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SUBJECT: Comprehensive Summary  
2021 Budget

SUBMITTED BY: President of the European Patent Office

ADDRESSEES: Administrative Council (for decision)

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#### SUMMARY

This document presents a comprehensive summary of the 2021 Budget and 2022 – 2025 Estimates, which is proposed for external publication. This document is a copy of the Explanatory Memorandum of CA/50/20. 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 2021 table of posts and a table of contents has also been added.

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# Budget 2021

Estimates for 2022-2025  
Comprehensive Summary





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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

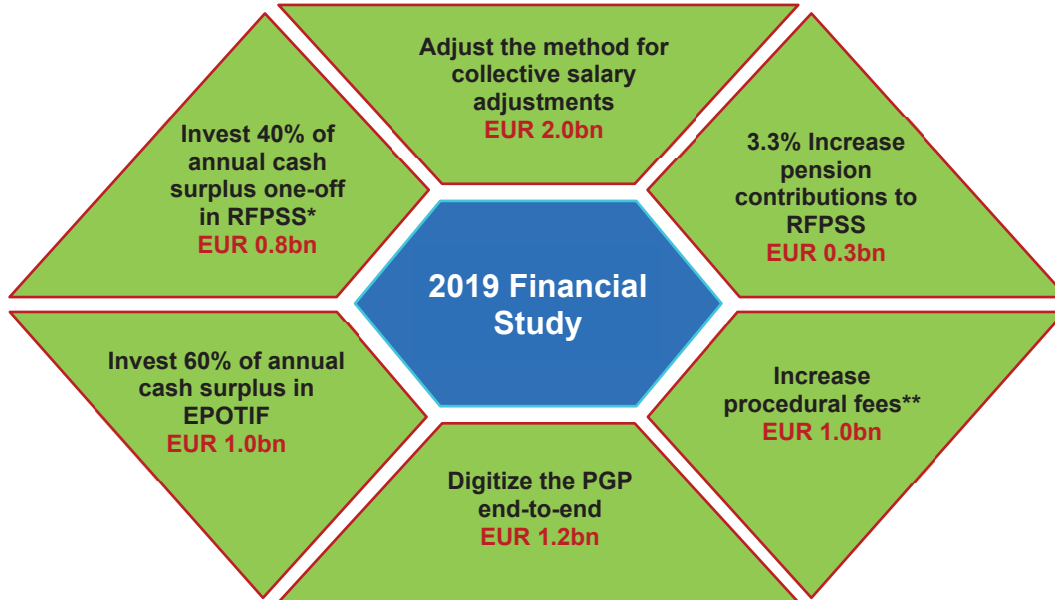
### Authorisation budget and Standardised IFRS

The basis for the IFRS calculations is the authorisation budget. Of prime concern, however, is the operating result and the profit 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. To determine the Standardised IFRS forecast a flat discount rate of 3.3% for employee benefits is applied. The discount rate has been reviewed downwards compared to the planning assumptions in previous years (5%) and aligned with the assumptions of the Base 2 scenario of the Financial Study. The reduction follows the recommendations of the Board of Auditors to better reflect the interest rate evolution observed in recent years (persistent low-interest rate environment). The use of a flat discount rate has the merit of permitting an assessment of liabilities and equity on a consistent basis for the 2021-2025 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.

## Long term financial sustainability measures

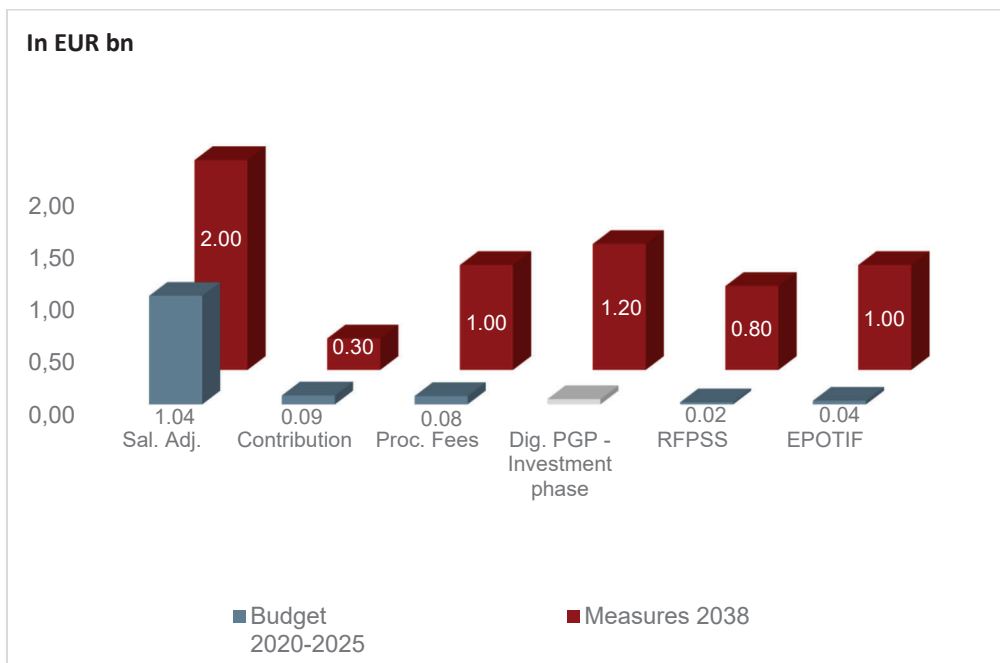
The 2019 Financial Study evidenced a total potential financial gap of EUR 5.8 bn to be closed over 20 years. To this end the Office proposed a bundle of measures which were approved by the Administrative Council in June 2020. The six measures identified in the bundle are expected to generate a total financial impact of EUR 6.3 bn and allow to build a margin in case one or more measures may not deliver the expected results. They relate to the following areas:



\* A transfer is a one-off payment and does not constitute a legal or constructive obligation for the Office to perform future transfers.

\*\* Inflation-based fee adjustments for all procedural fees with the exception of renewal fees for patent applications.

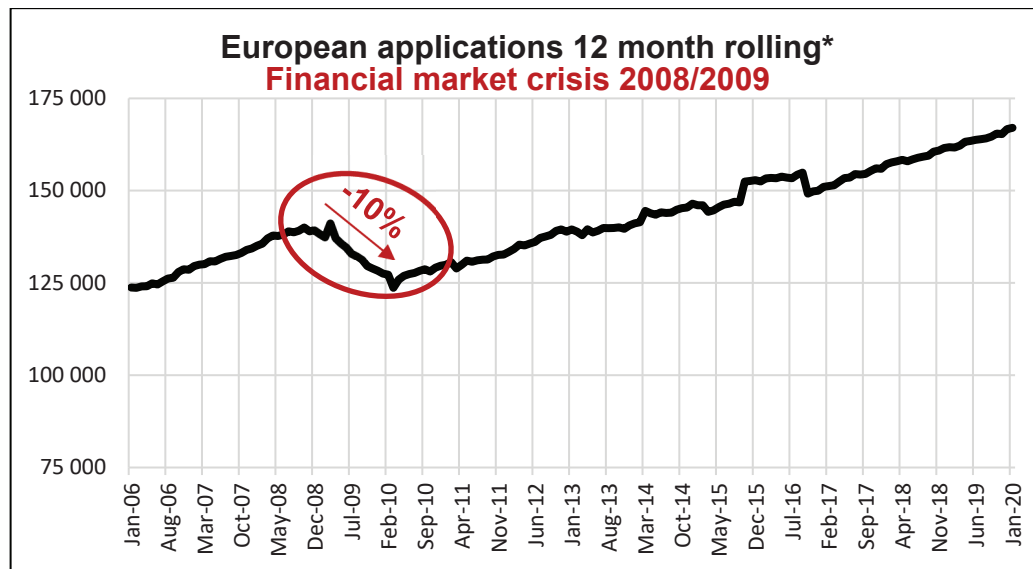
Five out of six measures relating to the Long-Term Financial Sustainability of the Office will already deliver results in the period 2020-2025 with an estimated financial impact of EUR 1.27bn, of which EUR 1bn is attributable to the actuarial gain expected from the introduction of the new salary adjustment method. The remaining impact is expected to materialise between 2026 and 2038.



## Estimated impact of a global economic downturn (COVID-19)

Since the outbreak of COVID-19, the Office has sought to assess the impact of the corona virus pandemic on applicant behaviour and incoming workload. Given the ongoing uncertainty regarding how the situation will evolve, the Office has retained a cautious scenario for 2021. Based on the experience of the 2008 financial market crisis, the Office anticipates a significant reduction in patent applications which results in a decrease in incoming workload.

The financial crisis in 2008 led to a year-on-year reduction of incoming workload at the EPO of around 10%:



(\*) Euro-direct and Euro-PCT applications, without divisionals

The Financial Study performed in 2019 concluded that there is a high correlation between changes in Gross Domestic Product (GDP) and the evolution of patent applications. However, as observed during the financial crisis 2008 / 2009, the corresponding impact on incoming workload is subject to a time lag, the Office being primarily a second filing office.

The World Economic Outlook published in June 2020 by the International Monetary Fund foresees reductions of GDP in 2020 of around -10% in Europe (DE: -7.8%, NL: -7.7%, ES: -12.8%, IT: -12.8%, FR: -12.5%, UK: -10.2%). For 2021 an increase in GDP of 6% is anticipated for the Euro Area. Overall, Euro Area GDP is expected to be around 4% below 2019 levels at the end of 2021 (10% GDP reduction in 2020 and 6% GDP improvement in 2021).

With the expected decrease of GDP around the world and with the experience of the previous global financial crisis in 2008 / 2009, the Office currently expects a 10% reduction of the incoming workload in 2021 compared to the budget 2020. As the Office is a so-called second filing Office some of the impact is not directly visible yet, but is expected to impact the incoming workload with a time lag similar to the one observed during the last financial crisis.

If economic recovery is delayed, the impact on incoming workload of the Office in 2021 could be greater. However, in the long term, patent protection will continue to play an important role in protecting the benefits of research and development which will be essential for global economic recovery.



## Strategic Plan 2023

In June 2019, the Administrative Council approved the Strategic Plan 2023 (SP2023) which defines the main goals of the Office in the years to come. The 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.

All expenditure linked to the implementation of the SP2023 and its annual work plans are covered by the budgetary credits foreseen in the 2021 budget.

For 2021, expenditure for SP2023 is expected to amount to EUR 119m according to the following allocation by strategic goals:

<b>Total Operating and Capital Expenditure (in EUR m)</b>	<b>2021</b>
Goal 1	
Build an engaged, knowledgeable and collaborative organisation	24
Goal 2	
Simplify and modernize IT systems	19
Goal 3	
Deliver high-quality products and services efficiently	37
Goal 4	
Build a European patent system & network with a global impact	23
Goal 5	
Secure long-term sustainability	16
<b>Total</b>	<b>119</b>

The external expenditure for the Strategic Plan 2023 has been reflected based on the estimates presented to the SP2023 Board. The annual work plans set out the activities prioritised in the years ahead and the resources allocated to the different goals. As a consequence of the corona virus pandemic, the expenditure for the programmes was re-assessed. The total envelope for 2020-2023 covers some EUR 490m of which EUR 200m relate to digital transformation projects and EUR 160m to building projects.

