



Europäische
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Verwaltungsrat

European
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Organisation

Administrative Council

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européenne des
brevets

Conseil d'administration

CA/50/21 Add. 1B

2022 Budget

Estimates for 2023-2026
Comprehensive Summary





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Comprehensive summary

SUBMITTED BY: President of the European Patent Office

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SUMMARY

Recommendation for publication: Yes.

This document presents a comprehensive summary of the 2022 Budget and 2023 – 2026 Estimates, which is proposed for external publication. This document is an update of the Explanatory Memorandum of the Draft Budget CA/50/21. 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 2022 table of posts.

This document was issued in electronic form only.

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EXPLANATORY MEMORANDUM

I. INTRODUCTION

This explanatory memorandum includes the following information:

- Orientations in section II
- Planning principles and assumptions in section III
- Budget results in section IV
- Organisational unit/performance budget view in section V
- Forecast in section VI
- Plan financial statements under the International Financial Reporting Standards (IFRS) in section VII
- Budgetary outlook on the EPO Boards of Appeal (BoA) in Attachment A
- Budget appropriations for the European patent with unitary effect in Attachment B

II. ORIENTATIONS

A. AUTHORISATION BUDGET AND STANDARDISED IFRS PLAN

The basis for the IFRS calculations is the authorisation budget. Of prime concern is the operating result and the profit of the Organisation under IFRS.

The plan IFRS financial statements are determined in compliance with the IFRS regulations adopted in full by the Office on 1 January 2011. To determine the Standardised IFRS plan a flat discount rate of 3.3% for employee benefits is applied. The discount rate of 3.3% reflects the macro-economic scenario adopted for the Financial Study 2019. The use of a flat discount rate has the merit of permitting an assessment of liabilities and equity on a consistent basis for the 2022-2026 time period, allowing for comparison from year to year. In addition, this approach is aligned with the one used when reporting the actuals for both the standardised operating result and the unit cost.

B. MAIN MACRO-ECONOMIC ASSUMPTIONS

Up to now, no significant overall decrease in incoming workload or increased active withdrawals of patent applications has been observed as a result of the coronavirus pandemic. The situation can, however, vary from sector to sector. The budget for 2022 therefore takes into account a more smoothed development of the incoming workload than anticipated last year in the midst of the pandemic while still remaining prudent.

According to the World Economic Outlook published in July 2021 by the International Monetary Fund the drop in GDP of 6.5% in the Euro area in 2020 (DE: -4.8%, NL: -3.8%, ES: -10.8%, IT: -8.9%, FR: -8.0%) is expected to be followed by a GDP recovery of 4.6% in 2021 (DE: +3.6%, NL: +3.3%, ES: +6.2%, IT: +4.9%, FR: +5.8%). This implies that for the beginning of the year 2022 a GDP level close to the pre-pandemic level is expected to be reached in the Euro area, with a potential of further growth in the course of 2022.

On this basis, and given the remaining uncertainties in the economic environment, the EPO takes a prudent assumption on applications for the year 2022, also expected to come close to pre-pandemic level. The applications for 2022 are planned at 179 200 slightly below the actual applications in 2020 (180 250, -0.6%) and the 2019 pre-pandemic level (181 500, -1.3%). They are 6.7% higher than the initial assumptions for the budget 2021 which assumed high economic uncertainties and a strong downturn in applications. Going forward an average increase of 1.2% p. a. is expected after 2022, leading to a moderate expected increase throughout the period 2023-2026.

If economic recovery is delayed, the impact on the applications of the Office in 2022 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.

C. LONG TERM FINANCIAL SUSTAINABILITY

The 2019 Financial Study evidenced the risk of a total potential financial gap of EUR 5.8bn 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 selected measures are expected to generate a total financial impact of EUR 6.3bn, i.e. providing a margin of EUR 0.5bn in case one or more measures would not deliver the expected results.

The overall financial situation of the EPO is monitored using the coverage ratio, KPI 5.3 of the Strategic Plan, which expresses the financial assets of the EPO as a percentage of its long term pension and social security liabilities, applying a flat discount rate of 3.3% for measuring Defined Benefit Obligations. In 2019, the coverage ratio was 70%, leaving a coverage gap of 30%. The bundle of measures proposed by the Office aim to deliver a balanced financial position by 2038 when the coverage ratio should reach at least 100%.

As at December 2020, the coverage ratio reached a level of 77.9%. By end 2021, the coverage ratio is expected to increase to the level of 82.8%, and is budgeted at 83.7% in 2022.

The Office is now in the process of implementing the measures adopted with CA/18/20. The new salary adjustment procedure (SAP) came effective on 1 January 2021, replacing the previous method which had been in place for six years. The new SAP has introduced a cap on salary increases of Eurozone HICP +0.2% resulting in a reduction in DBO liabilities of around EUR 1bn in 2020. The negative GDP evolution in 2020 results in the application of the exception clause which means that there is no salary increase for the year 2022.

The pension and social security contribution rates were increased as at 1 January 2020 and remained unchanged for 2021. The contribution rates for the social schemes are proposed to be updated for pension, healthcare and long term care based on the outcome of the biennial funding study by the Actuarial Advisory Group. The Office proposes to retain the current contribution rates for 2022 and to postpone the application of the new rates as of 1 January 2023.

It is anticipated that any authorisation budget surplus generated from the Office's operating activities after deduction of investment needs will be used for cash injections into EPOTIF and RFPSS under the general orientation of a ratio of 60% and 40% respectively. A 3% biennial inflation based fee adjustment for procedural fees is incorporated in the financial estimate as of 1 April 2022. The budgetary credits for the projects and activities leading to the digitisation of the Patent Granting Process have been included according to the latest status.

D. STRATEGIC PLAN 2023

In June 2019, the Administrative Council approved the Strategic Plan 2023 (SP2023) which defines the main goals of the Office until 2023. 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 2022 budget.

For 2022, expenditure for SP2023 is expected to amount to EUR 137m according to the following allocation by strategic goals:

Total Operating and Capital Expenditure (in € '000)	2022
Goal 1	
Build an engaged, knowledgeable and collaborative organisation	42 865
Goal 2	
Simplify and modernize IT systems	13 458
Goal 3	
Deliver high-quality products and services efficiently	39 057
Goal 4	
Build a European patent system & network with a global impact	26 804
Goal 5	
Secure long-term sustainability	15 230
Total	137 414

The external expenditure for SP2023 has been included based on the latest estimates submitted 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 were re-assessed. The updated total expenditure for the period 2020-2023 are now forecasted at EUR 360m, of which EUR 183m relate to digital transformation projects.

E. BOARDS OF APPEAL (BoA)

Specific budgetary provisions have been included in the 2022 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 by 2023, 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. These temporary measures are due to end by 2027.

The stock/backlog will be constantly reviewed by the President of the BoA. Taking into account the updated planning figures from the Office, the President of the BoA has decided that 10 of the 39 additional posts can be returned earlier than planned.

In total, the Boards of Appeal will have 269 total permanent posts in 2022 (205 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.

F. 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 fulfil the ratification requirements enabling a full implementation of the European patent with unitary effect and the Unified Patent Court during the second half of 2022.

The budgetary estimates for the first year of introduction of the European patent with unitary effect, which was initially 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 foresees the introduction of the European patent with unitary effect in 2022.

