administrative Fees (Article 5520)	50	120
Deduction of Administrative Fees collected on behalf of the participating Member States	-50	-120
A. Total EPO UPP Budgetary Income	2 830	20 950
B. Member States Share of UPP Income (50%)	1 415	10 475

Costs based on Authorisation Budget Expenditure (in €'000)	2019	2020
Direct operational costs and share of indirect operational costs**	980	2 040
Deduction of Administrative Fees collected on behalf of the participating Member States	-50	-120
Cost of EPO in management of UPP	930	1 920
Translation Compensation (Article 3320)	400	810
Costs attributable to UPP according to Art. 146 EPC**	1 330	2 730
Shortfall to be recovered in future year***	0	0
Shortfall recovered from previous year***	0	0
Net UPP Income to be distributed to participating Member States (Article 3325)***	85	7 745
Total EPO UPP Budgetary Costs (incl. net UPP Income to be distributed to participating Member States)	1 415	10 475

C. (= A. - B.) EPO Share of UPP Income	1 415	10 475
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Notes

* The overview presents the budget appropriations foreseen in the Authorisation Budget and is based on the fee amounts fixed in Article 2 of the Rules relating to Fees for Unitary Patent Protection (RFeesUPP), the assumed Base UP Penetration rate as explained in SC/18/15 and the entry into operation of the European patent with unitary effect in 2019.

** The expenses attributable to the European patent with unitary effect according to Art. 146 EPC are part of the Office's annual Budget to be discussed by the Budget and Finance Committee (BFC) and adopted by the Administrative Council (AC). Pursuant to Article 1(2) of the UPP Budgetary and Financial Rules, they have to be submitted beforehand to the Select Committee (SC) for opinion. In the case of expenses not immediately and directly attributable to the administration of the European patent with unitary effect the share of such costs to be charged to the European patent with unitary effect will be determined on the basis of the cost accounting methodology of the Office.

*** As per the current Rules relating to Fees, in case a shortfall appears in the first years of operation of the European patent with unitary effect, it is foreseen to recover it in the following years. The relevant lines are shown in the table for sake of completeness, even though they might not be applicable, taking into account that under the underlying assumptions a surplus is expected already in the first year.