As regards the Building Investment Programme, the EPO is in the course of assessing the potential medium to long term impact of the corona pandemic on e.g. the future working environment. Pending the outcome of several surveys and studies, the total volume of investment over the next 10 years, has been reviewed downwards from EUR 1bn to EUR 500m.

## **Boards of Appeal (BoA)**

Specific budgetary provisions have been included in the 2021 budget following 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 and to reduce the number of pending cases to below 7 000, the total number of permanent posts in the Boards of Appeal was increased by a total of 39 additional posts for members in 2019 and 2020.

In order to underline the fact 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 due to end by 2027.

Compared to budget 2020, three additional administrative posts are foreseen in the Office Boards of Appeal Unit for budget 2021. In total, the Boards of Appeal will have 279 total permanent posts in 2021 (215 board members and chairpersons and 64 in the administrative area).

The plan for 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.

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 the revenue it generates. The EPO expects that the participating member states will find a solution which will allow for a full implementation of the European patent with unitary effect and the Unified Patent Court.

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 2021.

## C. PLANNING PRINCIPLES AND ASSUMPTIONS

The 2021 budget and the estimates 2022-2025 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 2021 budget and the estimates 2022-2025.

### Income

#### *Volume assumptions*

Current income estimates are based on 168 000 Euro-direct applications and PCT applications that will enter the regional phase in 2021, representing a reduction of 10.2% compared with the 2020 budget (187 000).

In comparison with past budget estimates, and taking into account the production of the Office, the forecast number of published patents has been estimated at 118 000 in 2021 (2020 budget: 120 000).

#### *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 are to be fixed for the periods 2021 and 2022, 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. This assumption was applied to the value of the portfolios as of 30 June 2020.

#### *EPO Treasury Investment Fund (EPOTIF)*

EPOTIF includes the financial investments of the EPO which are managed by external asset managers, following the decision of the BFC in May 2018. The expected long-term return based on the current strategic asset allocation is retained at 4% p.a., unchanged compared to 2020. This assumption was applied to the value of the portfolios at of 30 June 2020.

For further details on 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 January 2021 of salary and other elements of the remuneration of permanent employees represent +0.5% in the basic salary scale applicable for Germany, +0.5% in the Netherlands and 0.4% in Austria. As a result of the decrease in GDP currently observed in Europe for 2020, no salary adjustment has been reflected as of 1 January 2022. The salary adjustment as of 1 January 2023 and beyond has been assumed again at 2.2% reflecting the long-term inflation target set by the European Central Bank rate of 2.0% plus 0.2% resulting from the application of the sustainability clause.

The new Salary Adjustment Method foresees a mechanism for the periodical settlement whereby any positive adjustment resulting from the application of the sustainability clause and carried forward after three annual salary adjustments will be paid out to employees as a lump sum in proportion to the basic salaries and allowances they received over the three-year period. On account of the periodical settlement clause, a provision of EUR 31.4m has been constituted in year 2021 under an IFRS view and the same amount has been provided in year 2023 under a budgetary view as pay-out of the mentioned adjustment.

The 2021 budgetary estimates currently foresee, as in 2020, 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 2018. For the 2021 budget and estimates for 2022-2025 the Office applied a flat 3.3% forecast discount rate (previously 5% until Budget 2020) in order to align the key macro-economic parameters with the Financial Study and reflect the persistent low-interest rate environment.

The contribution rates for the social schemes (Pensions, Healthcare insurance and Long Term Care) are unchanged in 2021 compared to 2020. The next actuarial evaluation is expected to be completed in 2021 as at 31 December 2020, in order to reassess the necessary level of contributions in light of the financial position of the schemes.

### *Staff*

In view of the uncertainty raising from the corona virus pandemic and the potential impact on the EPO organization, a cautious approach on staffing is taken. External recruitments are being made on an exceptional basis, and internal rebalancing is favoured. As a result non occupied posts placed in the central reserve have increased (from 5 to 354).

## Table of posts

The table of posts will continue to be limited to 7 075 permanent posts. Out of the maximum authorised posts, 4 207 examiner posts are budgeted for 2021, including a reserve of some 188 posts, leading to additional flexibility in matching capacity with workload.

The breakdown per Directorate General remains similar to the establishment plan 2020, pending review of target organisations under the “New Normal”. As a result of the freeze in recruitments and non replacement of people leaving, part of the vacant positions have been transferred to the central reserve.

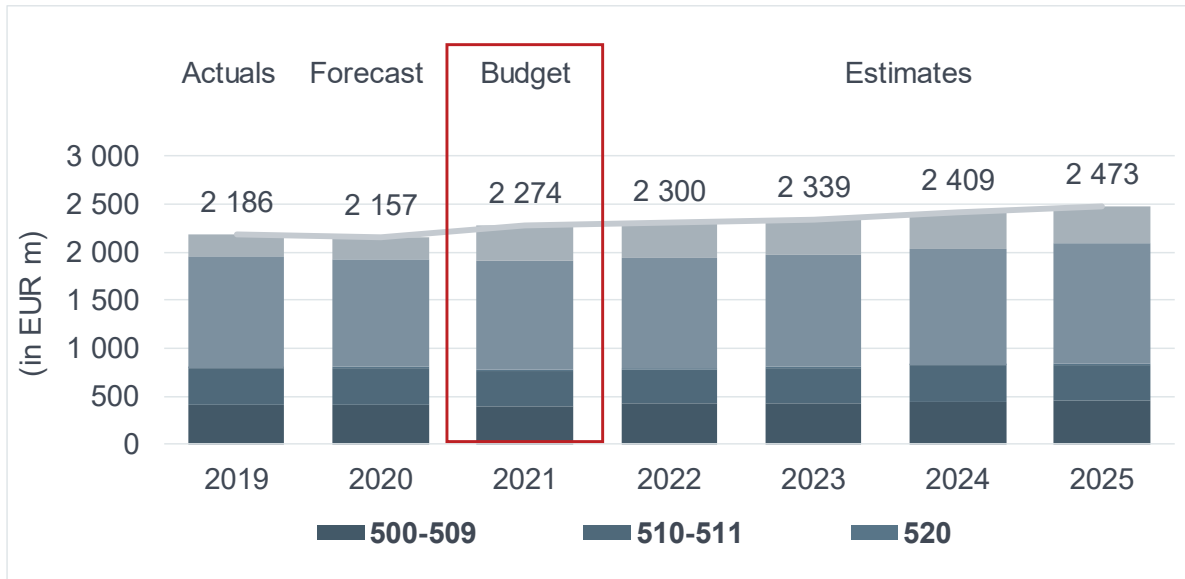
## Posts foreseen for The Hague

Out of the 7 075 posts, 2 776 posts are foreseen to be located in The Hague in the 2021 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

### 2021 MAIN BUDGET AND 2022-2025 ESTIMATES

#### (a) Budget operating income



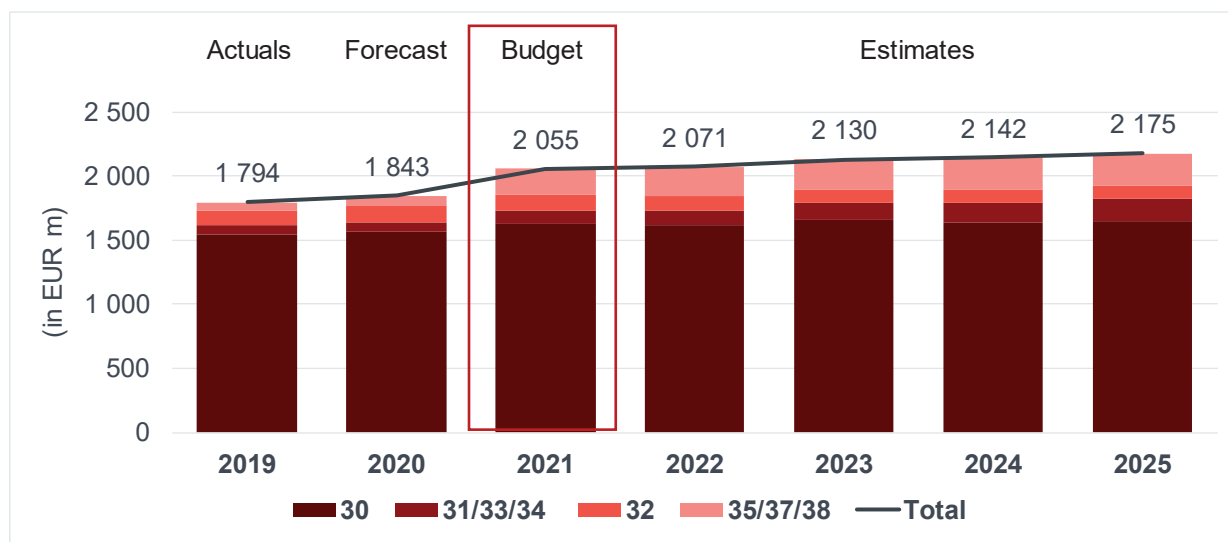
(in EUR m) Group	Actuals	Budget	Forecast	Budget	Estimates				
	2019	2020	2020	2021	2022	2023	2024	2025	
500-509: Filing and search fees	410	447	409	401	420	427	444	454	
510-511: Examination, grant and oppositio	381	381	385	365	364	367	372	375	
520: Appeal fees	7	10	6	9	9	9	9	8	
530-535: Designations and renewal fees	1 152	1 162	1 130	1 141	1 144	1 166	1 205	1 249	
thereof IRF	476	465	440	436	409	388	378	374	
thereof NRF (EPO share)	582	597	595	611	624	636	643	660	
Other	236	357	226	359	363	371	379	387	
<b>Total</b>	<b>2 186</b>	<b>2 357</b>	<b>2 157</b>	<b>2 274</b>	<b>2 300</b>	<b>2 339</b>	<b>2 409</b>	<b>2 473</b>	

The decrease in fee income between budget 2020 and budget 2021 is driven by the lower volumes of incoming workload as a result of the COVID-19 pandemic.

Income from filing and search (groups 500-509) is forecast to decrease by EUR 46m in the 2021 budget compared with 2020. Income from examination, grant and opposition (groups 510-511) is forecast to decrease by EUR 16m.

Income from designation and renewal fees (groups 530-535) for 2021 is expected to decrease globally by EUR 20m. The reduction in incoming workload is expected to contribute to reducing the pending stock, and further quality/timeliness efforts will reduce the average pendency period of applications 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 436m in 2021 and expected to further decrease to EUR 374m by 2025 (decrease of EUR 62m representing -14%). By contrast, 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 is expected to be EUR 611m in 2021 and to increase to EUR 660m by 2025, representing an increase of EUR 49m within five years (+8%). 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 increase by EUR 2m in 2021 which is mainly caused by revised estimates reflecting the size and asset allocation of the EPOTIF portfolio for which 30 June 2020 was used as a basis for valuation (budgetary credits for potential realised gains of EPOTIF amount to EUR 122m in the 2021 budget compared to EUR 116m in the 2020 budget). The net impact of EPOTIF on the budget is neutral as the same amount is also reflected under Other Operating Expenditure.