III. PLANNING PRINCIPLES AND ASSUMPTIONS

The 2022 budget and the estimates 2023-2026 as well as the plan financial statements under IFRS are presented in euro (EUR). All values are rounded to the nearest thousand (EUR '000) unless otherwise indicated. The following main assumptions were used to prepare the 2022 budget and the estimates 2023-2026.

A. INCOME

a) Volume assumptions

Current income estimates are based on 179 200 Euro-direct and PCT applications that will enter the regional phase in 2022, representing an increase of 6.7% compared with the 2021 budget (167 900).

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 102 800 in 2022 (2021 budget: 118 000).

b) Biennial inflation-based fee adjustment of 3% as of 1 April 2022

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 the 27 EU Member States) for the last 24 months amounted to 2.93% as of June 2021. The Office proposes a general increase of 3% with effect as of 1 April 2022. In addition, the Office is proposing to freeze the fee relating to PCT international search and the fee for PCT international preliminary examination.

No structural fee change is proposed for 2022. As of 2023, the Office will propose accompanying measures to help reduce burden on business for SMEs.

c) DE – increase in national renewal fees as of 1 July 2022

Germany has proposed an adjustment to its National renewal fees as of 1 July 2022. This adjustment will also affect patents delivered by the EPO and validated in Germany. As DE renewal fees may be validly paid up to 12 months before they fall due, the EPO is expecting a certain proportion of renewal fees falling due in 2023 to be paid in advance before the entry into force of the fee increase. This share has been provisionally estimated at around 20% of the expected renewal fee payments in 2023. Furthermore, the higher fees contribute to EPO's sustainability by some EUR 11m in 2022 (application of the new fee schedule for a half year) and up to EUR 25m at the end of the planning period in 2026.

d) Minimum amount for national renewal fees

The minimum amounts for national renewal fees (for the 3rd to 20th year) provided for in Article 39 EPC were fixed for the periods 2021 and 2022, in accordance with the procedure approved by the Administrative Council in 1997.

e) Return on RFPSS net assets

The return on the RFPSS plan assets is estimated in the current budget at 3.56% for planning purposes according to the proposal for a new strategic asset allocation. For the plan statement of financial position the value of the portfolio as at 30 June 2021 was considered for 1 January 2022.

f) 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 has been decreased from the current 4% p.a. to 3.12% p.a. following the latest expert evaluation of the expected return based on the revised asset allocation (revision of EPO investment guidelines). For the plan statement of financial position the value of the portfolio as at 30 June 2021 was considered for 1 January 2022.

For further details on the forecast evolution of EPOTIF assets, see section B of the plan financial statements under IFRS.

B. EXPENDITURE

a) Planning assumptions for staff costs

OECD data indicate a decrease of approximately 6% in GDP of the EPC member states in 2020. Consequently, as a result of the exception clause of the Salary Adjustment Procedure introduced in 2014, no salary adjustment has been reflected as of 1 January 2022. The calculated 2022 adjustment will be applied once the GDP recovers its 2019 levels.

The EU projection of the development of the GDP for the year 2021 is currently 4.8% and therefore it seems likely that GDP might not fully recover in 2021 to the levels of 2019. As a consequence, the expected salary adjustment as of 1 January 2023 has been planned to 2.2% (assuming 2% inflation and 0.2% sustainability clause) whereas the salary adjustment as of 1 January 2024 of 2.2% will be increased by the 2.1% inflationary salary increase for 2022 being deferred two years. Salary adjustments for 2025 and 2026 are retained again at 2.2%.

The new Salary Adjustment Method foresees a mechanism for 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 received over the three-year period. On account of the periodical settlement clause, a provision of EUR 40m on average is included for each of the years 2021 to 2023 and EUR 5m for each of the years 2024 to 2026 under the IFRS view. The cumulated expenditure for the three years period 2021-2023 and 2024-2026, were provided in years 2023 and 2026 under the budgetary view (Art. 3001) to cover the payment of the aforementioned adjustment to employees.

The 2022 budgetary estimates currently foresee, as in 2021, 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 was the case 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 2022 budget and estimates for 2023-2026 the Office applied a flat 3.3% forecast discount rate in order to align the key macro-economic parameters with the Financial Study and reflect the persistent low-interest rate environment.

It is assumed that the contribution rates for the social schemes (Pensions, Healthcare insurance and Long Term Care) will be updated based on the latest recommendation of the Actuarial Advisory Group, as shown in the table below, however applied as at 1 January 2023. Contributions are divided between the Office (two thirds) and the staff/pensioners (one third).

Scheme	Current global contribution rate	Recommended global contribution rate as of 1 January 2023	Delta
Pension OPS	32.7%	33.6%	+0.9%
Pension NPS	28.8%	30.3%	+1.5%
LTC	1.8%	1.5%	-0.3%
Healthcare	9.0%	9.9%	+0.9%

b) Staff

In line with the cautious approach adopted for the incoming workload assumptions, a prudent recruitment policy is anticipated. In terms of examiner recruitment, the recruitment of 68 examiners is anticipated in the budget for 2022 in order to partially mitigate the impact of retirements. Over the medium term a 64% replacement ratio for examiners has been financially provided for in the current budget period 2022 – 2026. As regards staff outside of the patent grant areas, a retirement replacement ratio of 50% has been included.

c) Table of posts

The table of posts will continue to be limited to 7 075 permanent posts. Out of the maximum authorised posts, 4 040 examiner posts are budgeted for 2022 including a reserve of 105 posts leading to additional flexibility in matching capacity with workload.

The breakdown per Directorate General remains similar to the Establishment Plan for 2021, pending review of target organisations under the "new normal". In view of the cautious level of recruitment, some of the vacant posts have been transferred to the central reserve.

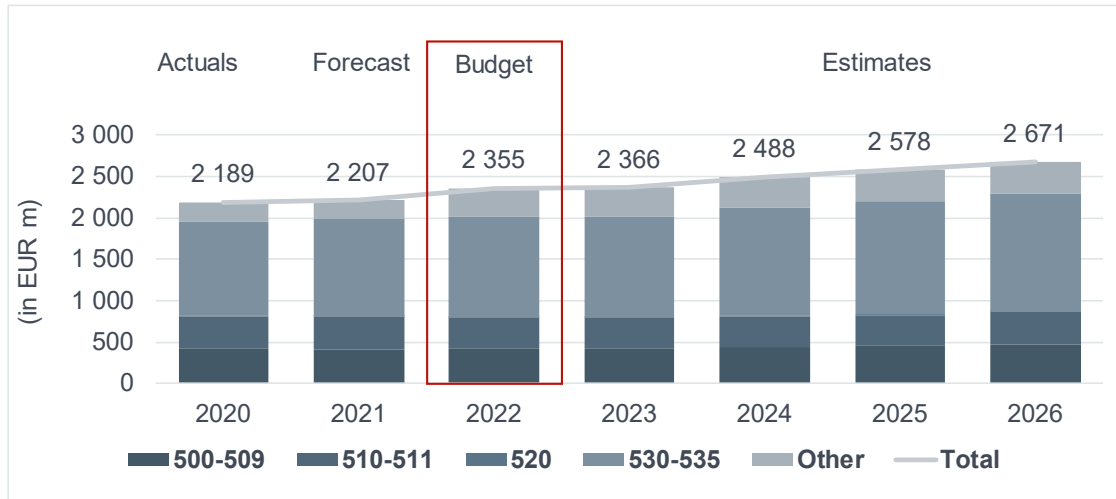
d) Posts foreseen for The Hague

Out of the 7 075 posts, 2 778 posts are foreseen to be located in The Hague in the 2022 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.

