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SUBJECT: Comprehensive Summary
2020 Budget

SUBMITTED BY: President of the European Patent Office

ADDRESSEES: Administrative Council (for decision)

SUMMARY

This document presents a comprehensive summary of the 2020 Budget and 2021 – 2024 Estimates, which is proposed for external publication. This document is a copy of the Explanatory Memorandum of CA/50/19. 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 2020 table of posts and a table of contents has also been added.



**Europäische
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Verwaltungsrat

**European
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Organisation**

Administrative Council

**Organisation
européenne des
brevets**

Conseil d'administration



Comprehensive Summary 2020 Budget

Estimates for 2021 - 2024

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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](#)
- Forecast in [section F](#)
- Plan financial statements under the International Financial Reporting Standards (IFRS) in [section G](#)
- Budgetary outlook for the EPO Boards of Appeal (BoA) in [Attachment A](#)
- Overview of the budget appropriations for the European patent with unitary effect upon the introduction of 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 on 1 January 2011.

The IFRS forecast assumes a flat discount rate of 5% for employee benefits, which is identical to the one used for forecasting purposes in previous budgets. The use of a flat discount rate has the merit of permitting an assessment of liabilities and equity on a consistent basis for the 2020-2024 time period, allowing for comparison from year to year. In addition, this approach is aligned with the one used to determine the actuals for the standardised operating result and the unit cost, which are comparable with the forecast values under IFRS.

Strategic Plan 2023

In June 2019, the Administrative Council approved the Strategic Plan 2023 (SP2023) which defines the main orientations the Office will follow in the years to come. Ultimate aim is to strive towards a modern and operationally and financially sustainable organisation. The Strategic Plan provides a clear roadmap for achieving that vision distributed over five goals:

- Goal 1: Build an engaged, knowledgeable and collaborative organisation
- Goal 2: Simplify and modernise EPO IT systems
- Goal 3: Deliver high-quality products and services efficiently
- Goal 4: Build a European patent system and network with a global impact
- Goal 5: Secure long-term sustainability

The budget appropriations of the SP2023 cover various natures of budget expenditure. The envelope covers some EUR 200m for digital transformation projects and some EUR 700m for building projects. The detailed assignments to SP2023 will be decided upon at a later point in time.

Ongoing initiatives

Early certainty in the patent grant procedure

Early Certainty from Search (ECfS) was introduced on 1 July 2014. 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 six 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, starting in 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 2020 budget reflect the Early Certainty objectives. As a result, renewal fees for granted patents will exceed by a large margin renewal fees for patent applications in 2020. The estimates for 2020 are based on currently observed applicants' behaviour and lead to an expected income of EUR 600m for renewal fees for granted patents and EUR 465m for patent applications.

Advice of the Actuarial Advisory Group ("Three Wise Men") for the social schemes in 2020

Based on the actuarial study carried out in 2019 the pension and healthcare contribution rates are proposed to be changed starting 2020. The Actuarial Advisory Group has been mandated to review the main parameters and assumptions underlying the contribution rates. They came to the recommendation that the Discount Rate used for evaluating the liabilities should be revised from 3.50% to 3.25% in real terms. Other parameters were revised as well, leading globally to an increase of the contribution rates in order to enhance the probability of meeting the payment obligations over the long run.

Boards of Appeal (BoA)

Specific budgetary provisions have been included in the 2020 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 objective of settling 90% of cases within 30 months by 2023 and to reduce the number of pending cases to below 7 000, the total number of permanent posts in the Boards of Appeal will increase by 16 additional posts for technical members in 2020. In 2019 already 23 posts for technical members were created. In total, the Boards of Appeal will have 276 total permanent posts in 2020 (215 members and chairpersons, 61 in the administrative area).

In order to underpin that the additional posts are temporary and are 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 2026.

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 review by the President of the Office.

Furthermore and following the earlier decision of the Administrative Council to gradually increase the appeal fee, the 2020 Budget reflects an increase of the Appeal Fee by 20% as of 1 April 2020. Together with this fee increase an extension and refinement of the reimbursement policy takes place to provide for further incentives for applicants to withdraw their appeal.

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 EPO expects that the participating member states will find a solution which will allow for a full implementation.

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

An overview of the budget appropriations for the European patent with unitary effect upon the introduction of unitary patent protection is set out in Attachment B and reflects the structure approved with the budget in previous years. The budget appropriations foresee the introduction of the European patent with unitary effect in 2020.

C. PLANNING PRINCIPLES AND ASSUMPTIONS

The 2020 budget and the estimates 2021-2024 as well as the plan financial statements under IFRS are presented in euros (EUR). All values are rounded to the nearest thousand (EUR '000) unless otherwise indicated. The following main assumptions were used to prepare the 2020 budget and the estimates 2021-2024.

Income

Volume assumptions

Current income estimates are based on 187 000 Euro-direct applications and PCT applications that will enter the regional phase in 2020 (2019 budget: 176 000).

In comparison with past budget estimates, and taking into account the production of the Office, the forecast number of published patents has been foreseen at 120 000 in 2020 (2019 budget: 125 000).

Simplification of the EPO's fee system

The proposed changes to simplify the EPO fee system fall under SP2023 and relate to four categories:

Biennial inflation-based fee adjustment, freeze of international search and international preliminary examination fee; simplifying the fee structure of administrative fees

The principle of applying biennial inflation based fee adjustments was adopted by the Council in 2005 and has been a major factor in ensuring the stability and sustainability of the Office's finances, as well as protecting users from fee volatility. The past inflation reported by the Eurostat HICP (Harmonized Index for Consumer Prices for 28 EU countries) for the last 24 months amounted to 3.7% as of June 2019.

The Office proposes a general increase of 4% with effect as of 1 April 2020. In addition, the Office is proposing to freeze the fee relating to PCT international search and the fee for PCT international preliminary examination. The resulting loss of income is counterbalanced by applying, to the remaining fees, an increase slightly higher than inflation (4% vs 3.7%), so that the financial end-result is neutral for both the Organisation and the users, and brings the average increase back to 3.7%.

The Office is continuing with the simplification of the fee structure of certain administrative fees; four different types of fees are aligned into one single fee amount.

Given the very low number of late payments via bank transfer, the deletion of the surcharge fee will reduce the administrative burden for both the users and the Office.

Adjustment of the reduction in the fee for the supplementary European search where the international or supplementary international search report was drawn up by a European ISA

The amount of the applicable reduction is to be adjusted from EUR 1 110 to EUR 1 150. Applicants will pay EUR 200 instead of EUR 190.

Extension of the reduction scheme of the PCT search and examination fees

The reduction scheme of the PCT search and examination fees applied today for certain developing countries is extended to all applicants (legal or natural persons) from states having a validation agreement with the EPO.

Cost coverage of Appeals and further refunds for withdrawals

Following the introduction effective 1 April 2014 on of the possibility of a partial reimbursement of the appeal fee in case of a withdrawal of the appeal in amended Rule 103 EPC, it is now proposed to extend and refine this reimbursement policy so as to provide for further incentives for applicants to withdraw their appeal.

It is in particular proposed to introduce some additional partial reimbursement options and to extend the reimbursement policy to withdrawal of requests for oral proceedings and to the situation where an abridged decision can be issued. This is expected to have a positive impact on procedural efficiency and workload of the Boards of Appeal and thus a positive impact on its cost coverage. Furthermore, it is proposed to increase the appeal fee in accordance with the Administrative Council's earlier decision to gradually increase the appeal fee. The 2020 Budget reflects the introduction of such reimbursements as well as an increase of the Appeal Fee by 20% effective 1 April 2020.

Minimum amount for national renewal fees

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

Return on RFPSS net assets

The return on the RFPSS plan assets is maintained at 5.25% and will serve for planning purposes and is in line with the current long-term performance objective of the RFPSS.

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. Risk management and compliance control is performed by an investment administration company (Master KVG) operating under the regulations of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin).

The expected long-term return based on the strategic asset allocation is retained at 4% p.a. compared to 2019.

In light of the positive cash flows generated from operating activities, the EPO does not expect it to be necessary to liquidate more than 20% (EUR 580m) of the EPOTIF portfolio in 2020. The amount of realised gains or losses on the liquidation of the EPOTIF units would depend on short-term fluctuations in financial markets. The EPO's Investment Guidelines impose on asset managers a risk limit of 20% of the portfolio (with 95% probability), which applied to the potential liquidation of a EUR 580m stake in EPOTIF results in a potential realised gain or loss of EUR 116m. As 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 an overall neutral budget for realised gains and losses from EPOTIF investments, with both financial income and expenditure expected not to exceed EUR 116m in 2020, following the assumptions applied for the 2019 Budget.

For the purpose of the IFRS forecast, the EPO presents an expected return of 4% on the average portfolio amount planned for 2020, which represents a long-term forecasted return based on the strategic asset allocation. For further details of the forecast evolution of EPOTIF assets, see section G 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 2019 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, +3,7% in the Netherlands and +2,0% in Austria. Furthermore, a retroactive adjustment of the basic salary scales as of July 1, 2018 has been considered in accordance with the salary adjustment method applied. The expected salary adjustments as at 1 July 2020 and beyond have been assumed at 2,5%.