**(b) Budget operating expenditure**

(in EUR m)	Actuals	Budget	Forecast	Budget	Estimates			
Chapter	2019	2020	2020	2021	2022	2023	2024	2025
30: Staff	1 541	1 643	1 562	1 627	1 619	1 661	1 638	1 650
31/33/34: Buildings, Cooperation, Patent information	77	100	72	98	115	133	153	168
32: IT operating expenditure	112	116	135	125	109	100	105	105
35/37/38: Other expenditure	64	206	75	205	228	236	246	252
<b>Total</b>	<b>1 794</b>	<b>2 066</b>	<b>1 843</b>	<b>2 055</b>	<b>2 071</b>	<b>2 130</b>	<b>2 142</b>	<b>2 175</b>

In comparison with the 2020 budget, total operating expenditure is expected to slightly decrease by EUR 11m (-0.5%).

Staff costs (Ch. 30) will decrease by EUR 16m (-0.9%) compared with budget 2020. Basic salary expenditure remains broadly stable which is driven by four elements:

- Firstly, the new salary adjustment method introduced in 2020 to be applied as from 1 January 2021 resulted in +0,5% adjustment for Germany and the Netherlands and +0.4% for Austria, compared to +2.9%, +3.7% and +2% respectively in 2020. As a result of the decrease in GDP currently observed in Europe for 2020, no salary adjustment has been reflected as of 1 January 2022. The salary adjustment as of 1 January 2023 and beyond has been assumed at a maximum of 2.2% reflecting the long-term inflation target set by the European Central Bank rate of 2.0% plus 0.2%.  
The staff expenditure in 2023 includes a one off provision estimated at EUR 31.4m, for the periodical settlement of the difference between the result of the new salary adjustment method for 2021 and the application of the sustainability clause.
- 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 2021 (6 183 paid man years in budget 2021 compared to 6 495 paid man years in budget 2020).
- Fourthly, the reduction in 2021 staff costs, which is mainly the result of the difference in salary between newcomers and retirees.



With the impact of the corona virus pandemic, operating expenditure has been thoroughly scrutinised. In order to face the economic challenges of the crisis, a re-assessment of budgetary credits was conducted leading to a reduction by EUR 19m versus the amount foreseen for 2021 budget before start of the COVID-19 crisis. Areas of expenditure affected included:

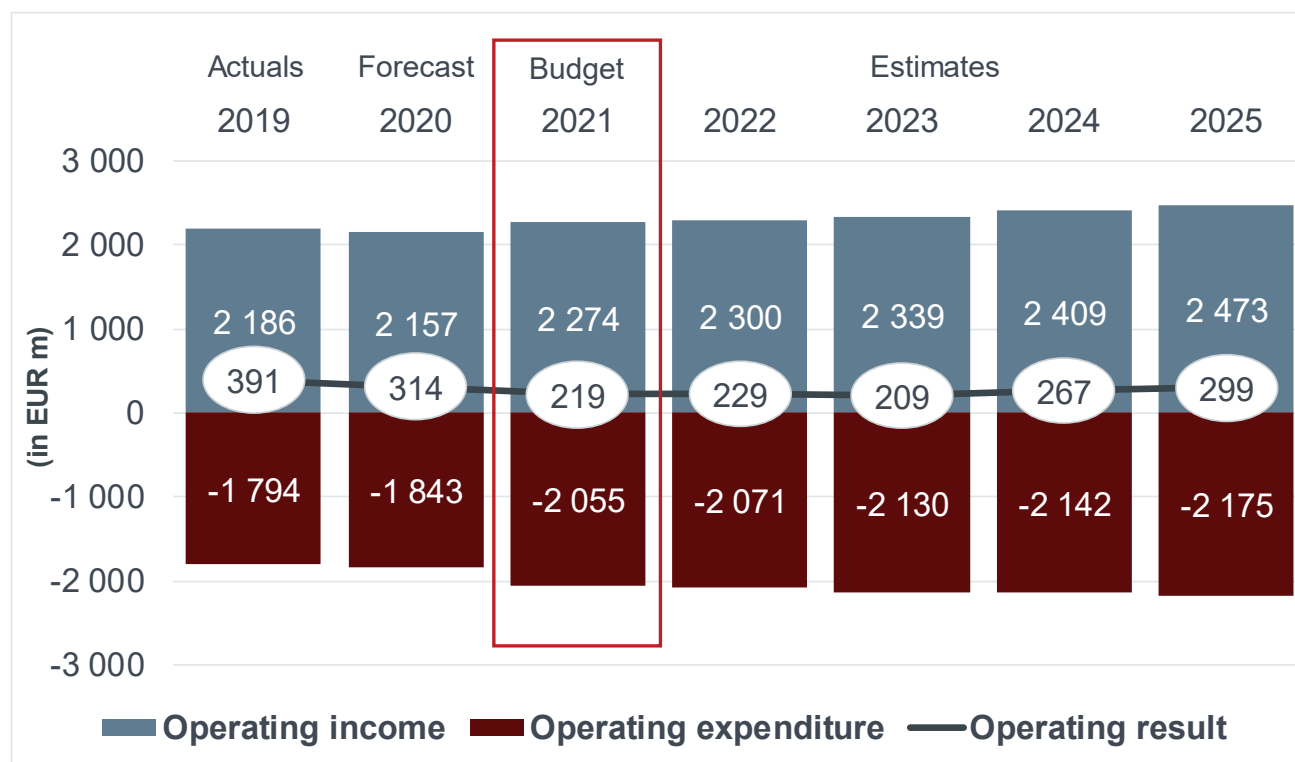
- Expenditure for recruitment, vacancy announcement and onboarding, in view of the lower recruitment activity,
- Travel expenditure, in view of a revision of the travel policy to promote use of video-conference.
- External consultants and studies.

The Expenditure in Ch. 31/33/34 (Buildings, Cooperation and Patent Information / Public Relations) has been reduced by EUR 2m. Expenditure for property and equipment maintenance has been decreased by EUR 4m while expenditure for Cooperation and Patent information and Public Relations increased by EUR 2m.

The increase in IT operating expenditure (Ch. 32) by EUR 9m reflects the additional budgetary appropriations expected to be needed for the initial phase of SP2023.

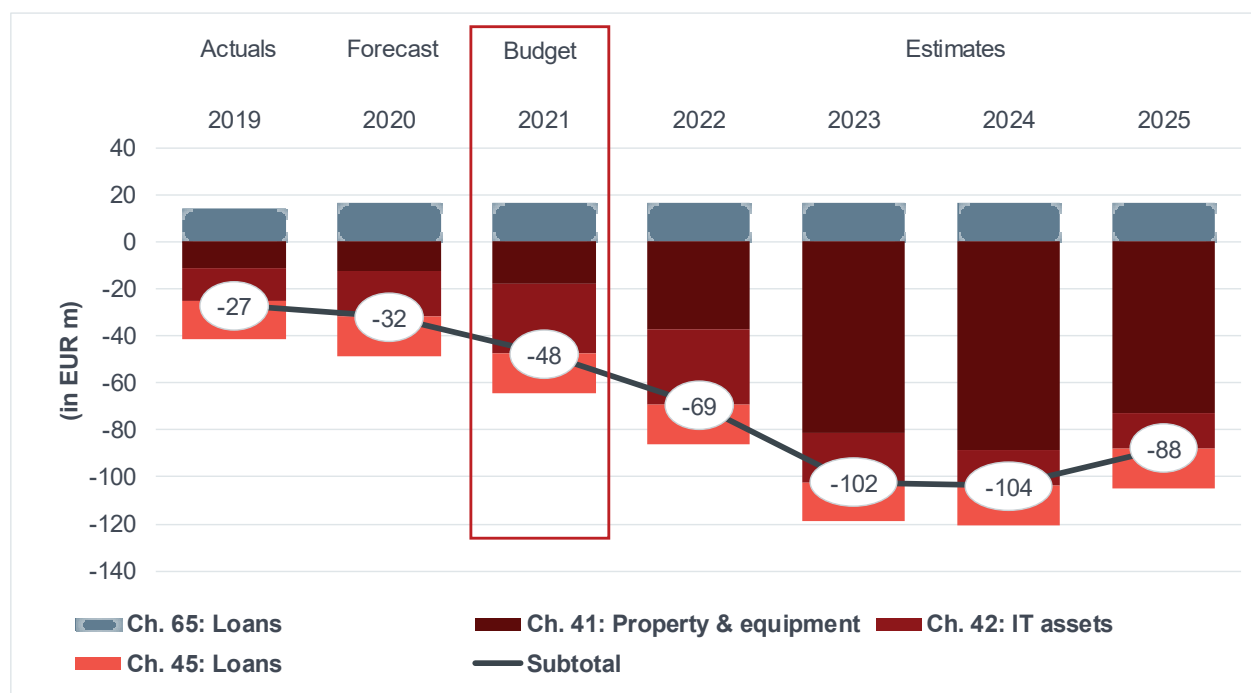
Other expenditure (Ch. 35/37/38: General operating expenditure, project expenditure funded by third parties and financial expenditure) decrease by EUR 1m. The increase in financial expenditure of EUR 5m caused by revised estimates reflecting the size and asset allocation of the EPOTIF portfolio (budgetary credits for potential realised losses of EPOTIF amount to EUR 122m in the 2021 budget compared to EUR 116m in the 2020 budget) is compensated by cost reduction measures of EUR 6m.

## (c) Budget operating result



(in EUR m)	Actuals 2019	Budget 2020	Forecast 2020	Budget 2021	2022	Estimates		
						2023	2024	2025
Operating income	2 186	2 357	2 157	2 274	2 300	2 339	2 409	2 473
Operating expenditure	1 794	2 066	1 843	2 055	2 071	2 130	2 142	2 175
<b>Operating result</b>	<b>391</b>	<b>292</b>	<b>314</b>	<b>219</b>	<b>229</b>	<b>209</b>	<b>267</b>	<b>299</b>

The operating result is the difference between operating income and operating expenditure. The operating result for 2021 is expected to decrease by EUR 73m compared with the 2020 budget for the reasons explained in the previous sections.