IV. BUDGET RESULTS

A. 2022 MAIN BUDGET AND 2023-2026 ESTIMATES

a) Budget operating income



(in EUR m) Group	Actuals 2020	Budget 2021	Forecast 2021	Budget 2022	Estimates			
	2020	2021	2021	2022	2023	2024	2025	2026
500-509: Filing and search fees	424	401	415	418	423	440	450	465
510-511: Examination, grant and opposition fees	388	365	387	369	361	373	380	397
520: Appeal fees	4	9	5	4	4	3	3	3
530-535: Designations and renewal fees	1 139	1 141	1 172	1 222	1 223	1 304	1 368	1 419
thereof IRF	443	436	435	441	455	470	486	497
thereof NRF (EPO share)	598	611	635	682	668	730	775	811
Other	235	359	228	342	354	367	377	387
Total	2 189	2 274	2 207	2 355	2 366	2 488	2 578	2 671

The increase in fee income between budget 2021 and budget 2022 is driven mainly by the future increase in fee tables of national renewal fees for Germany as of 2022 - Germany accounting for ca. 33% of NRF income in 2022.

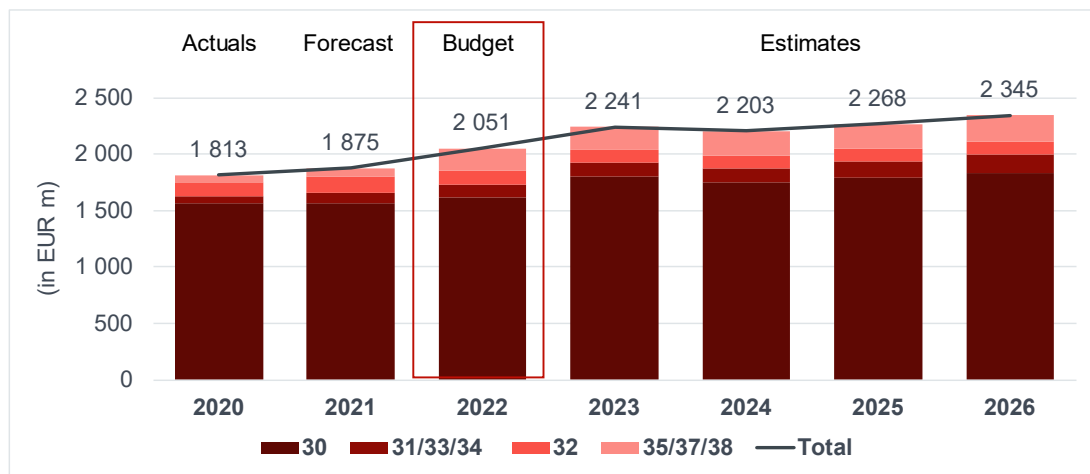
Income from filing and search (groups 500-509) is forecast to increase by EUR 17m in the 2022 budget compared with budget 2021. Income from examination, grant and opposition (groups 510-511) is forecast to increase by EUR 4m.

Income from designation and renewal fees (groups 530-535) for 2022 is expected to increase by EUR 81m in total. The stabilisation in incoming workload and the planned shift in production more towards search, is expected to contribute to increasing the pending stock in examination. At the same time, the internal renewal fees are assumed to increase by 3% as of 1 April 2022, with the bi-annual inflation adjustment exercise. Consequently, renewal fees for applications are foreseen to slightly increase in 2022 and in the following years, while renewal fees for granted patents are expected to significantly increase following the growth in the granted patent portfolio. Renewal fees for patent applications are estimated at EUR 441m in 2022 and expected to further increase to EUR 497m by 2026 (increase of EUR 56m or 13%).

Although the number of grants is planned to decrease over the period compared to budget 2021 (118 000) from 103 000 in 2022 to 93 000 in 2026, revenues from renewal fees for granted patents are expected to increase due to the ageing and maintenance of the existing portfolio of granted patents in the national systems as well as the increase in the German national fee tables. The EPO share of renewal fees for granted patents is expected to be EUR 682m in 2022 and to increase to EUR 811m by 2026, representing an increase of EUR 129m within five years (+19%). 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 decrease by EUR 17m in 2022, a result of revising the expected long term return orientation of EPOTIF from 4% to 3.12% following the new evolution of the strategic asset allocation in 2021. The value of the EPOTIF portfolio as at 30 June 2021 was used as the basis for the evaluation of the financial income. The budgetary credits for potential realised gains of EPOTIF amount to EUR 112m in the 2022 budget compared to EUR 122m in the 2021 budget, a reduction of EUR 10m. Furthermore, the revenue from internal tax has also decreased by EUR 7m, following the decrease in the salary mass. The net impact of both EPOTIF gains and internal tax income on the budget are neutral as the same amounts are also reflected under other operating expenditure.

b) Budget operating expenditure



(in EUR m)	Actuals	Budget	Forecast	Budget	Estimates			
Chapter	2020	2021	2021	2022	2023	2024	2025	2026
30: Staff	1 560	1 627	1 570	1 618	1 804	1 751	1 787	1 836
31/33/34: Buildings, Cooperation, Patent information	68	98	91	113	116	127	148	162
32: IT operating expenditure	123	125	141	127	115	111	111	111
35/37/38: Other expenditure	61	205	73	193	206	214	223	236
Total	1 813	2 055	1 875	2 051	2 241	2 203	2 268	2 345

In comparison with the 2021 budget, total operating expenditure is expected to slightly decrease by EUR 4m.

Staff costs (Ch. 30) will decrease by EUR 9m (-0.6%) compared with budget 2021, which is driven by the following factors:

- With effect from 1 January 2022, salaries and other elements of the remuneration of permanent employees of the Office will remain at their 2021 levels;
- The effect of career progression and bonuses, which continues to be assumed at a value of 3% for planning purposes;
- The revised assumptions on total paid staff years in 2022 (6 107 paid staff years in budget 2022 compared to 6 183 paid staff years in budget 2021);

- The economy in staff costs resulting from the partial retirement replacement and the difference in salary between newcomers and retirees;
- The funding of the pension deficit resulting from the pension payments exceeding the pension contributions.