The 2020 budgetary estimates currently foresee, as in 2019, an amount of 3% of basic salaries to be allocated for career progression and bonuses, in accordance with the provisions of the career/performance management system.

As it was done in previous years, the International Service for Remunerations and Pensions (ISRP) of the OECD has provided estimates on the Defined Benefit Obligations (DBOs) on the basis of the International Civil Servants Life Table ICSLT 2013. The Office has continued to retain for the 2020 Budget and Estimates 2019-2022 the flat 5% forecast discount rate, already used in the budgets since 2012.

The contribution rates for the social schemes 2020 are proposed as follows:

Contribution rates (1/3 Staff, 2/3 Office)	Old rates	New rates
Healthcare insurance*	9.0%	9.0%
Long Term Care	1.5%	1.8%
Incapacity insurance of fixed-term employees**	0.48%	0.48%
Pensions:		
- Old Pension Scheme	29.4%	32.7%
- New Pension Scheme***	24.9%	28.8%
SSP contribution	4.5%	3.9%

(*) The rates above are before deduction of the contribution for working spouses which, in 2019, amounted to 0.10% for the Office and 0.05% for Staff.

(**) The incapacity scheme applies to fixed-term staff who would be on total incapacity at the end of their contract.

(***) The New Pension Scheme contribution below the amount of twice the salary at the Grade G1-4 amounts to 28.8% for Defined Benefits and to 3.9% for contributions to the SSP. For the amounts exceeding the capped salary the contribution to the SSP is 32.7%.

The next actuarial evaluation is expected to be completed in 2021 as at 31 December 2020, in order to reassess the level of contributions required 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 to the patent grant area. Out of the maximum authorised posts, 4 492 examiner posts are budgeted for 2020, including a reserve of some 260 posts, leading to additional flexibility in matching capacity with workload.

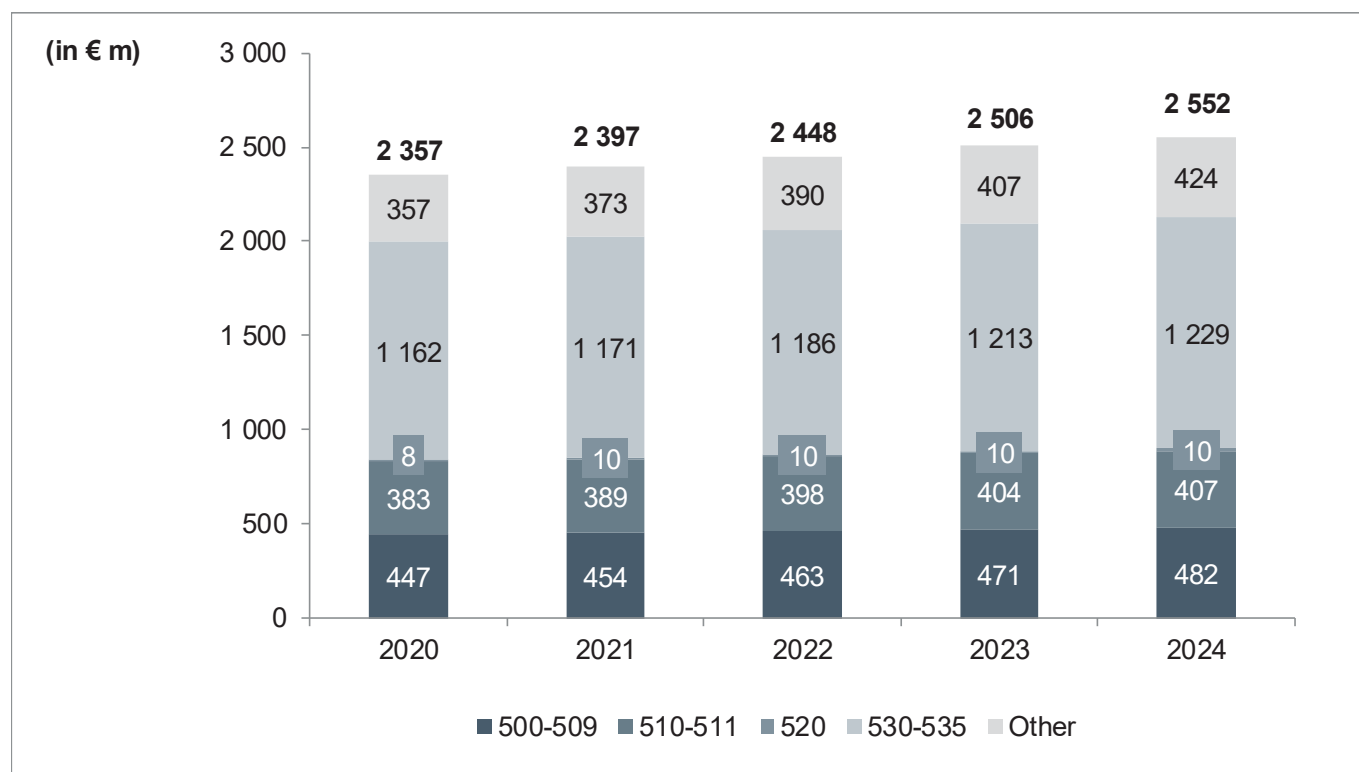
Posts foreseen for The Hague

Out of the 7 075 posts, 2 783 posts are foreseen to be located in The Hague in the 2020 budget. This is fully in line 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

2020 MAIN BUDGET AND 2021-2024 ESTIMATES

(a) Budget operating Income



(in € m)	Actual		Budget		Estimates							
	2018	2019	2020	%	2021	%	2022	%	2023	%	2024	%
Group												
500-509	403	414	447	+8	454	+1	463	+2	471	+2	482	+2
510-511	369	352	383	+8	389	+2	398	+2	404	+2	407	+1
520	5	7	8	+16	10	+19	10	-0	10	+2	10	+2
530-535	1 157	1 130	1 162	+3	1 171	+1	1 186	+1	1 213	+2	1 229	+1
thereof IRF	522	460	465		456		440		420		405	
thereof NRF (EPO share)	545	580	600		605		620		645		660	
Other	255	342	357	+4	373	+5	390	+5	407	+4	424	+4
TOTAL	2 190	2 248	2 357	+5	2 397	+2	2 448	+2	2 506	+2	2 552	+2

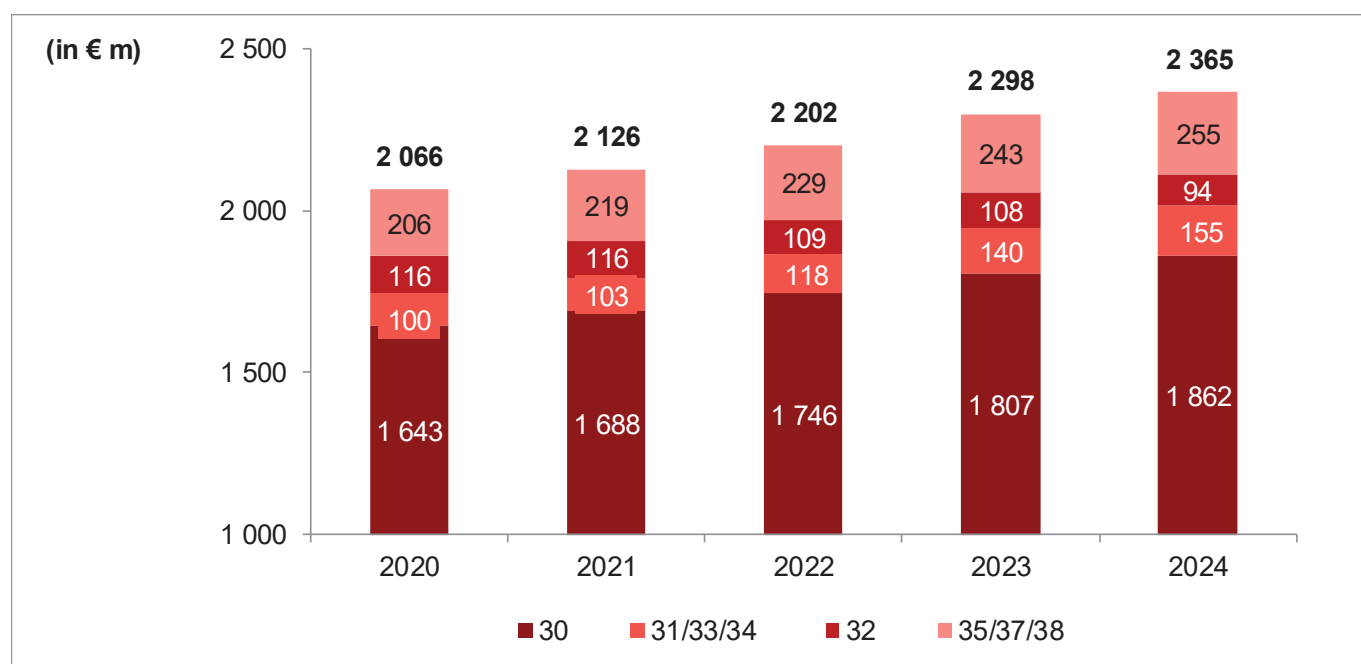
The increase in fee income between 2019 and budget 2020 is driven by the biennial inflation-based fee adjustment in 2020 and higher volumes of incoming workload.