**(d) Budget capital income and expenditure**

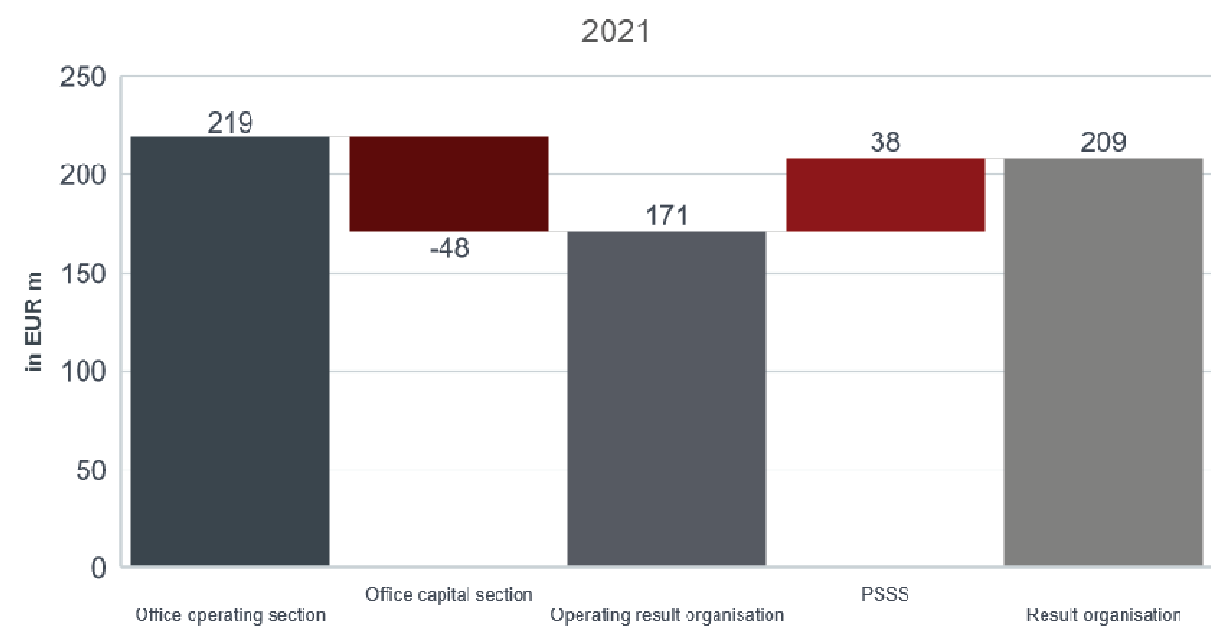
(in EUR m)	Actuals 2019	Budget 2020	Forecast 2020	Budget 2021	2022	Estimates		
						2023	2024	2025
<b>Capital income</b>								
Ch. 65: Loans	14	17	17	17	17	17	17	17
<b>Capital expenditure</b>								
Ch. 41: Property & equipment	11	19	12	18	37	81	89	73
Ch. 42: IT assets	14	31	20	30	32	21	15	15
Ch. 45: Loans	17	17	17	17	17	17	17	17
Subtotal	42	66	49	65	86	119	121	105
<b>Capital result</b>	<b>-27</b>	<b>-50</b>	<b>-32</b>	<b>-48</b>	<b>-69</b>	<b>-102</b>	<b>-104</b>	<b>-88</b>

Budgeted capital income (Ch. 65) comprises home loan 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 2m reflecting slightly lower capital expenditure for buildings in 2021 in Ch. 41 (EUR 1m) and capital expenditure for IT in Ch 42 (EUR 1m).

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

The overall budget result for the period is as follows:



(in EUR m)	Actuals	Budget	Forecast	Budget	Estimates				
	2019	2020	2020	2021	2022	2023	2024	2025	
Office operating section	391	292	314	219	229	209	267	299	
Office capital section	-27	-50	-32	-48	-69	-102	-104	-88	
<b>Operating result organisation</b>	<b>364</b>	<b>242</b>	<b>282</b>	<b>171</b>	<b>160</b>	<b>107</b>	<b>163</b>	<b>211</b>	
PSSS	49	51	50	38	10	-11	-41	-69	
<b>Result organisation</b>	<b>414</b>	<b>293</b>	<b>332</b>	<b>209</b>	<b>170</b>	<b>96</b>	<b>123</b>	<b>142</b>	

The estimated 2021 Result of the Organisation amounts to EUR 209m, a decrease of EUR 84m (-29%) compared with the 2020 budget.

The result of the Office Operating Section is mainly driven by a partial shift from renewal fees for patent applications to renewal fees for granted patents on the Income side over the planning period 2021-2025. Biennial inflation-based fee adjustments in 2022 and 2024 were reflected for all procedural fees with the exception of renewal fees for patent applications (IRFs) based on the 2% long-term inflation objective of the European Central Bank. Staff expenditure is expected to remain broadly stable throughout the period 2021-2025.

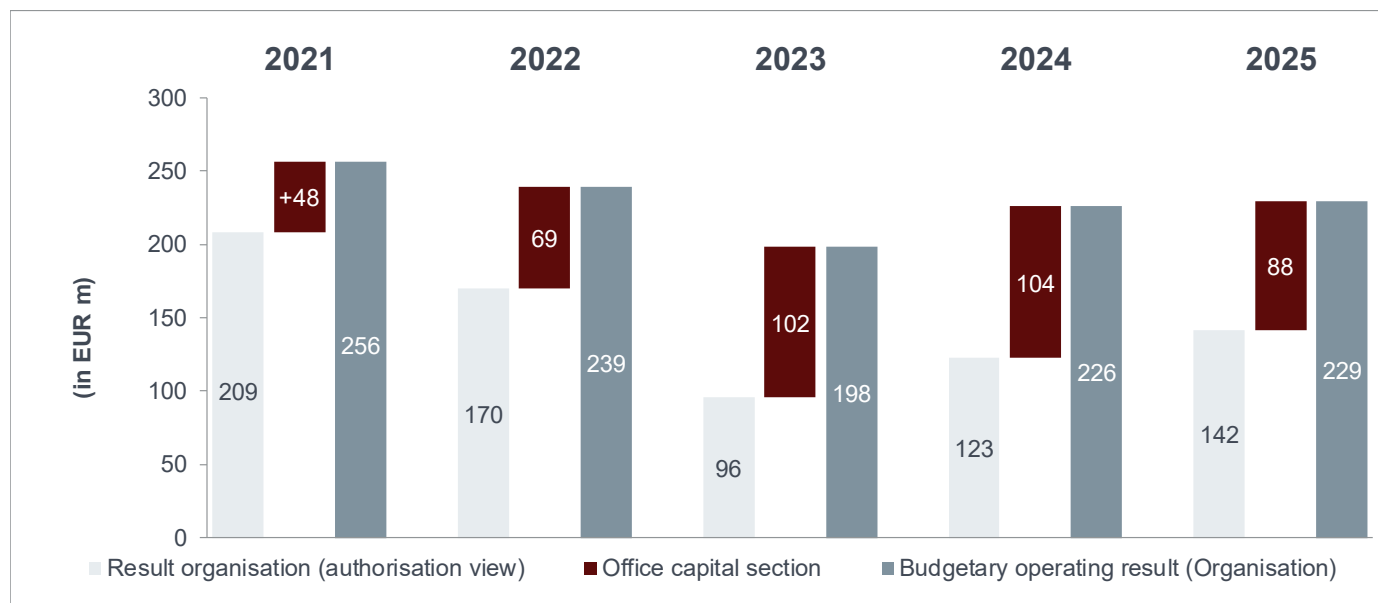
Over the period, the development of the Office Capital Section is dominated by investments in buildings.

With the projected number of pensioners increasing over the planning period, the result of PSSS is expected to decrease compared with 2020 and becomes negative as of 2023.

As a consequence of the decrease of the result of the Office until 2024 and the declining PSSS result, the result of the Organisation is expected to decline throughout the period 2021-2025.

## (f) Basis for transition from authorisation budget to Standardised 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).



(in EUR m)	Actuals	Budget	Forecast	Budget	Estimates			
	2019	2020	2020	2021	2022	2023	2024	2025
Result organisation (authorisation view)	414	293	332	209	170	96	123	142
Elimination of capital transactions Office	27	50	32	48	69	102	104	88
<b>Budgetary operating result (Organisation)</b>	<b>441</b>	<b>343</b>	<b>364</b>	<b>256</b>	<b>239</b>	<b>198</b>	<b>226</b>	<b>229</b>

## 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 2021

		Total	DG 0	DG 1	DG 4	DG 5	BoA	UPP	Un-allocated*
		2021	Management	Patent Granting Process	Corporate Services	Legal and Int. Affairs	Boards of Appeal	Unitary Patent Protection	
<b>Headcounts - Permanent Posts</b>									
	Job group 1-4	5 596	403	4 350	461	147	235	0	0
	Job group 5-6	1 479	121	739	453	122	44	0	0
	<b>Total</b>	<b>7 075</b>	<b>524</b>	<b>5 089</b>	<b>914</b>	<b>269</b>	<b>279</b>	<b>0</b>	<b>0</b>
<b>Chapter/ Group</b>									
<b>Operating section - Expenditure in € '000</b>									
<b>Staff</b>									
300	Basic Salaries and allowances, internal tax	1 569 305	29 300	991 140	150 185	42 595	71 120	0	284 965
301-305	Other (including trainings, school)	58 095	805	4 145	51 630	325	490	0	700
31	Property and equipment maintenance	49 900	140	0	49 760	0	0	0	0
32	IT Operating Expenditure	124 785	0	0	124 785	0	0	0	0
33	Co-operation and meetings	28 120	30	190	2 525	23 340	0	485	1 550
34	Patent information and communication	20 200	9 140	6 205	920	3 880	55	0	0
35	General operating expenditure	82 855	7 525	9 540	61 875	3 450	465	0	0
37	Project expenditure funded by third parties	130	0	35	0	95	0	0	0
38	Financial expenditure	122 020	0	0	122 020	0	0	0	0
<b>30-38</b>	<b>Total Operating Expenditure</b>	<b>2 055 410</b>	<b>46 940</b>	<b>1 011 255</b>	<b>563 700</b>	<b>73 685</b>	<b>72 130</b>	<b>485</b>	<b>287 215</b>
<b>Chapter/ Group</b>									
<b>Operating section - Income in € '000</b>									
500	Income from filing and search (EPC)	220 565	0	220 565	0	0	0	0	0
501	Income from filing and search (PCT)	116 420	0	116 420	0	0	0	0	0
509	Income from other search work	63 890	0	63 890	0	0	0	0	0
510	Income from examination, grant and opposition (EPC)	352 825	0	352 825	0	0	0	0	0
511	Income from examination (PCT)	11 965	0	11 965	0	0	0	0	0
52	Appeal fees	8 510	0	0	0	0	8 510	0	0
530	Designation and renewal fees (EPC)	1 135 925	0	0	0	0	0	0	1 135 925
532	Renewal fees (UPP)	2 830	0	0	0	0	0	2 830	0
535	Extension and validation fees	2 065	0	0	0	0	0	0	2 065
540	Patent information products	7 370	0	0	0	7 370	0	0	0
55	General operating income, internal tax	228 055	0	3 000	1 775	3 330	20	50	219 880
57	Third-party project funding	130	0	35	0	95	0	0	0
58	Financial income	123 500	0	0	123 500	0	0	0	0
<b>50-58</b>	<b>Total Operating Income</b>	<b>2 274 050</b>	<b>0</b>	<b>768 700</b>	<b>125 275</b>	<b>10 795</b>	<b>8 530</b>	<b>2 880</b>	<b>1 357 870</b>
<b>Total Operating Result</b>		<b>218 640</b>	<b>-46 940</b>	<b>-242 555</b>	<b>-438 425</b>	<b>-62 890</b>	<b>-63 600</b>	<b>2 395</b>	<b>1 070 655</b>
<b>Capital Section in € '000</b>									
Total Capital Expenditure		64 515	0	0	64 515	0	0	0	0
Total Capital Income		16 800	0	0	16 800	0	0	0	0
<b>Total Capital Result</b>		<b>-47 715</b>	<b>0</b>	<b>0</b>	<b>-47 715</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Result Office</b>		<b>170 925</b>	<b>-46 940</b>	<b>-242 555</b>	<b>-486 140</b>	<b>-62 890</b>	<b>-63 600</b>	<b>2 395</b>	<b>1 070 655</b>
			DG 0	DG 1	DG 4	DG 5	BoA	UPP	Un-allocated*
Product name		-		1. Filing 2. Search 3. Examination 4. Opposition	-	6. Patent Information / Publication 7. Technical Cooperation 8. European Patent Academy	5. Appeal	-	-