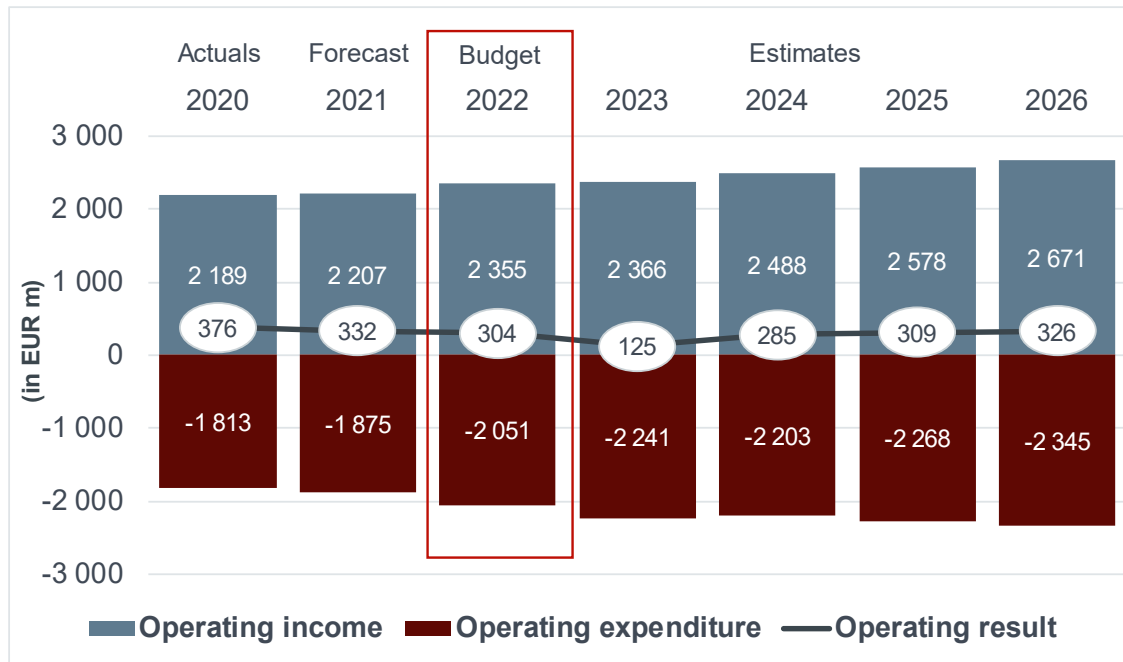
The staff expenditure in 2023 and in 2026, include the estimated value of the pay-out of the periodical settlement for foregone salary adjustments resulting from the application of the sustainability clause, amounting to EUR 119m in 2023 and EUR 14m in 2026.

The expenditure under chapters 31/33/34 (Buildings, Cooperation and Patent Information/Public Relations) is planned to increase by EUR 14m. Expenditure for property and equipment maintenance is slightly above 2021 by EUR 1m while expenditure for Cooperation with Member States is planned to increase by EUR 13m. This increase is triggered by the one-off measure within SP2023 strengthening the European Patent Network (EPN). Public Relations/Internal Communication (Article 3410) increase by EUR 1m, whereas Official EPO publications (Article 3400) decline by EUR 1m.

The increase in IT operating expenditure (Ch. 32) by EUR 3m reflects the progress in the initiatives and projects both under SP2023 and running operations, which eventually are meant to lead to a reduction in the IT expenditure.

General operating expenditure under chapter 35 is planned to decrease by EUR 2m and Financial expenditure under chapter 38 by EUR 10m. The decrease in financial expenditure is 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 112m in the 2022 budget compared to EUR 122m in the 2021 budget).

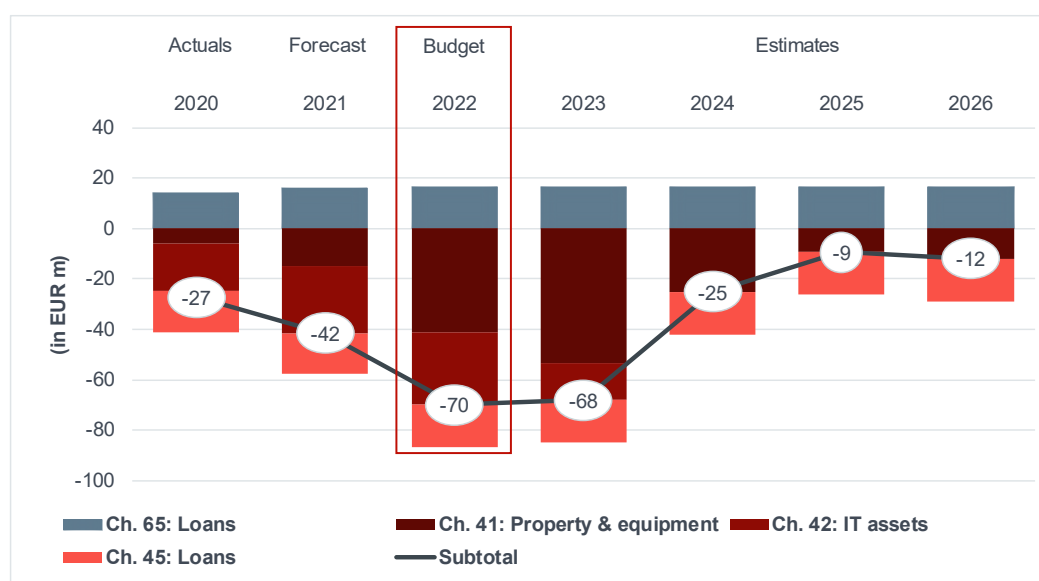
c) Budget operating result



(in EUR m)	Actuals 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		
						2024	2025	2026
Operating income	2 189	2 274	2 207	2 355	2 366	2 488	2 578	2 671
Operating expenditure	1 813	2 055	1 875	2 051	2 241	2 203	2 268	2 345
Operating result	376	219	332	304	125	285	309	326

The operating result is the difference between operating income and operating expenditure. The operating result for 2022 is expected to increase by EUR 85m compared with the 2021 budget for the reasons explained in the previous sections.

d) Budget capital income and expenditure



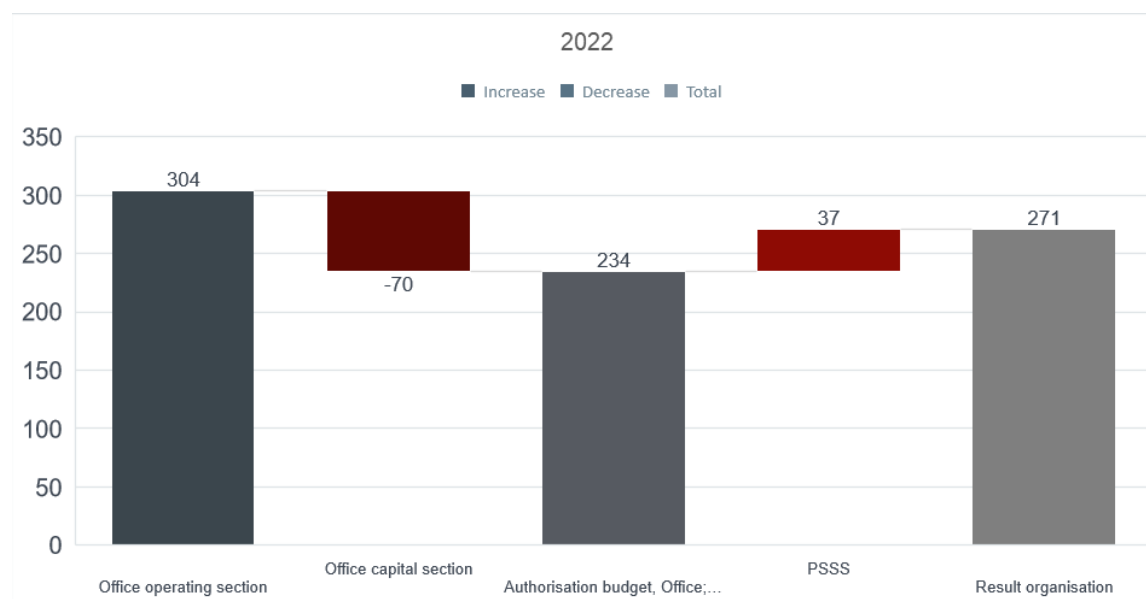
(in EUR m)	Actuals 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates 2024	2025	2026
Capital income								
Ch. 65: Loans	14	17	16	17	17	17	17	17
Capital expenditure								
Ch. 41: Property & equipment	6	18	15	41	53	25	9	12
Ch. 42: IT assets	19	30	27	29	15	0	0	0
Ch. 45: Loans	17	17	16	17	17	17	17	17
Subtotal	41	65	58	87	85	42	26	29
Capital result	-27	-48	-42	-70	-68	-25	-9	-12

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 deteriorate to EUR -70m reflecting higher investments in Ch.41 (+EUR 23m) as initiatives under the Building Investment Programme - part of which were postponed in the Budget 2021 - are planned to resume; investments in IT, Ch. 42 are at a similar level compared to budget 2021, in line with the direction of only capitalising purchased hardware and software as opposed to the former practice of capitalising internally generated assets.