The forecasted income from filing and search (groups 500-509) is expected to increase by EUR 33m in the 2020 budget compared with 2019. Income from examination, grant and opposition (groups 510-511) is expected to increase by EUR 31m in the 2020 budget compared with 2019.

Income from designation and renewal fees (groups 530-535) for 2020 is estimated to increase by EUR 32m. The ongoing productivity efforts of the Office are expected to contribute to reducing 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, renewal fees for applications are currently foreseen to decrease, while renewal fees for granted patents are expected to increase. Renewal fees for patent applications are estimated at EUR 465m in 2020 and will further decrease to some EUR 405m in 2024, whereas the higher number of grants will lead to higher revenues from renewal fees for granted patents. The EPO share of renewal fees for granted patents amounts to EUR 600m in 2020 and is expected to increase to EUR 660m by 2024, representing an increase of EUR 60m within five years. It should be noted that the forecast for the operating income is based on an extrapolation of applicants' behaviour as currently observed.

Other operating income will rise by EUR 14m in 2020 which is mainly caused by revised estimates reflecting the size and asset allocation of the EPOTIF portfolio (budgetary credits for potential realised gains of EPOTIF amount to EUR 116m in the 2020 budget compared to EUR 107m in the 2019 budget). Overall, the impact of EPOTIF to the budget is neutral as the same amount is also reflected under Other Operating Expenditure.

(b) Budget operating expenditure



(in € m)	Actual	Budget			Estimates							
	2018	2019	2020	%	2021	%	2022	%	2023	%	2024	%
Chapter												
30	1 477	1 585	1 643	+4	1 688	+3	1 746	+3	1 807	+4	1 862	+3
31/33/34	72	111	100	-9	103	+3	118	+14	140	+19	155	+11
32	109	110	116	+5	116	-0	109	-5	108	-1	94	-13
35/37/38	70	191	206	+8	219	+6	229	+5	243	+6	255	+5
TOTAL	1 728	1 997	2 066	+3	2 126	+3	2 202	+4	2 298	+4	2 365	+3

In comparison with the 2019 Budget, the total operating expenditure will increase by EUR 69m (+3%).

Staff costs (Ch. 30) will increase by EUR 59m (+3.7%) compared with 2019. The moderate increase in basic salary expenditure (excluding internal tax) of EUR 21m is driven by four elements:

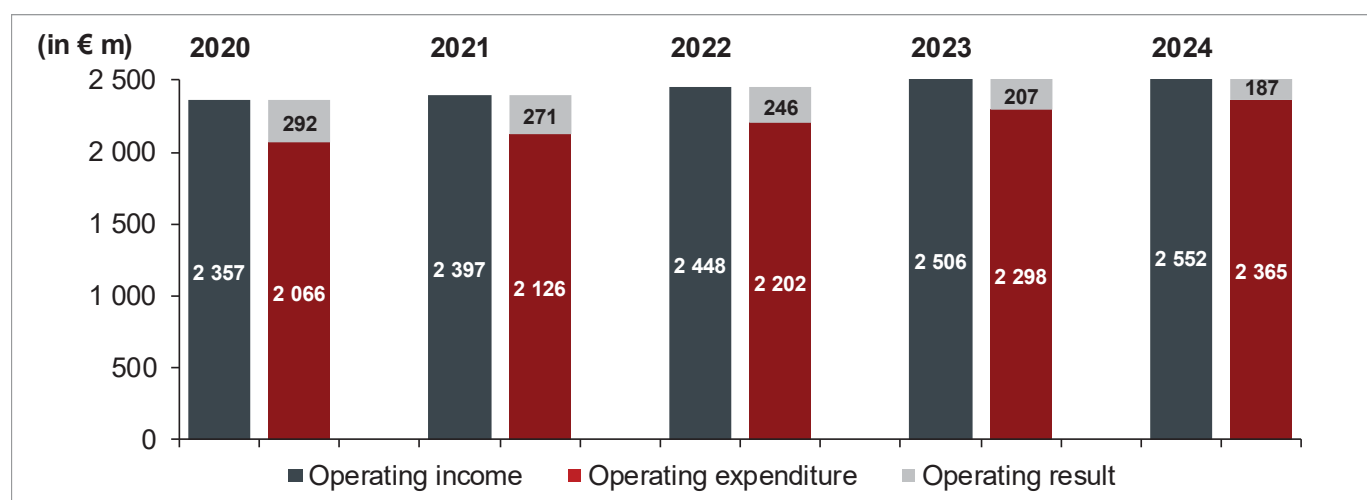
- Firstly, the inflation adjustment resulting from the application of the salary method, assumed at 2.5% as of 1 July 2020.
- Secondly, the effect of career progression and bonuses, which continues to be assumed at a value of 3% for planning purposes.
- Thirdly, the revised assumptions on total paid man years in 2020 (6 495 paid man years in budget 2020 compared to 6 565 paid man years in budget 2019).
- Fourthly, the reduction in 2020 staff costs, which compensates for the increases in the three preceding elements and is mainly the result of the difference in salary between newcomers and retirees as well as revised parameters relating to the timing of filling open posts.

Within Ch. 30, expenditure for tax adjustments will increase by EUR 6m, reflecting the higher number of pensioners in 2020, 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 decrease in Ch. 31/33/34 is mainly driven by lower operating expenditure on property and equipment maintenance.

The increase in IT operating expenditure (Ch. 32) by EUR 6m reflects the additional budgetary appropriations expected to be needed.

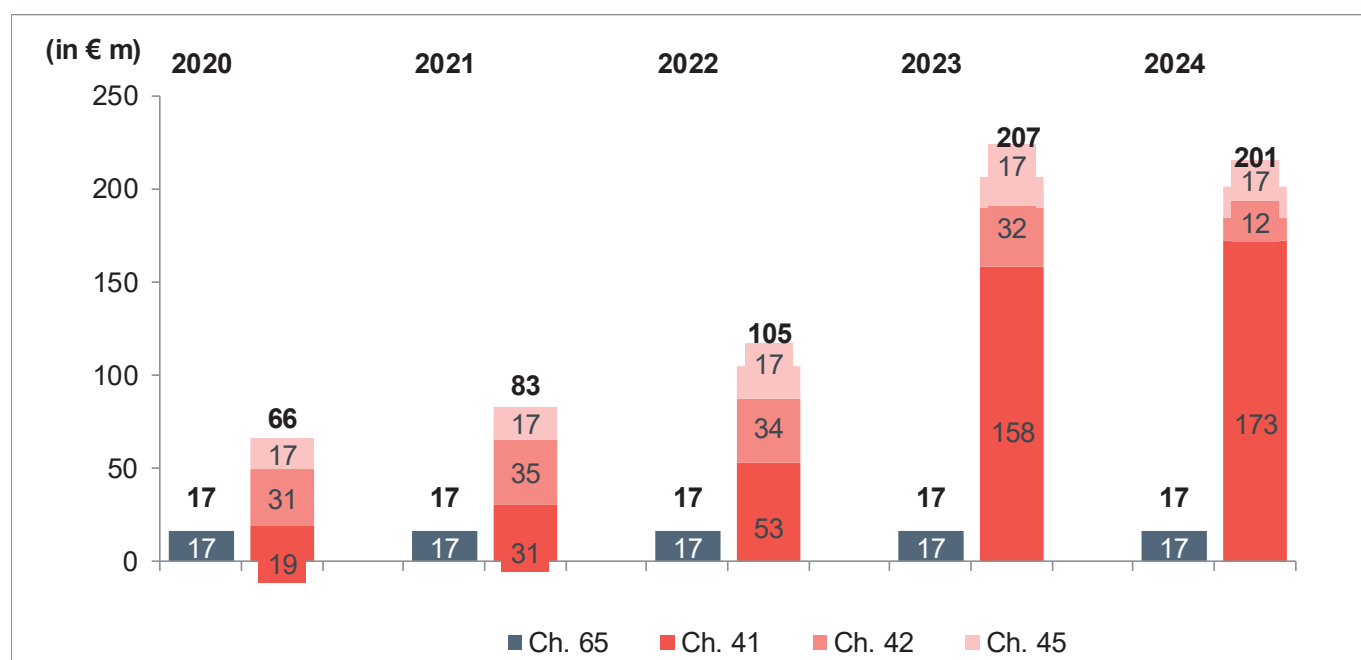
The increase in other expenditure (Ch. 35/37/38) of EUR 15m is mainly caused by revised estimates reflecting the size and asset allocation of the EPOTIF portfolio (budgetary credits for potential realised losses of EPOTIF amount to EUR 116m in the 2020 budget compared to EUR 107m in the 2019 budget).

(c) Budget operating result

(in € m)	Actual	Budget		Estimates			
	2018	2019	2020	2021	2022	2023	2024
Operating income	2 190	2 248	2 357	2 397	2 448	2 506	2 552
Operating expenditure	1 728	1 997	2 066	2 126	2 202	2 298	2 365
Operating result	462	252	292	271	246	207	187

The operating result is the difference between operating income and operating expenditure. The operating result for 2020 is expected to increase by EUR 40m compared with the 2019 budget.