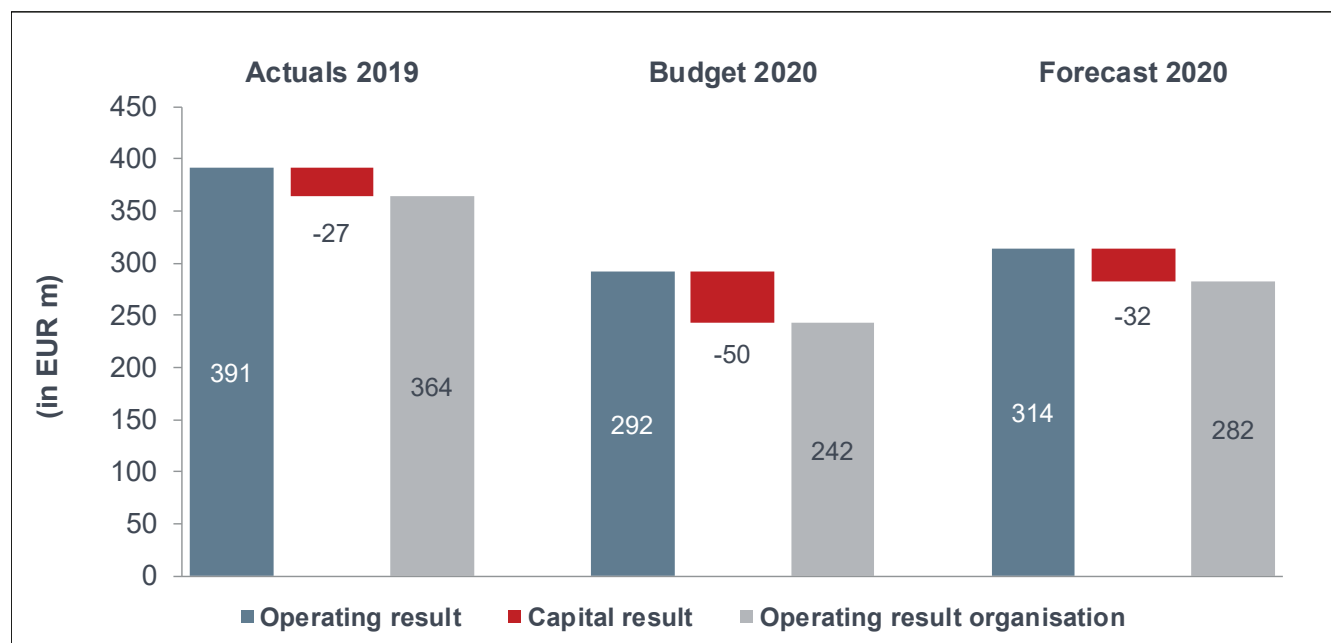
\* unallocated items mainly relate to internal tax and renewal fees.

## F. FORECAST

The table below provides an up-to-date forecast of the financial results for the accounting year 2020, firstly based on the Authorisation Budget and secondly under the Standardised IFRS view.

### 1.) Authorisation budget

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



(in EUR m)	2019		2020	
	Actuals	Budget	Forecast	
Operating income	2 186	2 357	2 157	
Operating expenditure	1 794	2 066	1 843	
<b>Operating result</b>	<b>391</b>	<b>292</b>	<b>314</b>	
Capital income	14	17	17	
Capital expenditure	42	66	49	
<b>Capital result</b>	<b>-27</b>	<b>-50</b>	<b>-32</b>	
<b>Operating result organisation</b>	<b>364</b>	<b>242</b>	<b>282</b>	

The expected operating-section result of the Authorisation Budget will be in the order of magnitude of EUR 314m and therefore above the 2020 budget of EUR 292m.

Total income forecast for 2020 in the operating section is expected to be in line with 2019 but 8.5% below budget by EUR 200m. The decrease in forecast operating income compared to budget operating income is mainly triggered by EPOTIF (EUR 116m) as the authorisation budget only reflects realised gains.

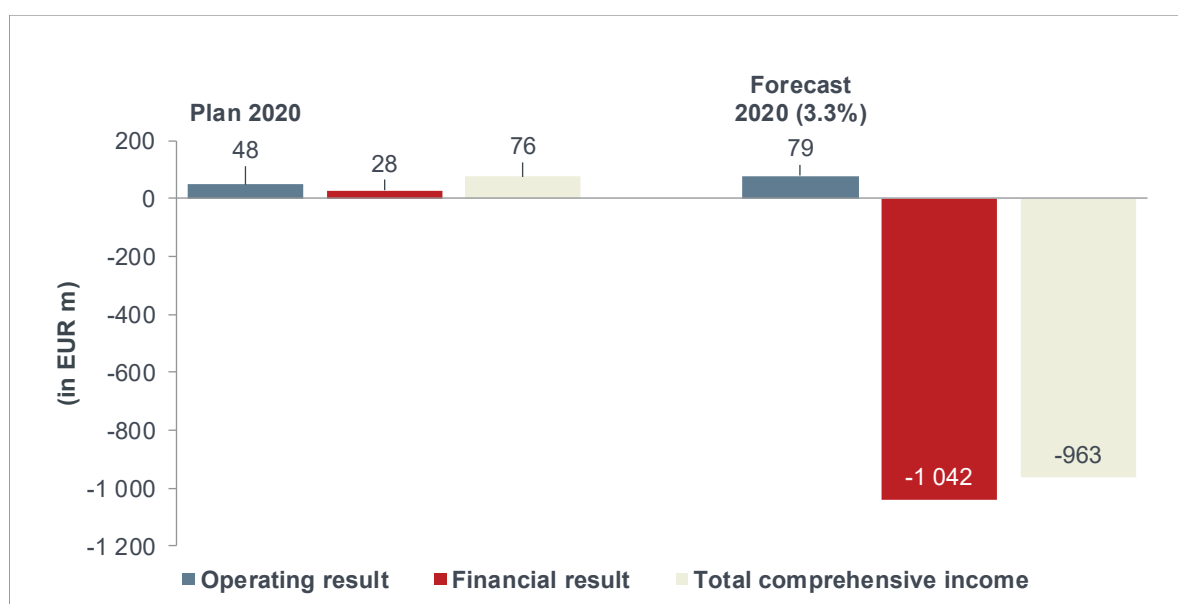
Total income for procedural fees is currently forecast to be in line with 2019. In view of the uncertainty surrounding the economic impact of the corona virus pandemic a prudent forecast is applied, especially with regard to the incoming workload and renewal fees.

Forecast operating expenditure is expected to be 11% below budget by EUR 223m. The underspend is primarily caused by EPOTIF as there are no expected realised losses (EUR 116m) as well as lower expenditure for staff costs (EUR 81m or 5%).



## 2.) IFRS

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



(in EUR m)	Actuals	CAD 1/19	Plan	Forecast
<b>Discount rate for Defined Benefit Obligations</b>	<b>1,99%</b>	<b>5.0%</b>	<b>3.3%</b>	<b>3.3%</b>
	<b>2019</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
Operating income	2 023	2 047	2 047	1 989
Operating expenses	2 158	1 799	1 999	1 910
Operating result	-135	247	48	79
Financial income	1 785	593	593	-475
Financial expenses	436	585	565	567
Financial result	1 349	7	28	-1 042
Profit/loss of the year	1 213	255	76	-963
Other comprehensive income for the year	-8 041	0	0	0
<b>Total comprehensive income</b>	<b>-6 828</b>	<b>255</b>	<b>76</b>	<b>-963</b>

The IFRS budget for 2020 was initially evaluated with a discount rate of 5%. In view of the change of discount rate, from 5% to 3.3%, the IFRS budget for 2020 has been retreated with a 3.3% discount rate. The IFRS Forecast was then also evaluated with a 3.3% discount rate.

As regards the IFRS Statement of Comprehensive Income, total income under IFRS will finish the year at around EUR 1 989m which is slightly below the 2020 budget. This development is mainly due to lower production and renewal fees compared to budget.

Operating expenses are forecast at a lower level than budgeted (EUR 89m) reflecting the underspends mentioned under the authorisation budget. The trends outlined above will lead to a standardised operating result under IFRS of EUR 79 exceeding the budget by EUR 31m.

The financial income is mainly driven by the expected return on EPOTIF (4% per year) and RFPSS assets (5.25% per year) on top of the actual values and results as of June 2020. Up to June 2020, valuation losses of ca. EUR 750m on RFPSS assets and EPOTIF investments together have been recorded. For the second half of the year, the long-term return is assumed at 5.25% , partly compensating for the already incurred market value losses up until June 2020 - here presented as negative financial income. The financial expenses mainly relate to interest costs associated with the Defined Benefit Obligations. In total this leads to an estimated financial loss of EUR 1042m for the year 2020. However, such results are highly volatile and outside the control of the EPO.

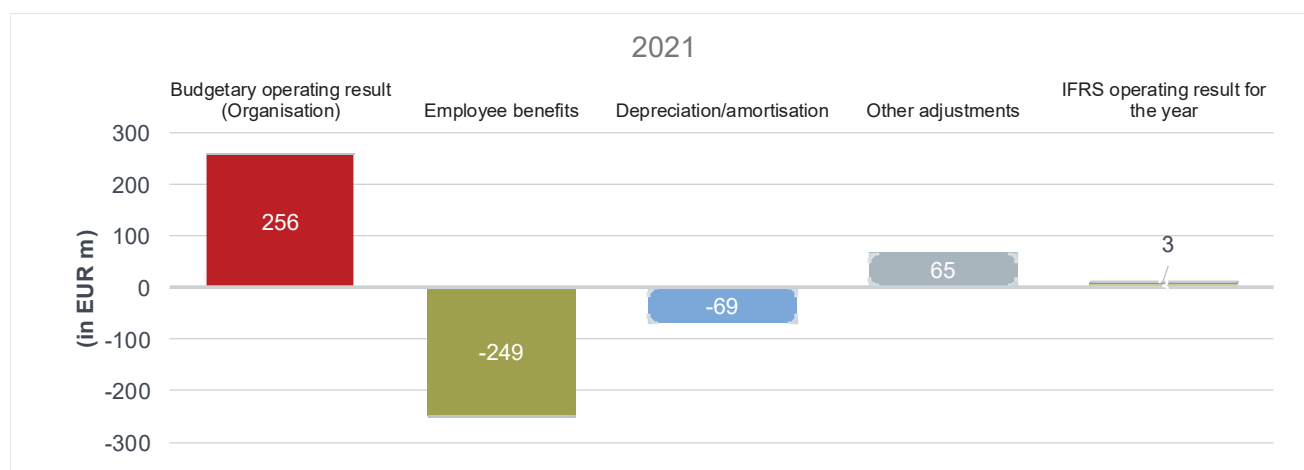
## G. PLAN FINANCIAL STATEMENTS UNDER STANDARDISED IFRS

### (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 3.3% (until Budget 2020: 5%) and service cost for SSP. Further adjustments relate to differences in benefits paid as well as changes in provisions for leave not taken, for the periodical settlement under the new salary adjustment method and staff expenses for home loans. The IFRS 2020 Forecast is also restated to reflect a standardised 3.3% interest rate instead of a 5% discount rate.
- 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 EUR m)	Budget	Forecast	Budget/ Plan	Estimates/Plan			
	2020	2020	2021	2022	2023	2024	2025
Budgetary operating result (Organisation)	343	364	256	239	198	226	229
Employee benefits	-250	-256	-249	-220	-185	-210	-206
Depreciation/amortisation	-66	-68	-69	-70	-67	-64	-67
Other adjustments	21	38	65	79	82	94	104
<b>IFRS operating result for the year</b>	<b>48</b>	<b>79</b>	<b>3</b>	<b>27</b>	<b>27</b>	<b>46</b>	<b>61</b>

As indicated above, employee benefits for Budget 2020 were restated with a discount rate of 3.3% (compared to 5.0% applied in previous years).