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 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		
						2024	2025	2026
Office operating section	376	219	332	304	125	285	309	326
Office capital section	-27	-48	-42	-70	-68	-25	-9	-12
Authorisation budget, Office; surplus	349	171	290	234	57	260	300	314
PSSS	59	38	43	37	41	42	43	44
Result organisation	408	209	334	271	98	302	343	358

The estimated 2022 result of the organisation amounts to EUR 271m, an increase of EUR 62m (29.7%) compared with the 2021 budget.

The result of the Office operating section is mainly driven on the income side by increasing renewal fees, both for patent applications and for granted patents over the planning period 2022-2026. A biennial inflation-based fee adjustment of 3% is assumed in 2022 for procedural fees with the exception of the fee relating to PCT international search and the fee for PCT international preliminary examination for which no fee adjustments are foreseen. For 2022 the biennial inflation-based fee adjustment is also applied to renewal fees for patent applications.

For 2024 and in 2026 fee adjustments of 4% are reflected for procedural fees without renewal fees for pending applications. These biennial inflation-based fee adjustments are based on the 2% long-term inflation objective of the European Central Bank. They are provisionally included without prejudice of the decisions to be taken in future periods. Furthermore, the DE increase in national renewal fees has a positive impact on both revenues and result. Staff expenditure is expected to remain broadly stable throughout the period 2022-2026.

Over the planning period, the development of the Office capital section is dominated by investments in buildings.

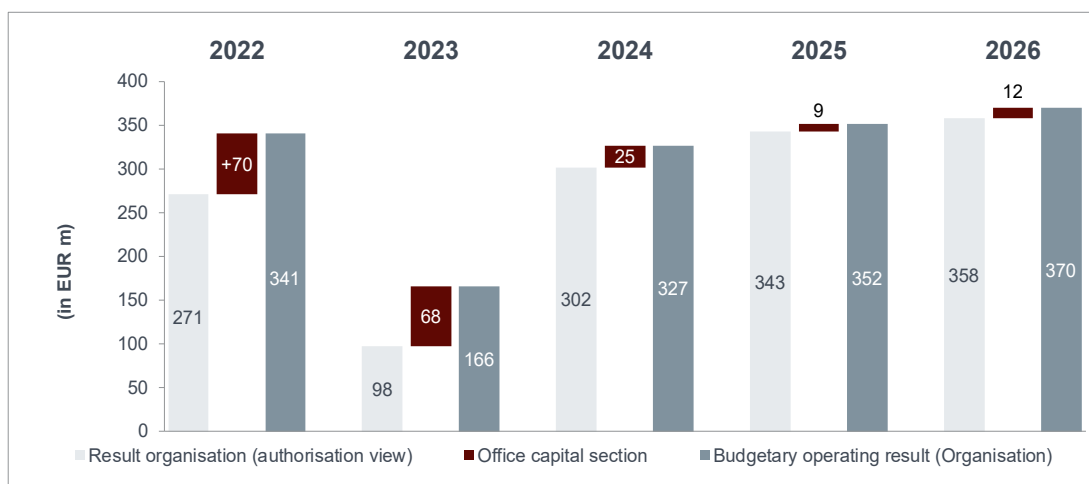
With the projected number of pensioners increasing over the planning period, the expenditure of the PSSS will increase from EUR 361m in 2022 to EUR 487m in 2026. At the same time, the statutory contributions of the Office and Staff will decrease - given the stable or decreasing salary mass. Since the pension benefit payments will no longer be covered by the statutory contributions, the resulting deficits are assumed to be covered by the operating section of the Office. As a consequence, the net PSSS results are slightly decreasing but positive.

As a consequence of the positive trend in the result of the Office and the declining but stable PSSS result, the result of the Organisation is expected to increase throughout the period 2022-2026. Years 2023 and 2026 are influenced by the current estimate of the three yearly payouts under the new salary adjustment procedure relating to foregone salary adjustments in the form of lump sum compensation.

f) Basis for transition from authorisation budget to Standardised IFRS

Transition step from Authorisation View to IFRS: Transition to Budgetary Operating result (Organisation: Office + PSSS)

The IFRS view of the Organisation is a holistic view covering the Office and PSSS. The starting point for the transition from the Authorisation View to IFRS is the total authorisation budget result of the Organisation. This result encompasses the operation result of both parts and is determined as follows.



(in EUR m)	Actuals 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		
Result organisation (authorisation view)	408	209	334	271	98	302	343	358
Elimination of capital transactions Office	27	48	42	70	68	25	9	12
Budgetary operating result (Organisation)	435	256	375	341	166	327	352	370

The additional transition step from Authorisation View to IFRS starting with the Budgetary Operating result (Organisation: Office + PSSS) and leading to the IFRS operating result for the year is covered in section VII.

V. 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 2022

	Total	DG 0	DG 1	DG 4	DG 5	BoA	UPP	
	2022	Management	Patent Granting Process	Corporate Services	Legal and Int. Affairs	Boards of Appeal	Unitary Patent Protection	Un-allocated*
Headcounts - Permanent Posts								
Job group 1-4	5 598	546	4 202	467	148	235	0	0
Job group 5-6	1 477	168	711	447	107	44	0	0
Total	7 075	714	4 913	914	255	279	0	0
Chapter/ Group								
Operating section - Expenditure in € '000								
Staff								
300 Basic Salaries and allowances, internal tax	1 559 530	35 000	992 430	150 000	40 000	63 020	0	279 080
301-305 Other (including trainings, school)	58 040	770	3 500	52 110	325	580	0	755
31 Property and equipment maintenance	50 690	140	0	50 550	0	0	0	0
32 IT Operating Expenditure	127 350	0	0	127 350	0	0	0	0
33 Co-operation and meetings	41 235	30	150	2 300	37 035	0	485	1 235
34 Patent information and communication	20 630	10 175	630	6 730	3 040	55	0	0
35 General operating expenditure	81 035	7 375	6 925	62 450	3 815	470	0	0
37 Project expenditure funded by third parties	130	0	35	0	95	0	0	0
38 Financial expenditure	112 020	0	0	112 020	0	0	0	0
30-38 Total Operating Expenditure	2 050 660	53 490	1 003 670	563 510	84 310	64 125	485	281 070
Chapter/ Group								
Operating section - Income in € '000								
500 Income from filing and search (EPC)	238 170	0	238 170	0	0	0	0	0
501 Income from filing and search (PCT)	116 380	0	116 380	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)	359 210	0	359 210	0	0	0	0	0
511 Income from examination (PCT)	9 360	0	9 360	0	0	0	0	0
52 Appeal fees	4 400	0	0	0	0	4 400	0	0
530 Designation and renewal fees (EPC)	1 217 525	0	0	0	0	0	0	1 217 525
532 Renewal fees (UPP)	2 830	0	0	0	0	0	2 830	0
535 Extension and validation fees	1 640	0	0	0	0	0	0	1 640
540 Patent information products	7 690	0	0	0	7 690	0	0	0
55 General operating income, internal tax	220 255	0	3 000	1 820	2 430	20	50	212 935
57 Third-party project funding	130	0	35	0	95	0	0	0
58 Financial income	113 500	0	0	113 500	0	0	0	0
50-58 Total Operating Income	2 354 980	0	790 045	115 320	10 215	4 420	2 880	1 432 100
Total Operating Result	304 320	-53 490	-213 625	-448 190	-74 095	-59 705	2 395	1 151 030
Capital Section in € '000								
Total Capital Expenditure	86 725	0	0	86 725	0	0	0	0
Total Capital Income	16 800	0	0	16 800	0	0	0	0
Total Capital Result	-69 925	0	0	-69 925	0	0	0	0
Result Office	234 395	-53 490	-213 625	-518 115	-74 095	-59 705	2 395	1 151 030