(d) Budget capital income and expenditure



(in € m)	Actual	Budget			Estimates							
	2018	2019	2020	%	2021	%	2022	%	2023	%	2024	%
Capital income												
Ch. 65	15	17	17	+0	17	+0	17	+0	17	+0	17	+0
Capital expenditure												
Ch. 41	44	51	19	-62	31	+63	53	+72	158	+196	173	+9
Ch. 42	19	20	31	+53	35	+15	34	-2	32	-7	12	-63
Ch. 45	17	17	17	+0	17	+0	17	+0	17	+0	17	+0
TOTAL	79	87	66	-24	83	+25	105	+26	207	+98	201	-3
Capital result	-64	-71	-50	-30	-66	+33	-88	+33	-190	+116	-185	-3

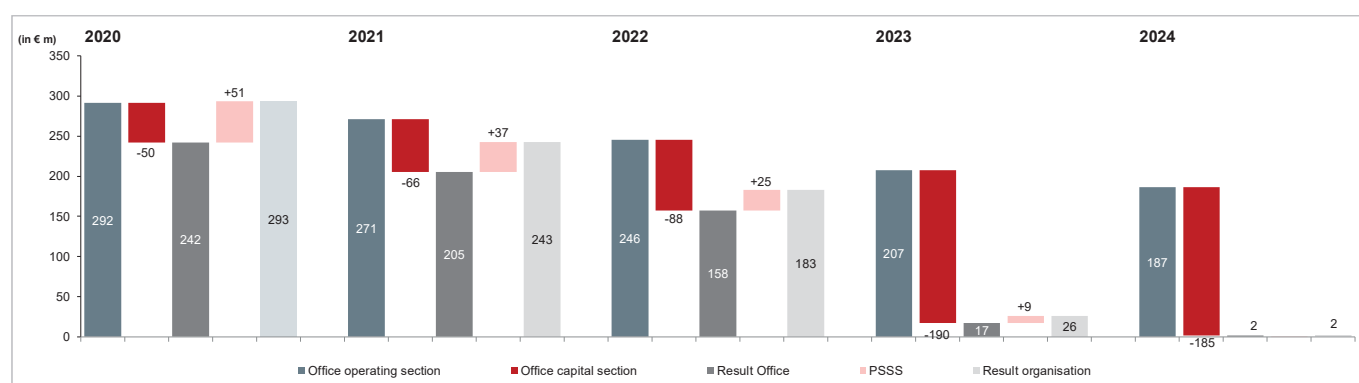
Budgeted capital income (Ch. 65) comprises home loans repayments by staff, which are equal to the expected amount of home loans to be granted (Capital expenditure, Ch. 45).

The capital result is expected to improve by EUR 21m going along with the finalisation of Project New Main. The capital expenditure for buildings in 2020 are reflected in Ch. 41.

Ch. 42 for IT capital expenditure increases compared to the 2019 budget by EUR 11m. The 2020 budget foresees EUR 24m for BIT related programmes and EUR 7m for BIT Operations, giving a total of EUR 31m.

(e) Total authorisation budget results of the Office and the Organisation

The overall budget result for the period is as follows:



(in € m)	Actual	Budget		Estimates			
	2018	2019	2020	2021	2022	2023	2024
Office operating section	462	252	292	271	246	207	187
Office capital section	-64	-71	-50	-66	-88	-190	-185
Result Office	398	181	242	205	158	17	2
PSSS	76	43	51	37	25	9	0
Result organisation	474	224	293	243	183	26	2

The estimated 2020 Result of the Organisation amounts to EUR 293m, an increase of EUR 69m (+31%) compared with the 2019 budget.

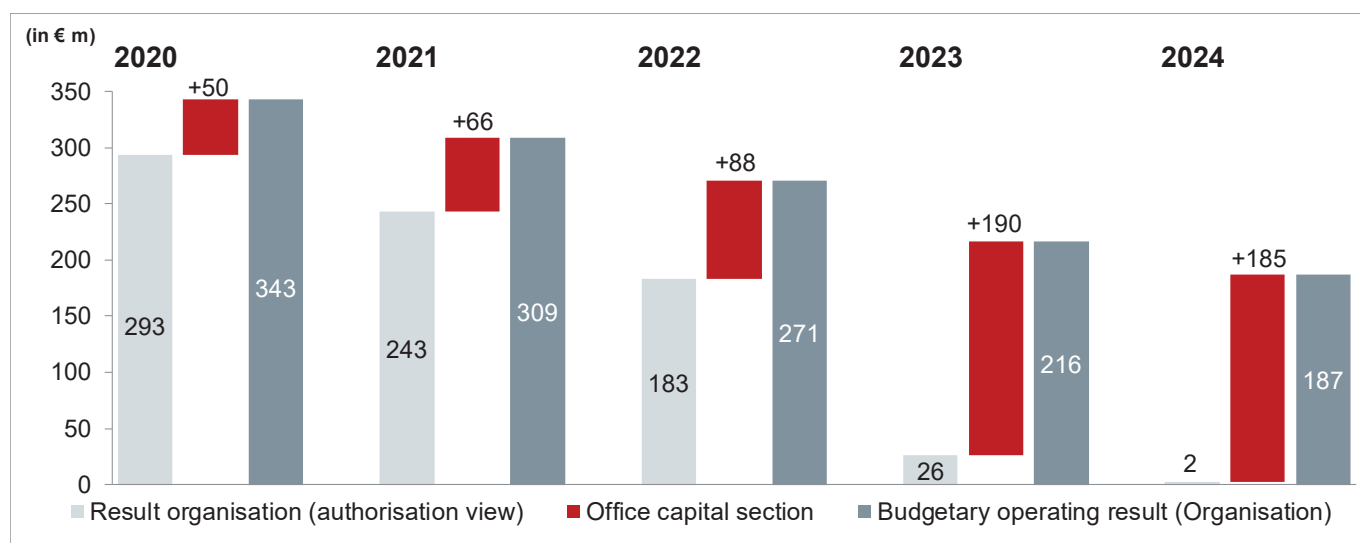
The result of the Office Operating Section is mainly driven by the biennial inflation-based fee adjustment in 2020 and a partial shift from renewal fees for patent applications to renewal fees for granted patents on the Income side over the planning period 2020-2024. No assumptions for the biennial inflation-based fee adjustment in 2022 and 2024 were reflected 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 projected number of pensioners increasing over the planning period, the result of PSSS is expected to decrease in 2020-2024 compared with 2019.

(f) Basis for transition from authorisation budget to IFRS

The basis for the transition from an authorisation budget to an 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			
	2018	2019	2020	2021	2022	2023	2024
Result organisation (authorisation view)	474	224	293	243	183	26	2
Elimination of capital transactions Office - Office capital section	64	71	50	66	88	190	185
Budgetary operating result (Organisation)	538	294	343	309	271	216	187

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 2020									
		Total	DG 0	DG 1	DG 4	DG 5	BoA	UPP	
		2020	Management	Patent Granting Process	Corporate Services	Legal and Int. Affairs	Boards of Appeal	Unitary Patent Protection	Unallocated*
Headcounts - Permanent Posts									
	Job group 1-4	5 578	108	4 655	437	146	232	0	0
	Job group 5-6	1 497	57	789	479	128	44	0	0
	Total	7 075	165	5 444	916	274	276	0	0
Operating section - Expenditure in € '000									
Chapter/Group	Staff								
300	Basic Salaries and allowances, internal tax	1 579 030	55 525	992 500	146 300	44 510	65 035	0	275 160
301-305	Other (including trainings, school)	64 385	390	5 145	57 355	305	490	0	700
31	Property and equipment maintenance	53 585	0	0	53 585	0	0	0	0
32	IT Operating Expenditure	115 765	0	0	115 765	0	0	0	0
33	Co-operation and meetings	27 915	30	190	2 485	23 340	0	485	1 385
34	Patent information and communication	18 975	8 450	5 750	720	4 025	30	0	0
35	General operating expenditure	89 790	7 510	12 180	65 390	4 210	500	0	0
37	Project expenditure funded by third parties	135	0	35	0	100	0	0	0
38	Financial expenditure	116 000	0	0	116 000	0	0	0	0
30-38	Total Operating Expenditure	2 065 580	71 905	1 015 800	558 300	76 490	66 055	485	276 545
Operating section - Income in € '000									
Chapter/Group									
500	Income from filing and search (EPC)	245 695	0	245 695	0	0	0	0	0
501	Income from filing and search (PCT)	137 135	0	137 135	0	0	0	0	0
509	Income from other search work	64 530	0	64 530	0	0	0	0	0
510	Income from examination, grant and opposition (EPC)	366 635	0	366 635	0	0	0	0	0
511	Income from examination (PCT)	14 855	0	14 855	0	0	0	0	0
52	Appeal fees	9 700	0	0	0	0	9 700	0	0
530	Designation and renewal fees (EPC)	1 157 455	0	0	0	0	0	0	1 157 455
532	Renewal fees (UPP)	2 830	0	0	0	0	0	2 830	0
535	Extension and validation fees	1 850	0	0	0	0	0	0	1 850
540	Patent information products	8 240	0	0	0	8 240	0	0	0
55	General operating income, internal tax	230 805	0	3 000	1 885	2 375	25	50	223 470
57	Third-party project funding	135	0	35	0	100	0	0	0
58	Financial income	117 500	0	0	117 500	0	0	0	0
50-58	Total Operating Income	2 357 365	0	831 885	119 385	10 715	9 725	2 880	1 382 775
	Total Operating Result	291 785	-71 905	-183 915	-438 915	-65 775	-56 330	2 395	1 106 230
Capital Section in € '000									
	Total Capital Expenditure	66 405	0	0	66 405	0	0	0	0
	Total Capital Income	16 800	0	0	16 800	0	0	0	0
	Total Capital Result	-49 605	0	0	-49 605	0	0	0	0
Result Office		242 180	-71 905	-183 915	-488 520	-65 775	-56 330	2 395	1 106 230