The IFRS operating result comprises the following items:

(in EUR m)	Actuals	Plan	Forecast	Plan	Plan			
	2019	2020	2020	2021	2022	2023	2024	2025
Operating income	2 023	2 047	1 989	1 992	1 989	1 987	2 012	2 043
Employee benefit expenses	-1 860	-1 645	-1 580	-1 630	-1 595	-1 601	-1 601	-1 607
Depreciation and amortisation expenses	-59	-66	-68	-69	-70	-67	-64	-67
Other operating expenses	-239	-288	-263	-290	-296	-291	-301	-308
<b>IFRS operating result for the year</b>	<b>-135</b>	<b>48</b>	<b>79</b>	<b>3</b>	<b>27</b>	<b>27</b>	<b>46</b>	<b>61</b>

Please note that current service costs relating to employee benefits for actuals 2019 are determined based on 1.99% while the restated budget 2020, budget 2021 and estimates 2022-2025 are based on a discount rate of 3.3%.

The operating income for 2021 is expected to decrease by EUR 56m in comparison with the 2020 plan, mainly as a result of lower production and decrease of renewal fees. The evolution up to 2025 reflects the impact on IRF from the implementation of quality/timeliness as well as the priorities of the Office regarding quality and efficiency.

Employee benefits in 2021 are relatively stable compared to budget 2020. Also for the planning period thereafter employee benefits are expected to remain stable until 2025. The increase triggered by the salary adjustment method and career progression is compensated by a reduction in paid may years.

The operating result for 2021 is positive at EUR 3m, a decrease of EUR 45m, compared with the restated budgeted operating result for 2020.

### Financial result

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

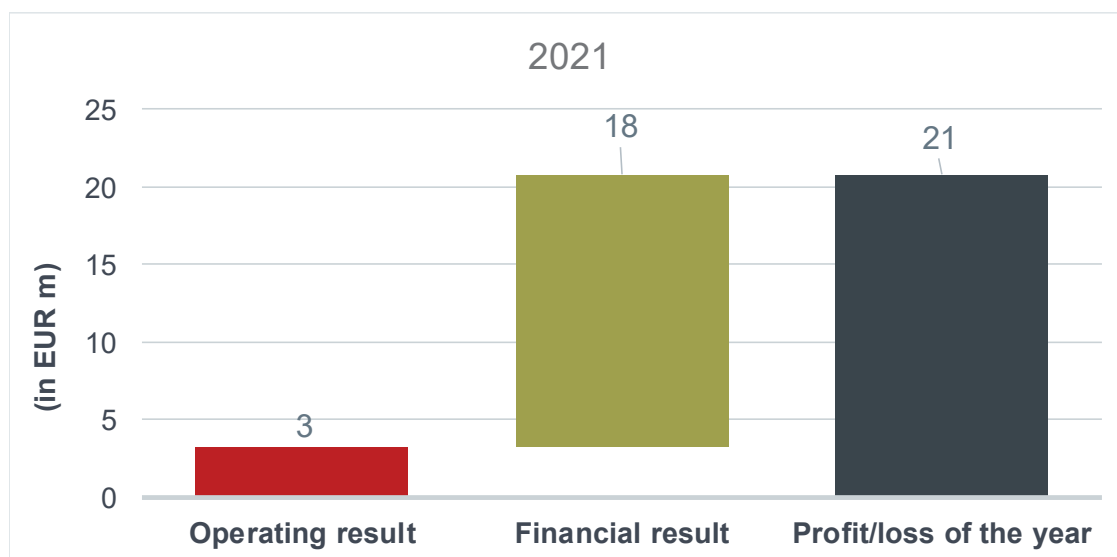
Composition of financial result (in EUR m)	Actuals	Plan	Forecast	Plan	Plan			
	2019	2020	2020	2021	2022	2023	2024	2025
EPOTIF expected return on assets	325	116	-475	122	131	139	147	155
RFPSS	1 435	479	-32	483	512	540	568	597
DBO interest cost	-413	-580	-1	-586	-612	-638	-664	-690
Other financial result	2	-7	1 067	-1	-1	-1	-1	-1
<b>IFRS financial result for the year</b>	<b>1 349</b>	<b>7</b>	<b>560</b>	<b>18</b>	<b>30</b>	<b>39</b>	<b>50</b>	<b>62</b>

The financial result is mainly driven 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 against 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 after management fees. These assumptions for RFPSS and EPOTIF were applied to the value of the portfolios as of 30 June 2020.

The annual injections to EPOTIF and RFPSS (60% of cash surplus to EPOTIF, 40% to RFPSS) lead to an increase in financial assets which triggers higher expected financial income throughout the planning period.

### IFRS total comprehensive income for the year

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



(in EUR m)	Actuals	Plan	Forecast	Plan	Plan			
	2019	2020	2020	2021	2022	2023	2024	2025
Operating result	-135	48	79	3	27	27	46	61
Financial result	1 349	7	-1 042	18	30	39	50	62
Profit/loss of the year	1 213	55	-963	21	57	67	96	123
Other comprehensive income for the year	-8 041	0	0	0	0	0	0	0
<b>IFRS total comprehensive income</b>	<b>-6 828</b>	<b>55</b>	<b>-963</b>	<b>21</b>	<b>57</b>	<b>67</b>	<b>96</b>	<b>123</b>

Please note that current service costs relating to employee benefits for actuals 2019 are determined based on 1.13% (for pension liabilities) while the restated budget 2020, budget 2021 and estimates 2022-2025 are based on a flat discount rate of 3.3%.

The expected IFRS profit for 2021 amounts to EUR 21m representing a decrease of EUR 34m compared with the 2020 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 EUR m)	Actuals	Forecast	Plan	Plan			
	31.12.2019	1.1.2021	31.12.2021	2022	2023	2024	2025
Fixed assets	767	704	688	702	782	846	872
RFPSS net assets	9 594	9 171	9 716	10 273	10 830	11 387	11 957
Liquidity and prepaid expenses	61	27	42	44	46	49	51
EPOTIF	2 955	3 060	3 267	3 486	3 703	3 940	4 213
Other assets	435	341	380	409	439	471	507
<b>Total assets</b>	<b>13 811</b>	<b>13 304</b>	<b>14 093</b>	<b>14 915</b>	<b>15 800</b>	<b>16 693</b>	<b>17 600</b>
<b>Equity</b>	<b>-17 632</b>	<b>-6 204</b>	<b>-6 184</b>	<b>-6 127</b>	<b>-6 060</b>	<b>-5 964</b>	<b>-5 841</b>
DBO	29 869	17 947	18 736	19 524	20 311	21 084	21 845
Prepaid fees	960	912	854	813	791	786	792
Other liabilities	615	649	686	704	758	787	804
<b>Total equity and liabilities</b>	<b>13 811</b>	<b>13 304</b>	<b>14 093</b>	<b>14 915</b>	<b>15 800</b>	<b>16 693</b>	<b>17 600</b>

**Assets***Fixed assets*

The EPO's fixed assets (property, plant, equipment and intangible assets) are expected to increase following the investment curve.

*RFPSS net assets*

RFPSS assets are expected to grow by 5.4% on average p.a., reaching EUR 12bn in 2025. This growth reflects the contributions netted with benefits paid to the pension and health schemes as well as the long-term expected rate of return of 5.25% and injections amounting to 40% of the annual cash surplus generated.

*EPOTIF*

Following the revision of Investment Guidelines, financial assets relating to EPOTIF are now included as a separate line item in the forecast Statement of Financial Position, whereas prior to the 2020 budget assets acquired 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 rate of return of 4.0% and the expected injections amounting to 60% of the annual cash surplus generated.

*Liquidity and prepaid expenses*

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

*Other assets*

Other assets are planned to increase between 2021 and 2025 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 2021 amounts to EUR -6 204m and is significantly less negative than the one at the end of the latest closed accounting period (31 December 2019 - EUR -17 632m). The variation is primarily caused by the difference between the assumed discount rate of 3.3% for the DBO (comprising pensions as most important item) and the actual discount rate at year-end closure 2019 (e.g. 1.13% for pensions) as well as by the expected impact of the salary adjustment method.

The negative standardised equity of EUR -6 184m in 2021 is expected to progressively improve until 2025.

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 basis aligned with the Financial Study, rather than to allow for comparison between forecasts and actuals.

### *Defined benefit obligations (DBO)*

Throughout the planning period 2021-2025, a standardised discount rate of 3.3% has been applied. The underlying valuation of DBOs also reflect the new salary adjustment method which foresees a 0.2% cap above the 2% long-term inflation target set by the European Central Bank and amounts to maximum of 2.2%. This assumption is lower than compared to the previous estimates applied until Budget 2020 (2.5%).

The defined benefit obligations are planned to grow on average by 3.9% p.a. reaching EUR 22bn in 2025.

### *Prepaid fees*

Prepaid fees (current and non-current) show a decrease of EUR 62m (-7%) over the planning period, corresponding to the expected decrease in incoming workload as well as, the planned evolution of pending applications following the implementation of quality/timeliness and efficiency gains in the patent granting process in the coming 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 share of both assets and liabilities attributable to the SSP remains low throughout the planning period amounting to EUR 254m or 1.2.% of the DBO by the end of 2025.

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

(in EUR m)	2020	Plan 2021	2022	2023	2024	2025
Net Present Value of renewal fees for patents	4 300	5 000	5 300	5 500	5 700	5 800
Costs for work not completed in excess of prepaid fees received	-700	-800	-740	-690	-650	-630

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 2021-2025, caused by two aspects:

- Firstly, the prepaid fees balance for pending applications is expected to decrease in line with the timeliness objectives and the efficiency gains.
- Secondly, the expected productivity increases lead to a reduction in the element of expected costs not covered by the procedural fees balanced with inflation-based evolutions.