	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	-	-

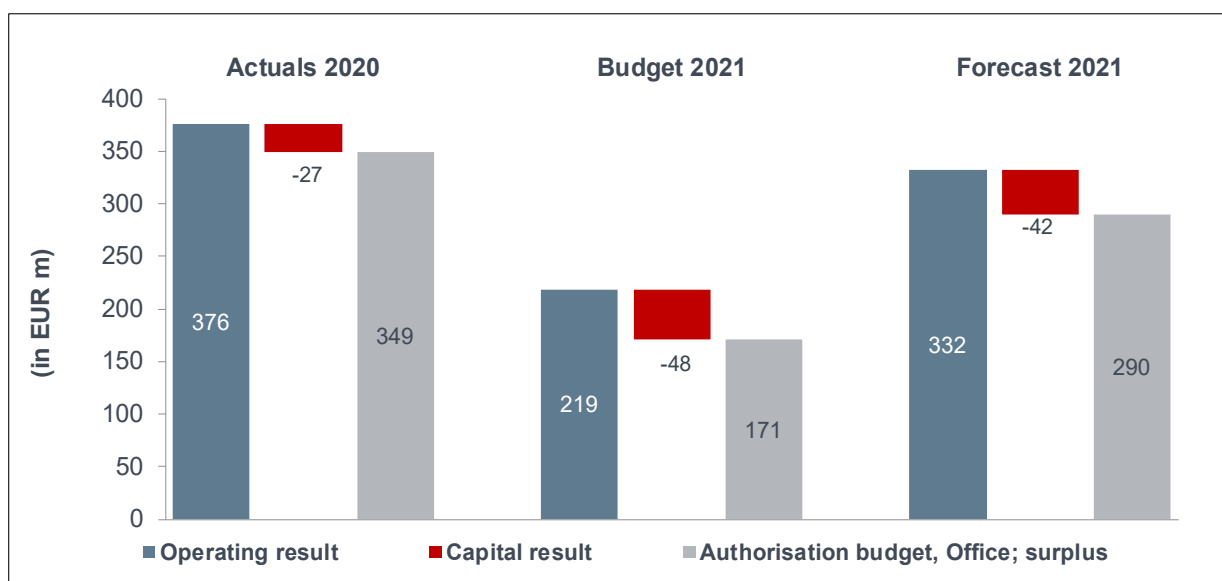
*unallocated items mainly relate to internal tax and renewal fees.

VI. FORECAST

The table below provides an up-to-date forecast of the financial results for the accounting year 2021, firstly based on the Authorisation Budget and secondly under the Standardised IFRS view.

A. **AUTHORISATION BUDGET – OFFICE VIEW (WITHOUT PSSS)**

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



(in EUR m)	2020	2021	
	Actuals	Budget	Forecast
Operating income	2 189	2 274	2 207
Operating expenditure	1 813	2 055	1 875
Operating result	376	219	332
Capital income	14	17	16
Capital expenditure	41	65	58
Capital result	-27	-48	-42
Authorisation budget, Office; surplus	349	171	290

The expected operating-section result of the Authorisation Budget is in the order of magnitude of EUR 332m and therefore 52% above the 2021 budget of EUR 219m.

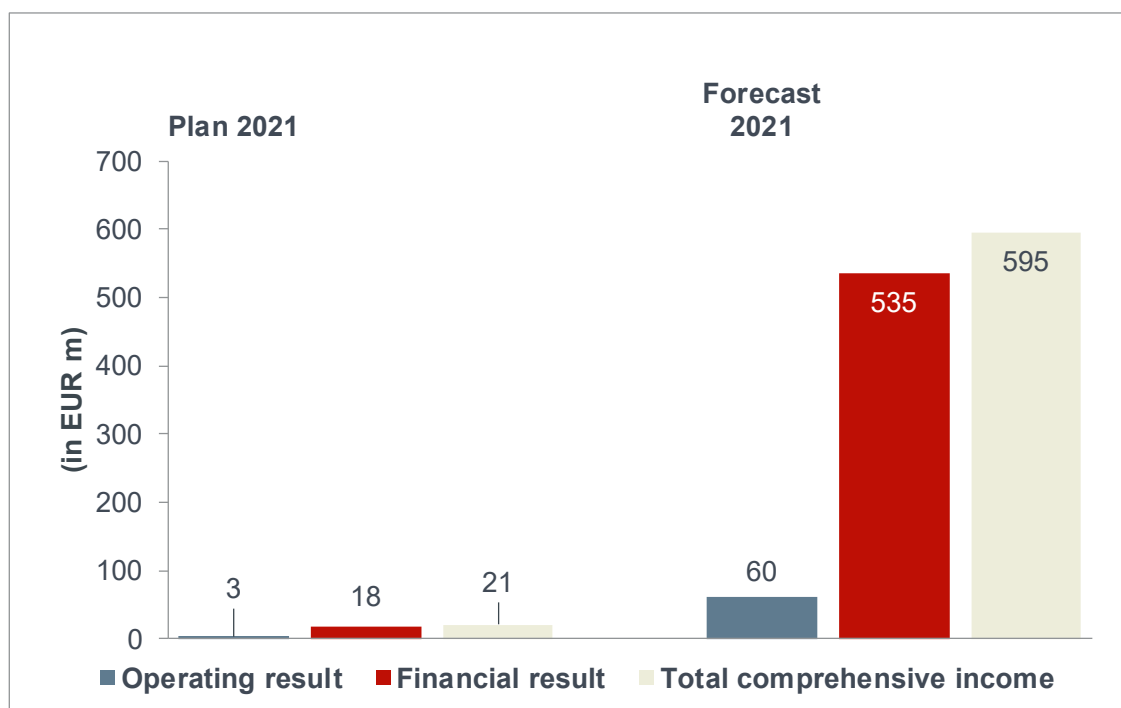
Total income forecast for 2021 in the operating section is expected to be some EUR 18m above actuals 2020 and 55m above budget 2021. No sale of EPOTIF assets is foreseen in 2021. Consequently, no gains are expected to be realised out of the EUR 122m income provisionally included in budget 2021.