	References to Unit Cost Products							Unallocated*
	DG 0	DG 1	DG 4	DG 5	BoA	UPP		
Product name	-	1. Filing 2. Search 3. Examination 4. Opposition	-	6. Patent Information / Publication 7. Technical Cooperation 8. European Patent Academy	5. Appeal	-	-	

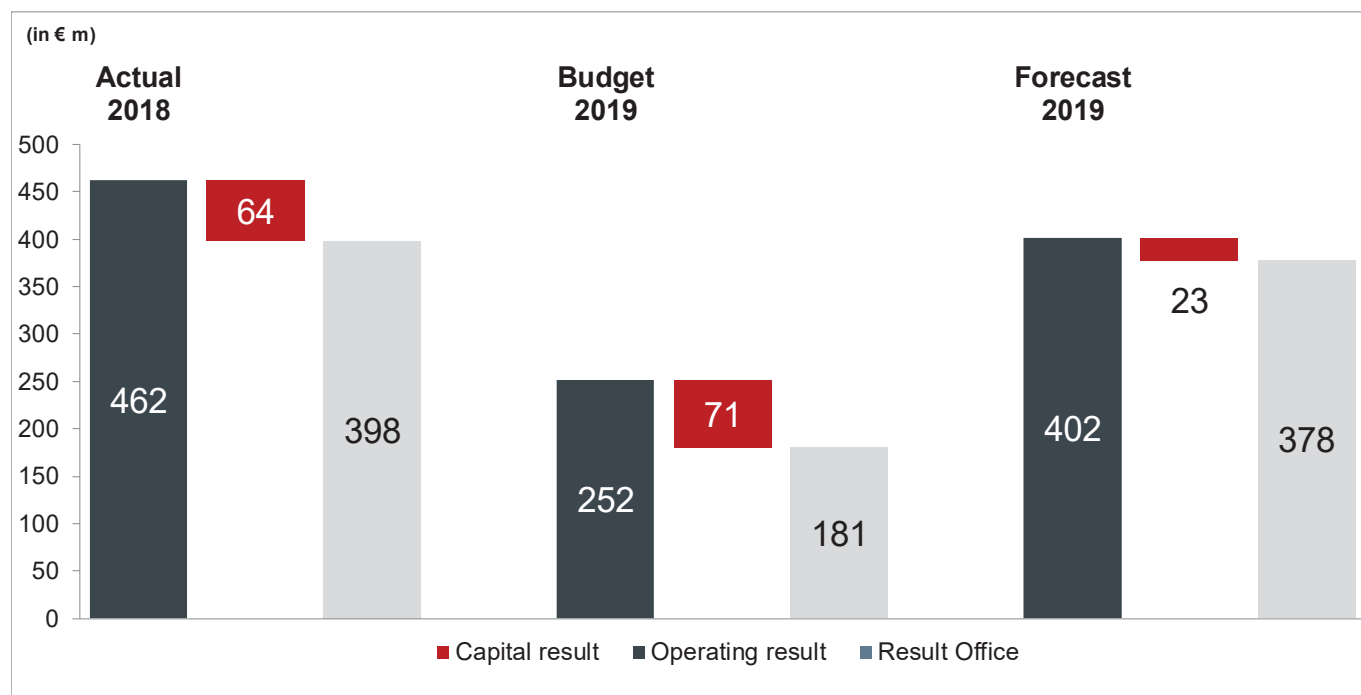
* unallocated items mainly relate to internal tax and renewal fees.

F. FORECAST

The forecast below provides an up-to-date forecast of the financial results for the accounting year 2019, firstly based on the Authorisation Budget and secondly under IFRS.

Authorisation budget

Detailed forecasts on Article level are included in Part I and Part II of the Authorisation Budget.



(in € m)	Actual	2019	
	2018	Budget	Forecast
Operating income	2 190	2 248	2 196
Operating expenditure	1 728	1 997	1 794
Operating result	462	252	402
Capital income	15	17	17
Capital expenditure	79	87	40
Capital result	-64	-71	-23
Result Office	398	181	378

The expected operating-section result of the Authorisation Budget will be in the order of magnitude of EUR 402m and therefore significantly over budget (EUR 252m).

This is the result of growth in procedural fees, especially from examination and grant. Renewal fees for patent applications are forecasted above budget by EUR 25m and amount to EUR 485m while revenue from national renewal fees is forecasted on the same level as the budget (EUR 580m).

Total income in the operating section is expected to be slightly above last year's outturn but below the 2019 Budget and is forecasted at EUR 2 196m. Chapters of procedural fee income are all in line with the respective provisions in the Budget with the exception of examination and grant fees due to higher volumes. The shortage of forecasted operating income compared to budgeted income is mainly triggered by EPOTIF as the Authorisation Budget only reflects realised gains. For 2019 significant unrealised gains for EPOTIF are expected which do not materialise under the Authorisation View.

Forecast Operating expenditure in budgetary terms is expected to reach EUR 1 794m and thus is below budget (underspent of approx. EUR 203m). The underspend is primarily caused by EPOTIF as there are no expected realised losses (EUR 107m) as well as lower staff expenditure (EUR 59m).

Investment costs are expected to be lower than last year mainly as a result of the finalisation of the New Main building in The Hague. The overall Budget surplus is forecasted at EUR 378m, approximately EUR 20m lower than in 2018.

IFRS

Detailed forecasts of the IFRS total comprehensive income are included in section "IFRS results".

(in € m)	2019	
	Budget	Forecast
IFRS operating income	2 006	1 997
IFRS operating expenses	1 741	1 711
IFRS operating result	265	286
IFRS financial income	557	526
IFRS financial expenses	560	556
IFRS financial result	-2	-30
IFRS profit/loss of the year	263	256
IFRS other comprehensive income for the year	0	0
IFRS total comprehensive income	263	256

The IFRS budget and forecast data are based on a standardised 5% discount rate.

As regards the IFRS Statement of Comprehensive Income, total income under IFRS will finish the year at around EUR 1 997m which is slightly below the 2019 Budget. This development is mainly resulting from lower production compared to budget which is partially offset by expected higher income for renewal fees for patent applications.

Operating expenses are forecasted lower than budget (EUR 30m) reflecting the underspendings mentioned under the authorisation budget. The trends outlined above will lead to a standardised operating result under IFRS of EUR 286m exceeding the budget by EUR 21m.

The financial income is mainly driven by the expected return on EPOTIF (4% per year, corresponding to some EUR 100m) and RFPSS assets (5.25% per year, corresponding to EUR 424m). The financial expenses mainly relate to interest cost of the Defined Benefit Obligations of some EUR 550m. In total this leads to an expected negative financial result of EUR -30m for the year 2019.

Given that the other comprehensive income for the year is primarily driven by fluctuations on the financial market, no forecast value has been estimated here.

The 2019 forecasted standardised operating result amounts to EUR 286m. The impact resulting from the standardisation on the forecast 2019 is estimated at EUR -465m which indicates an IFRS operating result without standardisation of EUR -179m (based on 1.99% interest rate for pensions).

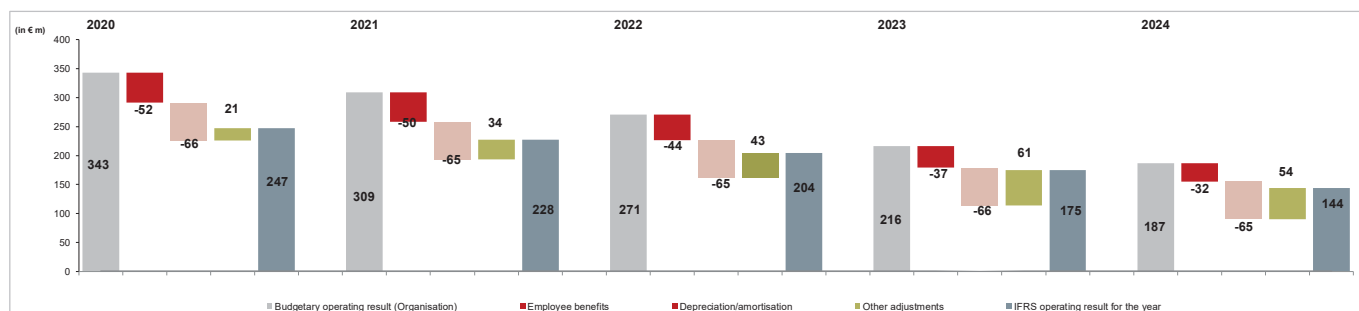
G. PLAN FINANCIAL STATEMENTS UNDER IFRS

(a) Statement of comprehensive income

Operating result

The plan statement of comprehensive income is derived from the authorisation budget of the Organisation (operating result), to which the following adjustments are being made:

- Employee benefits: Contributions to PSSS are replaced by the current and past service cost on DBOs with an assumed discount rate of 5% and service cost for SSP. Further adjustments relate to differences in benefits paid as well as changes in provisions for leave not taken and staff 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, lease adjustments under the IFRS 16 and reallocations of income and expenditure between operational and financial result, which are treated differently in the Authorisation Budget and the IFRS.