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	2 509 490	2 509 490
PART II PENSION AND SOCIAL SECURITY SCHEMES	415 050	415 050
<b>TOTAL</b>	<b>2 924 540</b>	<b>2 924 540</b>
Adjustment for transferrals within the budget:		
<b>PART I MAIN BUDGET</b>		
Section 1: Operating section		
Office contributions to pension and social security schemes		247 030
Transfer of operating result		218 640
Section 2: Capital section		
Transfer of operating result (Article 6000)	218 640	
<b>PART II PENSION AND SOCIAL SECURITY SCHEMES</b>		
Section 1: Operating section		
Office contributions to pension and social security schemes	247 030	
Transfer of operating results		37 650
Section 2: Capital section		
Transfer of operating results (Article 6600)	37 650	
<b>NET TOTAL</b>	<b>2 421 220</b>	<b>2 421 220</b>

- 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. Gr.	E X P E N D I T U R E	Accounts	Budget	Forecast	Budget	Estimates			
		2019	2020	2020	2021	2022	2023	2024	2025
<b>Section 1: Operating section</b>									
30	Staff	1 540 906	1 643 415	1 561 589	1 627 400	1 619 035	1 661 450	1 637 630	1 650 210
31	Property and equipment maintenance	49 207	53 585	49 384	49 900	57 390	61 220	62 130	62 550
32	IT operating expenditure	112 214	115 765	135 000	124 785	108 515	100 190	104 530	104 530
33	Co-operation and meetings	13 479	27 915	10 260	28 120	37 070	50 785	71 130	85 105
34	Patent information and communication	13 962	18 975	12 245	20 200	20 840	20 925	20 075	20 135
35	General operating expenditure	64 349	89 790	74 393	82 855	97 115	96 520	99 295	96 850
37	Project expenditure funded by third parties	28	135	100	130	130	130	130	130
38	Financial expenditure	12	116 000	25	122 020	131 020	139 020	147 020	155 020
30-38	<b>Sub-total</b>	1 794 156	2 065 580	1 842 996	2 055 410	2 071 115	2 130 240	2 141 940	2 174 530
	<b>Operating section, surplus</b>	391 359	291 785	313 954	218 640	229 225	209 245	267 165	298 540
	<b>TOTAL operating section</b>	<b>2 185 515</b>	<b>2 357 365</b>	<b>2 156 950</b>	<b>2 274 050</b>	<b>2 300 340</b>	<b>2 339 485</b>	<b>2 409 105</b>	<b>2 473 070</b>
<b>Section 2: Capital section</b>									
410	Land and buildings	9 693	18 650	12 250	17 340	36 635	80 765	88 490	72 480
411	Furniture and equipment	1 262	415	130	375	585	375	310	320
42	IT tangible and intangible assets	13 884	30 540	19 505	30 000	32 110	21 050	15 000	15 000
45	Loans and advances to third parties	16 800	16 800	16 800	16 800	16 800	16 800	16 800	16 800
41-48	<b>Sub-total</b>	41 639	66 405	48 685	64 515	86 130	118 990	120 600	104 600
49	<b>Authorisation budget, surplus</b>	364 168	242 180	282 069	170 925	159 895	107 055	163 365	210 740
	<b>TOTAL capital section</b>	<b>405 807</b>	<b>308 585</b>	<b>330 754</b>	<b>235 440</b>	<b>246 025</b>	<b>226 045</b>	<b>283 965</b>	<b>315 340</b>

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

in € '000

Ch. Gr.	I N C O M E	Accounts	Budget	Forecast	Budget	Estimates			
		2019	2020	2020	2021	2022	2023	2024	2025
<b>Section 1: Operating section</b>									
500	Income from filing and search (EPC)	231 910	245 695	229 205	220 565	233 235	240 245	253 025	259 985
501	Income from filing and search (PCT)	123 556	137 135	115 540	116 420	122 630	122 590	127 310	130 340
509	Income from other search work	54 520	64 530	64 520	63 890	63 890	63 890	63 890	63 890
510	Income from examination, grant and opposition (EPC)	370 447	366 635	372 330	352 825	351 755	353 845	358 875	361 730
511	Income from examination (PCT)	10 682	14 855	13 095	11 965	12 500	12 935	13 305	13 405
52	Appeal fees	6 707	9 700	6 000	8 510	9 140	9 030	8 620	7 965
530	Designation and renewal fees (EPC)	1 150 482	1 157 455	1 128 010	1 135 925	1 120 910	1 115 315	1 113 870	1 129 225
532	Renewal fees (UPP)	0	2 830	0	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	1 469	1 850	1 850	2 065	2 110	2 135	2 180	2 180
540	Patent information products	8 203	8 240	7 580	7 370	7 490	7 790	7 640	7 630
55	General operating income	226 386	230 805	217 570	228 055	223 100	222 970	222 490	222 710
57	Third-party project funding	28	135	100	130	130	130	130	130
58	Financial income	1 126	117 500	1 150	123 500	132 500	140 500	148 500	156 500
50-58	<b>Sub-total</b>	2 185 515	2 357 365	2 156 950	2 274 050	2 300 340	2 339 485	2 409 105	2 473 070
<b>TOTAL operating section</b>		<b>2 185 515</b>	<b>2 357 365</b>	<b>2 156 950</b>	<b>2 274 050</b>	<b>2 300 340</b>	<b>2 339 485</b>	<b>2 409 105</b>	<b>2 473 070</b>
<b>Section 2: Capital section</b>									
60	Operating section, surplus	391 359	291 785	313 954	218 640	229 225	209 245	267 165	298 540
650	Repayment of staff home loans	14 448	16 800	16 800	16 800	16 800	16 800	16 800	16 800
<b>TOTAL capital section</b>		<b>405 807</b>	<b>308 585</b>	<b>330 754</b>	<b>235 440</b>	<b>246 025</b>	<b>226 045</b>	<b>283 965</b>	<b>315 340</b>

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

EXPENDITURE	Accounts	Budget	Forecast	Budget	Estimates			
	2019	2020	2020	2021	2022	2023	2024	2025
<b>Art. Section 1: Operating section</b>								
3600 Pension payments	210 507	239 000	225 390	248 010	266 030	284 260	310 780	338 400
3601 Salary Savings Plan (SSP)	1 818	1 500	1 660	1 250	1 870	2 320	3 000	1 950
3605 Healthcare	73 913	77 500	77 610	81 490	85 560	89 840	94 330	99 050
3605 Long-term care	5 684	6 030	5 990	6 230	6 450	6 710	6 940	7 220
3605 Death	2 550	2 385	2 485	2 575	2 535	2 535	2 565	2 580
3605 Incapacity payments fixed-term	23	150	195	195	240	300	360	360
<b>Sub-total</b>	<b>294 494</b>	<b>326 565</b>	<b>313 330</b>	<b>339 750</b>	<b>362 685</b>	<b>385 965</b>	<b>417 975</b>	<b>449 560</b>
<b>Operating section, surplus</b>	<b>49 484</b>	<b>51 215</b>	<b>50 270</b>	<b>37 650</b>	<b>10 025</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL operating section</b>	<b>343 978</b>	<b>377 780</b>	<b>363 600</b>	<b>377 400</b>	<b>372 710</b>	<b>385 965</b>	<b>417 975</b>	<b>449 560</b>
<b>Art. Section 2: Capital section</b>								
4600 Transfer of pension and social security scheme surpluses								
- Transfer of surplus to reserve funds	34 297	36 500	35 070	20 405	0	0	0	0
- Transfer of surplus to SSP	15 186	14 715	15 200	17 245	17 135	17 495	17 700	19 815
4610 Deficit pension and social security schemes	0	0	0	0	7 110	28 630	58 555	89 035
<b>TOTAL capital section</b>	<b>49 484</b>	<b>51 215</b>	<b>50 270</b>	<b>37 650</b>	<b>24 245</b>	<b>46 125</b>	<b>76 255</b>	<b>108 850</b>
<b>I N C O M E</b>								
<b>Art. Section 1: Operating section</b>								
5600 Pension contributions	218 464	245 980	235 840	242 500	236 980	236 155	234 715	233 845
5601 Salary Savings Plan (SSP)	17 004	16 215	16 860	18 495	19 005	19 815	20 700	21 765
5605 Healthcare	90 009	95 170	90 545	95 095	95 355	97 120	99 400	101 920
5605 Long-term care insurance	15 880	17 880	17 675	18 540	18 595	18 905	19 380	19 870
5605 Death insurance	2 548	2 385	2 485	2 575	2 535	2 535	2 565	2 580
5605 Incapacity contributions	72	150	195	195	240	300	360	360
<b>Sub-total</b>	<b>343 978</b>	<b>377 780</b>	<b>363 600</b>	<b>377 400</b>	<b>372 710</b>	<b>374 830</b>	<b>377 120</b>	<b>380 340</b>
<b>Operating section, deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11 135</b>	<b>40 855</b>	<b>69 220</b>
<b>TOTAL operating section</b>	<b>343 978</b>	<b>377 780</b>	<b>363 600</b>	<b>377 400</b>	<b>372 710</b>	<b>385 965</b>	<b>417 975</b>	<b>449 560</b>
<b>Art. Section 2: Capital section</b>								
6600 Net income								
- Pension and social security schemes	34 297	36 500	35 070	20 405	0	0	0	0
- Defined Contributions Plan (SSP)	15 186	14 715	15 200	17 245	17 135	17 495	17 700	19 815
6610 Compensation of deficit death insurance	0	0	0	0	7 110	28 630	58 555	89 035
<b>TOTAL capital section</b>	<b>49 484</b>	<b>51 215</b>	<b>50 270</b>	<b>37 650</b>	<b>24 245</b>	<b>46 125</b>	<b>76 255</b>	<b>108 850</b>

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.	E X P E N D I T U R E	Accounts 2019	Budget 2020	Forecast 2020	Budget 2021	2022	Estimates 2023 2024 2025		
<b>Section 1: Operating section</b>									
30	Staff	1 316 629	1 394 006	1 320 379	1 380 370	1 375 215	1 416 320	1 391 010	1 401 440
31	Property and equipment maintenance	49 207	53 585	49 384	49 900	57 390	61 220	62 130	62 550
32	IT operating expenditure	112 214	115 765	135 000	124 785	108 515	100 190	104 530	104 530
33	Co-operation and meetings	13 479	27 915	10 260	28 120	37 070	50 785	71 130	85 105
34	Patent information and communication	13 962	18 975	12 245	20 200	20 840	20 925	20 075	20 135
35	General operating expenditure	64 349	89 790	74 393	82 855	97 115	96 520	99 295	96 850
36	Pension and social security schemes	298 590	326 565	313 330	339 750	362 685	385 965	417 975	449 560
37	Project expenditure funded by third parties	28	135	100	130	130	130	130	130
38	Financial expenditure	12	116 000	25	122 020	131 020	139 020	147 020	155 020
30-38	<b>Sub-total</b>	1 868 468	2 142 736	1 915 116	2 148 130	2 189 980	2 271 075	2 313 295	2 375 320
	<b>Operating section, surplus</b>	<b>436 747</b>	<b>342 999</b>	<b>364 224</b>	<b>256 290</b>	<b>239 250</b>	<b>198 110</b>	<b>226 310</b>	<b>229 320</b>
	<b>TOTAL operating section</b>	<b>2 305 215</b>	<b>2 485 735</b>	<b>2 279 340</b>	<b>2 404 420</b>	<b>2 429 230</b>	<b>2 469 185</b>	<b>2 539 605</b>	<b>2 604 640</b>
<b>Section 2: Capital section</b>									
410	Land and buildings	9 693	18 650	12 250	17 340	36 635	80 765	88 490	72 480
411	Furniture and equipment	1 262	415	130	375	585	375	310	320
42	IT tangible and intangible assets	13 884	30 540	19 505	30 000	32 110	21 050	15 000	15 000
45	Loans and advances to third parties	16 800	16 800	16 800	16 800	16 800	16 800	16 800	16 800
41-48	<b>Sub-total</b>	41 639	66 405	48 685	64 515	86 130	118 990	120 600	104 600
	<b>Consolidated surplus</b>	<b>409 556</b>	<b>293 394</b>	<b>332 339</b>	<b>208 575</b>	<b>169 920</b>	<b>95 920</b>	<b>122 510</b>	<b>141 520</b>
	<b>TOTAL capital section</b>	<b>451 195</b>	<b>359 799</b>	<b>381 024</b>	<b>273 090</b>	<b>256 050</b>	<b>214 910</b>	<b>243 110</b>	<b>246 120</b>