Total forecast operating expenditure for 2021 is EUR 180m below budget 2021. EUR 122m of this relates to provisions for the potential sale of EPOTIF units which were included in the budget for 2021 but will not materialise. The remaining EUR 58m underspend vs budget (-3% underspend), is attributable to lower staff costs of EUR 58m (-3.5%). Within the expenditure an increase vs. budget of EUR 13m in the area of IT is offset by underspends vs. budget of EUR 13m in the areas of cooperation, patent information, general operating expenditure and property and equipment maintenance. This follows the re-assessment of projects and initiatives under the 'new normal'.

Total income for procedural fees is currently forecast to exceed budget by EUR 64m in 2021 (EUR 1 979m forecast vs. EUR 1 915m budgeted).

B. IFRS – ORGANISATION VIEW (WITH PSSS)

The forecast for the IFRS total comprehensive income is as follows:



(in EUR m)	Actuals	Plan	Forecast
Discount rate for Defined Benefit Obligations	0,88%	3.3%	3.3%
	2020	2021	2021
Operating income	1 987	1 992	1 984
Operating expenses	2 523	1 988	1 924
Operating result	-536	3	60
Financial income	563	611	1 112
Financial expenses	343	594	577
Financial result	221	18	535
Profit/loss of the year	-315	21	595
Other comprehensive income for the year	1 068	0	0
Total comprehensive income	752	21	595

As regards the 2021 IFRS Statement of Comprehensive Income forecast, total operating income under IFRS is forecast to finish the year at EUR 1 984m, 0.4% below the 2021 plan. This development is mainly due to lower production especially in examination, offset to a certain extent by higher renewal fees compared to budget.

Operating expenses are forecast at a lower level than budgeted (down EUR 64m or 3%) reflecting the underspends mentioned under the authorisation budget. The trends outlined above will lead to a standardised operating result under IFRS of EUR 60m, EUR 57m better than budget.

The financial income is mainly driven by the expected return on EPOTIF and RFPSS assets, and the actual income generated until 30 June 2021. The financial expenses mainly relate to interest costs associated with the defined benefit obligations. In total this leads to an estimated financial gain of EUR 535m for the year 2021. However, such results are highly volatile and influenced by financial market fluctuations. They are therefore outside the control of the EPO.

VII. PLAN FINANCIAL STATEMENTS UNDER STANDARDISED IFRS

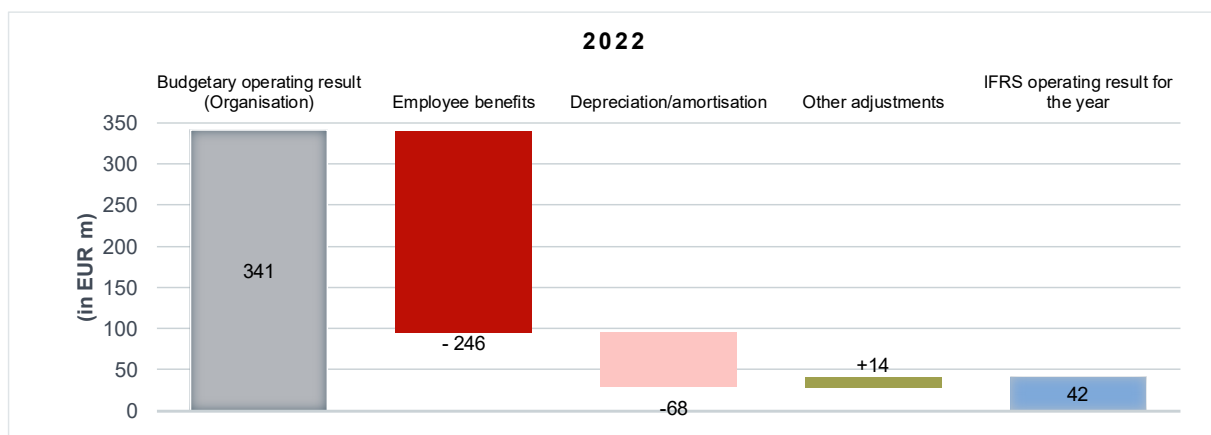
A. STATEMENT OF COMPREHENSIVE INCOME

a) 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% 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.
- Depreciation and amortisation for fixed assets which are not applicable under the authorisation budget are added under IFRS.
- Other adjustments relate to timing differences in revenue recognition for procedural fees (prepaid fees difference between opening and closing balance), 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 step from Authorisation View to IFRS: Budgetary Operating result (Organisation: Office + PSSS) to IFRS operating result for the year



Transition from authorisation budget to IFRS	Budget	Forecast	Budget/ Plan	Estimates/Plan			
(in EUR m)	2021	2021	2022	2023	2024	2025	2026
Budgetary operating result (Organisation)	256	375	341	166	327	352	370
Employee benefits	-249	-256	-246	-113	-170	-162	-146
Depreciation/amortisation	-69	-68	-68	-58	-56	-58	-58
Other adjustments	65	9	14	26	31	52	82
IFRS operating result for the year	3	60	42	21	131	184	247

The IFRS operating result comprises the following items:

(in EUR m)	Actuals	Plan	Forecast	Plan	Plan			
	2020	2021	2021	2022	2023	2024	2025	2026
Operating income	1 987	1 992	1 984	2 011	1 991	2 069	2 128	2 194
Employee benefit expenses	-2 225	-1 630	-1 569	-1 592	-1 620	-1 590	-1 589	-1 590
Depreciation and amortisation expenses	-66	-69	-68	-68	-58	-56	-58	-58
Other operating expenses	-232	-290	-287	-309	-293	-291	-297	-299
IFRS operating result for the year	-536	3	60	42	21	131	184	247

Please note that current service costs relating to employee benefits for actuals 2020 are determined based on a discount rate of 1.13% while the following years are based on a discount rate of 3.3%.

The operating income for 2022 is expected to increase by EUR 19m in comparison with the 2021 plan due to the following effects:

- Slightly increasing output in search combined with reducing output in examination production;
- Biennial inflation adjustment for the procedural fees and IRF of 3% in 2022;
- Regular increase in national renewal fee revenue, driven by the existing volume of patents published and maintained, as well as by the increase in the fee table of Germany as of mid 2022 (Germany accounts for around 38% of this category of revenue in 2022);
- Moderate increasing trend of the revenue from Internal renewal fees on account of increasing levels of pending applications.

Employee benefits in 2022 decrease compared to plan 2021 by some 2.3%. Employee benefits are expected to remain stable throughout the planning period until 2026. Increases in staff expenditure resulting from annual salary adjustments and career progression are globally offset by reductions in paid staff years and staff turnover over the planning period. Furthermore, the cost of accumulating new pension rights each year (current service cost) is estimated to decrease year on year on account of the large number of OPS staff leaving and being partially replaced by new NPS staff.