Transition from authorisation budget to IFRS (in € m)	Budget/Plan		Estimates/Plan			
	2019	2020	2021	2022	2023	2024
Budgetary operating result (Organisation)	294	343	309	271	216	187
Employee benefits	-18	-52	-50	-44	-37	-32
Depreciation/amortisation	-52	-66	-65	-65	-66	-65
Other adjustments	41	21	34	43	61	54
IFRS operating result for the year	265	247	228	204	175	144

The IFRS operating result comprises the following items:

(in € m)	Budget/Plan		Estimates/Plan			
	2019	2020	2021	2022	2023	2024
Operating income	2 006	2 047	2 059	2 074	2 096	2 104
Employee benefit expenses	-1 385	-1 445	-1 482	-1 524	-1 568	-1 609
Depreciation and amortisation expenses	-52	-66	-65	-65	-66	-65
Other operating expenses	-304	-288	-284	-281	-288	-286
IFRS operating result for the year	265	247	228	204	175	144

The operating income for 2020 is expected to increase by EUR 41m in comparison with the 2019 plan, mainly as a result of higher search output accentuated by a general fee increase of 4% as of 1 April 2020. The evolution up to 2024 reflects the implementation of Early Certainty as well as the ongoing aims of the Office regarding quality and efficiency.

Employee benefits in 2020 are increasing by 4.3% compared with 2019 the combined effect of a slightly decreasing paid-manyear base (from 6 565 in plan 2019 to 6 495 in 2020), the effect of retirements being replaced by lower salaries at entry and a service cost for pensions and post-employment benefits that increases slightly under the 5% discount rate assumption. As in previous years, the ISRP (International Service for Remunerations and Pensions) of the OECD has provided estimates for the defined benefit obligations (DBOs). The Office has retained for the 2020 plan and estimates 2021-2024 the flat 5% forecast discount rate that it has used since 2012.

The operating result for 2020 is positive at EUR 247m, a decrease of EUR 18m or 7%, compared with the budgeted operating result for 2019.

Financial result

The composition of the IFRS financial result comprises the following items:

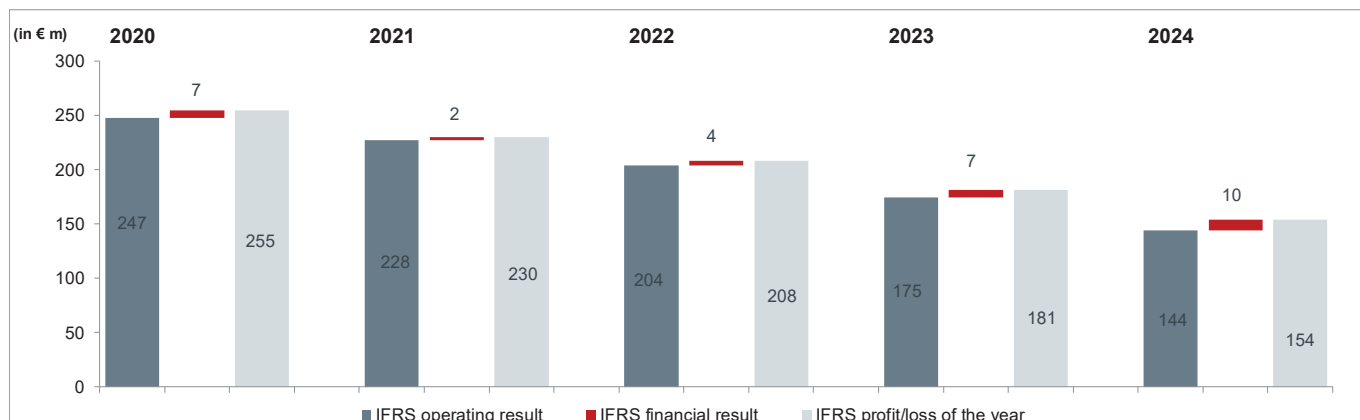
Composition of financial result (in € m)	Budget/Plan		Estimates/Plan			
	2019	2020	2021	2022	2023	2024
EPOTIF expected return on assets	99	107	117	127	136	145
RFPSS	451	479	491	516	543	570
DBO interest cost	-554	-580	-608	-642	-674	-706
Other financial result	2	3	2	2	2	2
IFRS financial result for the year	-2	7	2	4	7	10

The financial result is mainly triggered by the expected return on the assets of the RFPSS calculated at the long term return objective of 3.25% above German CPI (5.25% nominal rate) netted by the interest cost on the DBO.

The expected return on the EPOTIF represents the estimated long-term objective of net return of 4% nominal interest rate reduced by the management fees.

IFRS total comprehensive income for the year

The forecast IFRS results of the Organisation are shown below, broken down according to operating and financial results.



(in € m)	Budget/Plan		Estimates/Plan			
	2019	2020	2021	2022	2023	2024
IFRS operating result	265	247	228	204	175	144
IFRS financial result	-2	7	2	4	7	10
IFRS profit/loss of the year	263	255	230	208	181	154
IFRS other comprehensive income for the year	-	-	-	-	-	-
IFRS total comprehensive income for the year	263	255	230	208	181	154

The expected IFRS profit for 2020 amounts to EUR 255m representing a slight decrease of EUR 8m compared with the 2019 budget.

Given that the other comprehensive income for the year is primarily driven by fluctuations on the financial market, no forecast value has been estimated 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			
	1.1.2020	31.12.2020	2021	2022	2023	2024
Fixed assets	662	711	712	734	859	979
RFPSS net assets	8 725	9 351	9 839	10 344	10 867	11 407
Liquidity	5	141	368	539	563	559
EPOTIF	2 707	2 813	2 930	3 057	3 193	3 338
Other assets	338	371	398	431	471	510
TOTAL ASSETS	12 437	13 388	14 248	15 105	15 954	16 793
Equity	-833	-578	-348	-140	41	195
DBO	11 769	12 397	13 040	13 694	14 351	15 019
Prepaid fees	945	918	892	870	846	831
Other liabilities	556	650	664	682	716	749
TOTAL EQUITY AND LIABILITIES	12 437	13 388	14 248	15 105	15 954	16 793

Assets*Fixed assets*

The EPO's fixed assets (property, plant, equipment and intangible assets) are expected to increase slightly as of 2021, following the investment curve. The application of the new standard on leases (IFRS 16) is taken into account for the planning period, resulting in an increase in fixed assets due to the capitalization of right of-use lease assets. Financial liabilities resulting from the recognition of lease liabilities as well as an additional annual amortisation expense and additional financial expense are also recognised in full.

RFPSS net assets

RFPSS assets are expected to grow by 5.1% on average p.a., reaching EUR 11bn in 2024. This growth reflects the contributions netted with benefits paid to the pension and health schemes as well as the long-term expected return rate of 5.25%.

EPOTIF

Following the revision of Investment Guidelines, financial assets relating to EPOTIF are now included as a separate line item in the balance sheet, whereas prior to the 2019 budget assets purchased by the Office for treasury investments were shown as bonds and liquidity. The evolution of the EPOTIF portfolio is driven by the long-term expected return rate of 4.0% reduced by the management fees.

Liquidity

Liquidity is made up of cash and cash equivalents as defined under IFRS.

Other assets

Other assets are planned to increase between 2020 and 2024 following the growth in trade and other receivables as well as in Salary Savings Plan assets.

Equity and liabilities

Equity

It should be noted that the standardised negative equity at the beginning of 2020 amounts to EUR -833m and is less negative than the one at the end of the latest closed accounting period (31 December 2018 - EUR -10 804m). 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 year-end closure 2018 (e.g. 1.99% for pensions).

The negative standardised equity of EUR -578m in 2020 is expected to progressively improve, reaching a positive equity of EUR 195m in 2024.

The volatility of the discount rate, combined with the high sensitivity of the assessment of 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 above 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 standardised discount rate of 5% has been applied. The defined benefit obligations are planned to grow on average by 4.9% p.a. reaching EUR 15bn in 2024.

Prepaid fees

Prepaid fees (current and non-current) show a decrease of EUR 87m (-9%) over the planning period, corresponding to the planned evolution of pending applications following the implementation of Early Certainty and efficiency gains in the patent granting process in recent 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 EUR 235m or 1.6% of the DBO by the end of 2024.

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

(in € m)	Budget/Plan		Estimates/Plan			
	2019	2020	2021	2022	2023	2024
NPV of renewal fees	4 000	4 300	4 600	4 900	5 100	5 400
Costs for work not completed in excess of prepaid fees received	-710	-700	-640	-600	-560	-530

The net present value (NPV) of future renewal fees for European and unitary patents is not recognised as an asset in the Organisation's statements of financial position, because there is no obligation on the part of 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 recognised 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 the remaining costs for granting the patent. As such future operating losses do not meet the criteria of a liability, no provision is recognised. 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 2020-2024, 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 in 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. They also have different cash flow patterns, so they are, as such, not directly comparable with each other. Furthermore, they do not fully represent the future development of costs and revenues, nor do they take account of future renewal fees on pending applications.