## 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	Budget	Forecast	Budget	Estimates			
		2019	2020	2020	2021	2022	2023	2024	2025
<b>Section 1: Operating section</b>									
500	Income from filing and search (EPC)	231 910	245 695	229 205	220 565	233 235	240 245	253 025	259 985
501	Income from filing and search (PCT)	123 556	137 135	115 540	116 420	122 630	122 590	127 310	130 340
509	Income from other search work	54 520	64 530	64 520	63 890	63 890	63 890	63 890	63 890
510	Income from examination, grant and opposition (EPC)	370 447	366 635	372 330	352 825	351 755	353 845	358 875	361 730
511	Income from examination (PCT)	10 682	14 855	13 095	11 965	12 500	12 935	13 305	13 405
52	Appeal fees	6 707	9 700	6 000	8 510	9 140	9 030	8 620	7 965
530	Designation and renewal fees (EPC)	1 150 482	1 157 455	1 128 010	1 135 925	1 120 910	1 115 315	1 113 870	1 129 225
532	Renewal fees (UPP)	0	2 830	0	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	1 469	1 850	1 850	2 065	2 110	2 135	2 180	2 180
540	Patent information products	8 203	8 240	7 580	7 370	7 490	7 790	7 640	7 630
55	General operating income	226 386	230 805	217 570	228 055	223 100	222 970	222 490	222 710
56	Pension and social security schemes	119 701	128 370	122 390	130 370	128 890	129 700	130 500	131 570
57	Third-party project funding	28	135	100	130	130	130	130	130
58	Financial income	1 126	117 500	1 150	123 500	132 500	140 500	148 500	156 500
<b>TOTAL operating income</b>		<b>2 305 215</b>	<b>2 485 735</b>	<b>2 279 340</b>	<b>2 404 420</b>	<b>2 429 230</b>	<b>2 469 185</b>	<b>2 539 605</b>	<b>2 604 640</b>
<b>Section 2: Capital section</b>									
60/66	Operating section, surplus	436 747	342 999	364 224	256 290	239 250	198 110	226 310	229 320
650	Repayment of staff home loans	14 448	16 800	16 800	16 800	16 800	16 800	16 800	16 800
<b>TOTAL capital section</b>		<b>451 195</b>	<b>359 799</b>	<b>381 024</b>	<b>273 090</b>	<b>256 050</b>	<b>214 910</b>	<b>243 110</b>	<b>246 120</b>

### **3. IFRS Results**

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

(in € '000)

	IFRS Forecast 2020	IFRS Plan 2021
<b>REVENUE</b>		
Revenue from patent and procedural fees		
Ch. 50 Filing and search	422 410	414 695
51 Examination, grant and opposition	420 240	410 360
52 Appeal	4 825	6 890
53 Designation, renewal, extension and validation	1 128 470	1 137 855
54 Other revenue	10 580	10 370
Other operating income		
Ch. 55 General operating income	2 010	6 455
57 Third party project funding	0	0
Work performed and capitalised	500	5 000
Total	1 989 035	1 991 625
<b>EXPENSES</b>		
Employee benefit expenses		
Ch. 30 Staff/personnel expenses	1 579 665	1 629 540
Depreciation and amortisation expenses		
Ch. 39 Depreciation	67 725	68 745
Other operating expenses		
Ch. 31 Property and equipment maintenance	45 885	48 105
32 IT operating expenditure	120 000	110 740
33 Co-operation and meetings	10 260	26 085
34 Patent information and public relations	12 245	20 200
35 General operating expenditure	74 395	84 975
37 Project expenditure funded by third parties	0	0
Total	1 910 175	1 988 390
<b>OPERATING RESULT</b>	<b>78 860</b>	<b>3 235</b>
Finance revenue		
Ch. 58 Finance income	-474 660	611 465
Finance costs		
Ch. 38 Finance expenditure	567 470	593 930
<b>FINANCIAL RESULT</b>	<b>-1 042 130</b>	<b>17 535</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>-963 269</b>	<b>20 770</b>
Other comprehensive income	0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-963 269</b>	<b>20 770</b>

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

(in € '000)

IFRS Plan			
2022	2023	2024	2025
418 725	428 180	439 975	446 065
407 695	388 180	381 690	377 010
7 615	8 180	8 375	8 595
1 131 910	1 139 905	1 159 050	1 188 460
10 490	10 790	10 640	10 630
7 120	7 060	7 100	7 190
0	0	0	0
5 000	5 000	5 000	5 000
1 988 555	1 987 295	2 011 830	2 042 950
1 595 480	1 601 000	1 600 895	1 607 170
70 105	67 490	64 410	66 950
55 575	59 370	60 255	60 640
94 285	86 710	92 740	102 770
26 930	27 120	26 920	26 920
20 840	20 925	20 075	20 135
98 025	97 290	100 845	97 540
0	0	0	0
1 961 240	1 959 905	1 966 140	1 982 125
<b>27 315</b>	<b>27 390</b>	<b>45 690</b>	<b>60 825</b>
650 640	687 720	725 615	763 990
621 080	648 300	675 380	702 235
<b>29 560</b>	<b>39 420</b>	<b>50 235</b>	<b>61 755</b>
<b>56 875</b>	<b>66 810</b>	<b>95 925</b>	<b>122 580</b>
0	0	0	0
<b>56 875</b>	<b>66 810</b>	<b>95 925</b>	<b>122 580</b>

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

Estimated opening statement of financial position per 1.1.2021 and  
Plan IFRS statement of financial position per 31.12.2021 (in € '000)

	IFRS Forecast 1.1.2021	IFRS Plan 31.12.2021
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	680 410	640 970
Intangible assets	23 405	46 815
RFPSS assets	9 171 000	9 715 860
EPOTIF	3 060 000	3 266 560
Home loans to staff	72 890	72 890
Salary Savings Plan asset	117 840	141 725
	13 125 545	13 884 820
<b>CURRENT ASSETS</b>		
Trade and other receivables	143 325	158 510
Home loans to staff	7 275	7 275
Other financial assets	27 440	32 200
Cash and cash equivalents	0	10 000
	178 040	207 985
<b>TOTAL ASSETS</b>	<b>13 303 585</b>	<b>14 092 805</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Retained earnings	-2 940 150	-2 917 345
Other reserves	-3 264 265	-3 266 300
<b>TOTAL EQUITY</b>	<b>-6 204 415</b>	<b>-6 183 645</b>
<b>NON-CURRENT LIABILITIES</b>		
Defined benefit obligation	17 946 995	18 735 960
Salary Savings Plan obligation	117 840	141 725
Trade and other payables	24 495	25 355
Finance lease liabilities	112 450	84 460
Prepaid fees	456 860	389 990
	18 658 640	19 377 490
<b>CURRENT LIABILITIES</b>		
Trade and other payables	365 580	408 060
Finance lease liabilities	16 490	12 390
Provisions	12 250	14 370
Prepaid fees	455 040	464 140
	849 360	898 960
<b>TOTAL LIABILITIES</b>	<b>19 508 000</b>	<b>20 276 450</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13 303 585</b>	<b>14 092 805</b>

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

Plan IFRS statements of financial position per 31.12.2022 - 31.12.2025  
(in € '000)

IFRS Plan			
31.12.2022	31.12.2023	31.12.2024	31.12.2025
630 850	698 065	753 800	773 050
71 160	83 645	92 300	98 900
10 272 790	10 830 100	11 386 655	11 957 120
3 486 415	3 702 650	3 940 475	4 212 900
72 890	72 890	72 890	72 890
166 750	193 460	221 780	253 760
14 700 855	15 580 810	16 467 900	17 368 620
162 320	165 765	168 610	173 215
7 275	7 275	7 275	7 275
34 240	35 970	39 430	40 990
10 000	10 000	10 000	10 000
213 835	219 010	225 315	231 480
<b>14 914 690</b>	<b>15 799 820</b>	<b>16 693 215</b>	<b>17 600 100</b>
-2 860 470	-2 793 660	-2 697 735	-2 575 155
-3 266 300	-3 266 300	-3 266 300	-3 266 300
<b>-6 126 770</b>	<b>-6 059 960</b>	<b>-5 964 035</b>	<b>-5 841 455</b>
19 524 255	20 310 915	21 084 240	21 845 300
166 750	193 460	221 780	253 760
24 855	24 855	24 800	24 825
66 440	77 490	53 650	29 700
339 830	308 350	293 680	289 470
20 122 130	20 915 070	21 678 150	22 443 055
420 880	434 400	461 080	473 450
9 740	11 360	7 870	4 360
15 280	16 050	17 600	18 290
473 430	482 900	492 550	502 400
919 330	944 710	979 100	998 500
<b>21 041 460</b>	<b>21 859 780</b>	<b>22 657 250</b>	<b>23 441 555</b>
<b>14 914 690</b>	<b>15 799 820</b>	<b>16 693 215</b>	<b>17 600 100</b>

**4. 2021 Table of Posts**

Job Group	Budget					
	Office (DGs 0, 1, 4, 5)		Boards of Appeal		TOTAL EPO	
	2020	2021	2020	2021	2020	2021
1	5	5	1	1	6	6
2	31	31	29	29	60	60
3	331	328	187	187	518	515
4	4 983	4 997	15	18	4 998	5 015
5	229	227	5	5	234	232
6	1 220	1 208	39	39	1 259	1 247
<b>Total</b>	<b>6 799</b>	<b>6 796</b>	<b>276</b>	<b>279</b>	<b>7 075</b>	<b>7 075</b>

### 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)

<b>Income (in € '000)</b>		<b>2021</b>
<b>Direct budgetary income</b>		
<b>Class 5</b>		
Article 5200	Appeal fees	8 510
IFRS adjustment (prepaid fees)		-1 620
<b>Revenue for product Appeal</b>		<b>6 890</b>
<b>Cost (in € '000)</b>		<b>2021</b>
<b>Direct budgetary operating expenditure</b>		
<b>Class 3</b>		
Group 300	Salaries and allowances	71 120
Group 301-303	Other staff costs	575
Chapter 31	Property and equipment maintenance	3 625
Chapter 32	IT operating expenditure	500
Chapter 33	Cooperation and meetings	25
Chapter 34	Patent information and communication	55
Chapter 35	General operating expenditure	1 630
Subtotal		77 530
<b>Forecast allocation of other costs under the Unit Cost methodology: incl. standardisation at 3.3% discount rate</b>		<b>35 920</b>
<b>Cost for product Appeal</b>		<b>113 450</b>
<b>Capital Expenditure (in € '000)</b>		<b>2021</b>
<b>Direct budgetary capital expenditure</b>		
<b>Class 4</b>		
Chapter 41	Property and Equipment	100
<b>Total capital expenditure</b>		<b>100</b>

**6. Attachment B – Unitary Patent Protection (UPP)**

## Budget appropriations for the European patent with unitary effect\*

	2021	2022
<b>Income (in € '000)</b>		
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
<b>A. Total EPO UPP budgetary income</b>	<b>2 830</b>	<b>20 950</b>
<b>B. Member states share of UPP income (50%)</b>	<b>1 415</b>	<b>10 475</b>
<b>Costs based on authorisation budget expenditure (in € '000)</b>		
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
<b>Costs attributable to UPP according to Article 146 EPC**</b>	<b>1 330</b>	<b>2 730</b>
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
<b>C. (= A. - B.) EPO share of UPP income</b>	<b>1 415</b>	<b>10 475</b>

### 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 2021.

\*\* 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.