H. 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	2 665 950	2 665 950
PART II PENSION AND SOCIAL SECURITY SCHEMES	428 995	428 995
TOTAL	3 094 945	3 094 945
Adjustment for transferrals within the budget:		
PART I MAIN BUDGET		
Section 1: Operating section		
Office contributions to pension and social security schemes		249 410
Transfer of operating result		291 785
Section 2: Capital section		
Transfer of operating result (Article 6000)	291 785	
PART II PENSION AND SOCIAL SECURITY SCHEMES		
Section 1: Operating section		
Office contributions to pension and social security schemes	249 410	
Transfer of operating results		51 215
Section 2: Capital section		
Transfer of operating results (Article 6600)	51 215	
NET TOTAL	2 502 535	2 502 535

- 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

Ch. Art.	E X P E N D I T U R E	Accounts 2018	Budget 2019 2020		2021	Estimates 2022 2023 2024		
Section 1: Operating section								
30	Staff	1 477 451	1 584 725	1 643 415	1 688 150	1 745 585	1 806 895	1 861 520
31	Property and equipment maintenance	45 010	67 150	53 585	47 880	48 390	49 875	50 285
32	IT operating expenditure	108 804	110 000	115 765	115 580	109 280	107 965	94 230
33	Co-operation and meetings	12 678	23 660	27 915	36 375	50 095	70 755	84 900
34	Patent information and communication	14 392	19 900	18 975	19 065	19 285	19 515	19 745
35	General operating expenditure	69 517	84 240	89 790	91 410	92 340	96 015	98 670
37	Project expenditure funded by third parties	32	135	135	135	135	135	135
38	Financial expenditure	16	107 100	116 000	127 000	137 000	147 000	156 000
30-38	Sub-total	1 727 902	1 996 910	2 065 580	2 125 595	2 202 110	2 298 155	2 365 485
	Operating section, surplus	461 931	251 540	291 785	271 410	245 545	207 470	186 610
	TOTAL operating section	2 189 833	2 248 450	2 357 365	2 397 005	2 447 655	2 505 625	2 552 095
Section 2: Capital section								
410	Land and buildings	43 357	47 785	18 650	30 630	53 180	157 910	172 315
411	Furniture and equipment	522	2 750	415	380	285	290	300
42	IT tangible and intangible assets	18 547	20 000	30 540	34 985	34 435	32 020	12 000
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	397 986	181 005	242 180	205 415	157 645	17 250	1 995
	TOTAL capital section	477 211	268 340	308 585	288 210	262 345	224 270	203 410

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS - OFFICE
in € '000

Ch. Art.	I N C O M E	Accounts 2018	Budget 2019 2020		Estimates 2021 2022 2023 2024			
Section 1: Operating section								
500	Income from filing and search (EPC)	218 490	222 640	245 695	251 675	258 475	263 330	269 635
501	Income from filing and search (PCT)	127 569	125 980	137 135	139 015	141 030	143 805	148 230
509	Income from other search work	57 287	65 110	64 530	63 135	63 480	63 945	64 295
510	Income from examination, grant and opposition (EPC)	354 246	339 665	366 635	375 130	383 690	389 310	391 480
511	Income from examination (PCT)	13 631	14 670	14 855	14 305	14 490	14 855	15 220
52	Appeal fees	6 365	8 290	9 700	9 670	9 895	10 095	10 205
530	Designation and renewal fees (EPC)	1 155 782	1 125 575	1 157 455	1 148 015	1 136 140	1 121 560	1 109 915
532	Renewal fees (UPP)	0	2 830	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	1 271	1 460	1 850	2 080	2 150	2 150	2 150
540	Patent information products	8 451	7 710	8 240	8 240	8 040	7 990	8 240
55	General operating income	221 676	225 785	230 805	236 155	243 520	250 680	257 710
57	Third-party project funding	33	135	135	135	135	135	135
58	Financial income	25 032	108 600	117 500	128 500	138 500	148 500	157 500
50-58	Sub-total	2 189 833	2 248 450	2 357 365	2 397 005	2 447 655	2 505 625	2 552 095
TOTAL operating section		2 189 833	2 248 450	2 357 365	2 397 005	2 447 655	2 505 625	2 552 095
Section 2: Capital section								
60	Operating section, surplus	461 931	251 540	291 785	271 410	245 545	207 470	186 610
650	Repayment of staff home loans	15 280	16 800	16 800	16 800	16 800	16 800	16 800
TOTAL capital section		477 211	268 340	308 585	288 210	262 345	224 270	203 410

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

Art.	E X P E N D I T U R E	Accounts 2018	Budget 2019 2020		Estimates 2021 2022 2023			2024
Section 1: Operating section								
3600	Pension payments	194 216	214 000	239 000	260 000	280 000	311 000	327 000
3601	Salary Savings Plan (SSP)	1 178	2 900	1 500	1 500	2 800	1 500	1 800
3605	Healthcare	70 471	73 060	77 500	81 500	85 500	89 800	94 400
3605	Long-term care	5 579	6 080	6 030	6 130	6 430	6 630	6 830
3605	Death	1 564	2 445	2 385	2 445	2 520	2 595	2 670
3605	Incapacity payments fixed-term	0	0	150	195	240	300	360
Sub-total		273 008	298 485	326 565	351 770	377 490	411 825	433 060
Operating section, surplus		119 743	42 590	51 215	37 360	25 355	8 680	205
TOTAL operating section		392 751	341 075	377 780	389 130	402 845	420 505	433 265
Ch.	Section 2: Capital section							
46	Transfer of pension and social security scheme surpluses to reserve funds / SSP	119 743	42 590	51 215	37 360	25 355	8 680	205
TOTAL capital section		119 743	42 590	51 215	37 360	25 355	8 680	205
Art.	I N C O M E							
Section 1: Operating section								
5600	Pension contributions	276 335	214 825	245 980	251 065	258 310	268 300	275 095
5601	Salary Savings Plan (SSP)	13 142	18 090	16 215	17 265	18 540	19 860	21 165
5605	Healthcare	86 468	90 895	95 170	98 855	103 105	108 300	112 090
5605	Long-term care insurance	15 241	14 820	17 880	19 305	20 130	21 150	21 885
5605	Death insurance	1 564	2 445	2 385	2 445	2 520	2 595	2 670
5605	Incapacity contributions	0	0	150	195	240	300	360
TOTAL operating section		392 751	341 075	377 780	389 130	402 845	420 505	433 265
Ch.	Section 2: Capital section							
66	Net income pension and social security schemes	119 743	42 590	51 215	37 360	25 355	8 680	205
TOTAL capital section		119 743	42 590	51 215	37 360	25 355	8 680	205

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS

OFFICE / PENSION AND SOCIAL SECURITY SCHEMES
(consolidated, adjusted for transferrals within the budget)

in € '000

Ch.	E X P E N D I T U R E	Accounts 2018	2019	2020	Budget			
					2021	2022	2023	2024
Section 1: Operating section								
30	Staff	1 262 954	1 361 575	1 394 005	1 431 250	1 479 625	1 531 255	1 577 470
31	Property and equipment maintenance	45 010	67 150	53 585	47 880	48 390	49 875	50 285
32	IT operating expenditure	108 804	110 000	115 765	115 580	109 280	107 965	94 230
33	Co-operation and meetings	12 678	23 660	27 915	36 375	50 095	70 755	84 900
34	Patent information and communication	14 392	19 900	18 975	19 065	19 285	19 515	19 745
35	General operating expenditure	69 517	84 240	89 790	91 410	92 340	96 015	98 670
36	Pension and social security schemes	271 165	298 590	326 565	351 770	377 490	411 825	433 060
37	Project expenditure funded by third parties	32	135	135	135	135	135	135
38	Financial expenditure	16	107 100	116 000	127 000	137 000	147 000	156 000
30-38	Sub-total	1 784 570	2 072 350	2 142 735	2 220 465	2 313 640	2 434 340	2 514 495
	Operating section, surplus	583 545	294 130	343 000	308 770	270 900	216 150	186 815
	TOTAL operating section	2 368 115	2 366 480	2 485 735	2 529 235	2 584 540	2 650 490	2 701 310
Section 2: Capital section								
410	Land and buildings	43 357	47 785	18 650	30 630	53 180	157 910	172 315
411	Furniture and equipment	522	2 750	415	380	285	290	300
42	IT tangible and intangible assets	18 547	20 000	30 540	34 985	34 435	32 020	12 000
45	Loans and advances to third parties	16 800	16 800	16 800	16 800	16 800	16 800	16 800
	Consolidated surplus	519 599	223 595	293 395	242 775	183 000	25 930	2 200
	TOTAL capital section	598 825	310 930	359 800	325 570	287 700	232 950	203 615

AUTHORISATION BUDGET UNDER ARTICLE 25(1)a) FINREGS

OFFICE / PENSION AND SOCIAL SECURITY SCHEMES
(consolidated, adjusted for transferrals within the budget)

in € '000

Ch. Gr.	I N C O M E	Accounts 2018	2019	2020	Budget 2021 2022 2023 2024			
Section 1: Operating section								
500	Income from filing and search (EPC)	218 490	222 640	245 695	251 675	258 475	263 330	269 635
501	Income from filing and search (PCT)	127 569	125 980	137 135	139 015	141 030	143 805	148 230
509	Income from other search work	57 287	65 110	64 530	63 135	63 480	63 945	64 295
510	Income from examination, grant and opposition (EPC)	354 246	339 665	366 635	375 130	383 690	389 310	391 480
511	Income from examination (PCT)	13 631	14 670	14 855	14 305	14 490	14 855	15 220
52	Appeal fees	6 365	8 290	9 700	9 670	9 895	10 095	10 205
530	Designation and renewal fees (EPC)	1 155 782	1 125 575	1 157 455	1 148 015	1 136 140	1 121 560	1 109 915
532	Renewal fees (UPP)	0	2 830	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	1 271	1 460	1 850	2 080	2 150	2 150	2 150
540	Patent information products	8 451	7 710	8 240	8 240	8 040	7 990	8 240
55	General operating income	221 676	225 785	230 805	236 155	243 520	250 680	257 710
56	Pension and social security schemes	178 282	118 030	128 370	132 230	136 885	144 865	149 215
57	Third-party project funding	33	135	135	135	135	135	135
58	Financial income	25 032	108 600	117 500	128 500	138 500	148 500	157 500
TOTAL operating income		2 368 115	2 366 480	2 485 735	2 529 235	2 584 540	2 650 490	2 701 310
Section 2: Capital section								
60/66	Operating section, surplus	583 545	294 130	343 000	308 770	270 900	216 150	186 815
650	Repayment of staff home loans	15 280	16 800	16 800	16 800	16 800	16 800	16 800
TOTAL capital section		598 825	310 930	359 800	325 570	287 700	232 950	203 615

3. IFRS Results

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

	IFRS Forecast 2019	IFRS Plan 2020
REVENUE		
Revenue from patent and procedural fees		
Ch. 50 Filing and search	345 450	387 530
51 Examination, grant and opposition	408 905	406 325
52 Appeal	6 910	7 060
53 Designation, renewal, extension and validation	1 152 745	1 159 335
54 Other revenue	75 620	75 770
Other operating income		
Ch. 55 General operating income	5 625	5 665
57 Third party project funding	0	0
Work performed and capitalised	2 000	5 000
Total	1 997 255	2 046 685
EXPENSES		
Employee benefit expenses		
Ch. 30 Staff/personnel expenses	1 396 760	1 445 470
Depreciation and amortisation expenses		
Ch. 39 Depreciation	52 390	65 635
Other operating expenses		
Ch. 31 Property and equipment maintenance	52 510	51 790
32 IT operating expenditure	113 000	101 720
33 Co-operation and meetings	12 955	26 045
34 Patent information and public relations	13 980	18 975
35 General operating expenditure	69 340	89 790
37 Project expenditure funded by third parties	0	0
Total	1 710 935	1 799 425
OPERATING RESULT	286 320	247 260
Finance revenue		
Ch. 58 Finance income	526 410	592 640
Finance costs		
Ch. 38 Finance expenditure	556 335	585 230
FINANCIAL RESULT	-29 925	7 410
PROFIT/(LOSS) FOR THE YEAR	256 395	254 670
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	256 395	254 670

PLAN IFRS STATEMENTS OF COMPREHENSIVE INCOME
EUROPEAN PATENT ORGANISATION

(in € '000)

IFRS Plan			
2021	2022	2023	2024
395 295	399 530	406 835	416 380
412 390	420 800	427 575	423 015
8 210	9 280	10 560	11 045
1 159 010	1 160 730	1 166 730	1 169 140
74 375	74 520	74 935	75 535
4 290	4 290	4 285	4 285
0	0	0	0
5 000	5 000	5 000	5 000
2 058 570	2 074 150	2 095 920	2 104 400
1 481 590	1 523 690	1 567 670	1 609 415
65 085	65 305	65 935	64 625
46 065	46 540	48 000	48 375
101 350	95 800	96 175	92 470
26 260	26 415	26 565	26 735
19 065	19 285	19 515	19 745
91 640	92 830	97 340	98 870
0	0	0	0
1 831 055	1 869 865	1 921 200	1 960 235
227 515	204 285	174 720	144 165
616 690	652 890	690 085	727 310
614 300	649 290	683 535	717 270
2 390	3 600	6 550	10 040
229 905	207 885	181 270	154 205
0	0	0	0
229 905	207 885	181 270	154 205

PLAN IFRS STATEMENTS OF FINANCIAL POSITION
EUROPEAN PATENT ORGANISATION

Estimated opening statement of financial position per 1.1.2020 and
Plan IFRS statement of financial position per 31.12.2020 (in € '000)

	IFRS Plan	
	1.1.2020	31.12.2020
NON-CURRENT ASSETS		
Property, plant and equipment	634 720	661 420
Intangible assets	27 231	49 341
RFPSS assets	8 724 898	9 350 808
EPOTIF	2 706 765	2 813 290
Home loans to staff	69 815	69 815
Salary Savings Plan asset	108 280	129 065
	12 271 709	13 073 738
CURRENT ASSETS		
Trade and other receivables	153 140	165 560
Home loans to staff	6 895	6 895
Cash and cash equivalents	5 375	141 419
	165 410	313 874
TOTAL ASSETS	12 437 119	13 387 612
EQUITY AND LIABILITIES		
EQUITY		
Retained earnings	-2 553 898	-2 299 228
Other reserves	1 721 010	1 721 010
TOTAL EQUITY	-832 888	-578 218
NON-CURRENT LIABILITIES		
Defined benefit obligation	11 768 910	12 397 345
Salary Savings Plan obligation	108 280	129 065
Trade and other payables	25 005	26 300
Prepaid fees	550 708	535 038
	12 453 198	13 139 322
CURRENT LIABILITIES		
Trade and other payables	405 542	414 110
Provisions	16 450	16 450
Prepaid fees	394 272	383 053
	816 809	826 508
TOTAL LIABILITIES	13 270 007	13 965 830
TOTAL EQUITY AND LIABILITIES	12 437 119	13 387 612

PLAN IFRS STATEMENTS OF FINANCIAL POSITION EUROPEAN PATENT ORGANISATION Plan IFRS statements of financial position per 31.12.2021 - 31.12.2024 (in € '000)			
IFRS Plan			
31.12.2021	31.12.2022	31.12.2023	31.12.2024
637 675	637 415	744 330	867 260
73 996	96 851	114 221	111 281
9 838 993	10 343 988	10 867 393	11 407 208
2 930 445	3 057 190	3 193 490	3 338 315
69 815	69 815	69 815	69 815
152 020	176 155	204 245	234 840
13 702 943	14 381 413	15 193 493	16 028 718
169 695	177 975	190 390	198 665
6 895	6 895	6 895	6 895
368 157	539 011	563 138	558 848
544 747	723 881	760 423	764 408
14 247 690	15 105 295	15 953 916	16 793 127
-2 069 323	-1 861 438	-1 680 168	-1 525 963
1 721 010	1 721 010	1 721 010	1 721 010
-348 313	-140 428	40 842	195 047
13 040 145	13 693 925	14 350 770	15 018 580
152 020	176 155	204 245	234 840
26 920	27 785	28 625	29 445
519 824	506 986	493 248	484 117
13 777 647	14 431 324	15 096 431	15 783 591
419 830	427 640	440 130	445 047
16 680	17 170	18 495	18 695
372 161	362 969	353 134	346 597
818 356	814 399	816 644	814 489
14 596 003	15 245 723	15 913 074	16 598 080
14 247 690	15 105 295	15 953 916	16 793 127

4. 2020 Table of Posts

Job Group	Budget					
	Office (DGs 0, 1, 4, 5)		Boards of Appeal		TOTAL EPO	
	2019	2020	2019	2020	2019	2020
1	5	5	1	1	6	6
2	29	31	29	29	58	60
3	329	331	171	187	500	518
4	4 974	4 979	15	15	4 989	4 994
5	233	230	5	5	238	235
6	1 245	1 223	39	39	1 284	1 262
Total	6 815	6 799	260	276	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)	2020
Direct budgetary income	
Class 5 Article 5200 Appeal fees	9 700
IFRS adjustment (prepaid fees)	-2 640
Revenue for product Appeal	7 060

Cost (in € '000)	2020
Direct budgetary operating expenditure	
Class 3	
Group 300 Salaries and allowances	65 035
Group 301-303 Other staff costs	575
Chapter 31 Property and equipment maintenance	3 490
Chapter 32 IT operating expenditure	750
Chapter 33 Cooperation and meetings	30
Chapter 34 Patent information and communication	30
Chapter 35 General operating expenditure	1 575
Subtotal	71 485
Forecast allocation of other costs under the Unit Cost methodology	16 654
Cost for product Appeal	88 139

Capital Expenditure (in € '000)	2020
Direct budgetary capital expenditure	
Class 4	
Chapter 41 Property and Equipment	160
Total capital expenditure	160

6. Attachment B – Unitary Patent Protection (UPP)

Budget appropriations for the European patent with unitary effect*

Income (in € '000)	2020	2021
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)	2020	2021
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 Article 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 Article 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.