The operating result for 2022 is positive at EUR 42m, an increase of EUR 39m, compared with the plan operating result for 2021. This also represents a slight deterioration compared to the actual operating result under standardised IFRS of EUR 43m in 2020 when applying the discount rate of 3.3% (reduction of EUR 1m).

b) Financial result

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

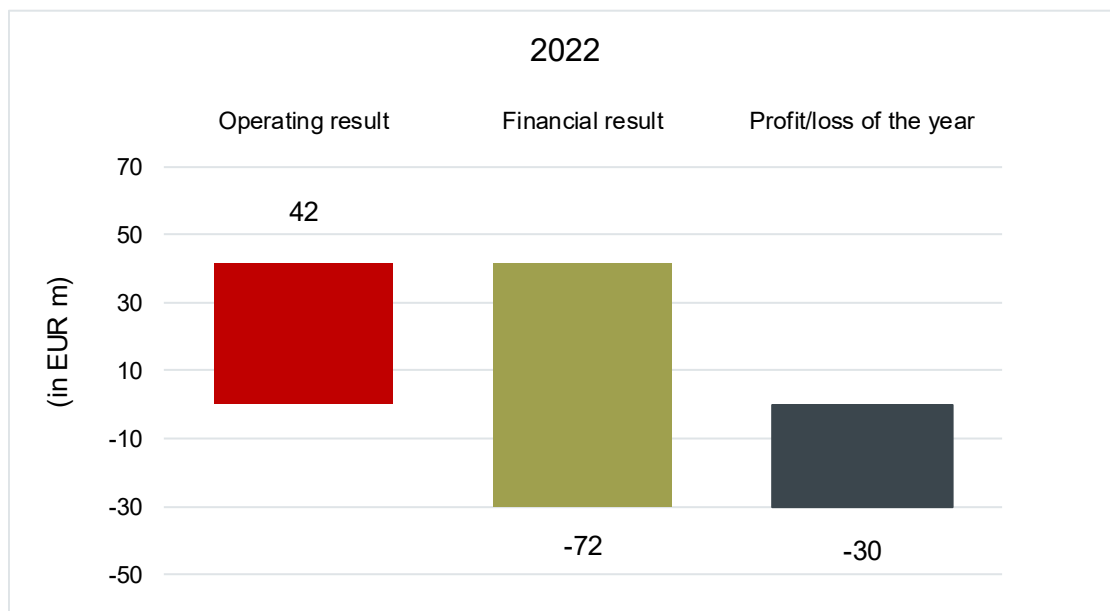
Composition of financial result (in EUR m)	Actuals	Plan	Forecast	Plan	Plan			
	2020	2021	2021	2022	2023	2024	2025	2026
EPOTIF expected return on assets	133	122	164	112	120	129	139	150
RFPSS	423	483	939	412	430	448	469	492
DBO interest cost	-337	-586	-569	-594	-619	-643	-667	-690
Other financial result	2	-1	0	-1	-1	-1	-1	-1
IFRS financial result for the year	221	18	535	-72	-70	-66	-59	-48

The financial result is mainly driven by the expected return on the assets of the RFPSS calculated by the Actuarial Advisory Group at 3.56% in nominal terms netted against the interest cost on the DBO. The expected return on EPOTIF is estimated at 3.12% nominal rate of return after management fees.

The annual injections to EPOTIF and RFPSS (general orientation: 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.

c) 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			
	2020	2021	2021	2022	2023	2024	2025	2026
Operating result	-536	3	60	42	21	131	184	247
Financial result	221	18	535	-72	-70	-66	-59	-48
Profit/loss of the year	-315	21	595	-30	-49	65	125	199
Other comprehensive income for the year	1 068	0	0	0	0	0	0	0
IFRS total comprehensive income	752	21	595	-30	-49	65	125	199

Please note that current service costs relating to employee benefits for actuals 2020 are determined based on a discount rate of 1.13% (for pension liabilities) while the the following years are based on a flat discount rate of 3.3%.

The expected standardised IFRS loss for 2022 amounts to EUR 30m representing a decrease of EUR 51m compared with the 2021 plan.

Given that the other comprehensive income for the year is primarily driven by fluctuations of the discount rate, no forecast value has been estimated here since the discount rate is assumed constant throughout the planning period.

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			
	31.12.2020	1.1.2022	31.12.2022	2023	2024	2025	2026
Fixed assets	723	704	711	736	751	727	686
RFPSS net assets	10 343	11 471	12 000	12 474	13 054	13 669	14 309
Liquidity and prepaid expenses	124	16	18	29	30	35	35
EPOTIF	3 138	3 602	3 856	4 077	4 349	4 635	4 972
Other assets	401	363	403	418	449	476	507
Total assets	14 729	16 155	16 988	17 734	18 632	19 542	20 510
Equity	-16 881	-3 595	-3 625	-3 674	-3 609	-3 484	-3 285
DBO	29 985	18 195	18 952	19 700	20 433	21 149	21 845
Prepaid fees	940	949	970	1 002	1 052	1 102	1 155
Other liabilities	684	607	691	707	757	775	796
Total equity and liabilities	14 729	16 155	16 988	17 734	18 632	19 542	20 510

a) Assets

(i) Fixed assets

The EPO's fixed assets (property, plant, equipment and intangible assets) are expected to remain largely in line with the value on 31 December 2020, fluctuating slightly, in line with the Office's planned investments.

(ii) RFPSS net assets

RFPSS assets are expected to reach EUR 14.3bn in 2026. This growth reflects the long-term expected rate of return of 3.56% and expected cash injections to RFPSS in the amount of 40% of the annual cash surplus generated.

(iii) EPOTIF

The evolution of the EPOTIF portfolio is driven by the long-term expected rate of return of 3.12% and the expected cash injections to EPOTIF in the amount of 60% of the annual cash surplus generated.

(iv) Liquidity and prepaid expenses

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

(v) Other assets

Other assets are planned to increase between 2022 and 2026 following the growth in trade and other receivables as well as in Salary Savings Plan assets.

b) Equity and liabilities

(i) Equity

It should be noted that the standardised negative equity at the beginning of 2022 to be estimated at EUR -3 595m and is less negative than the one at the end of the latest closed accounting period (31 December 2020 – EUR -16 881m). 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) under the standardised view and the actual discount rate at year-end closure 2020 (e.g. 0.88% for pensions).

The standardised negative equity of EUR -3 625m in 2022 is expected to progressively improve until 2026.

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 under the IFRS view. The development of the equity shown in the table above under the standardised IFRS is therefore primarily intended to illustrate the 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.

(ii) Defined benefit obligations (DBO)

Throughout the planning period 2022-2026, a standardised discount rate of 3.3% has been applied. The underlying valuation of DBOs also reflects the new salary adjustment method which foresees a 0.2% cap above Eurozone HICP, for which the European Central Bank has set a long-term target of 2%. The resultant assumed annual salary adjustments of 2.2% that are lower than those applied until Budget 2020 (2.5%).

The defined benefit obligations are planned to grow on average by 3.6% p.a. reaching EUR 21.8bn in 2026.

(iii) Prepaid fees

Prepaid fees (current and non-current) show an increase of EUR 185m (+19%) over the planning period, reflecting the expected increase in incoming workload as well as, the planned increase in pending applications.

(iv) 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 246m or 1.1% of the DBO by the end of 2026.

(v) 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)	2021	Plan 2022	2023	2024	2025	2026
Net Present Value of renewal fees for patents	5 000	5 060	5 110	5 130	5 130	5 130
Costs for work not completed in excess of prepaid fees received	-1 170	-1 190	-1 190	-1 180	-1 180	-1 190

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, 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 and 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 is expected to be stable over the period 2022-2026.

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 that 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		2 676 100	2 676 100
Part II - Pension and Social Security System		434 750	434 750
Total		3 110 850	3 110 850
Adjustment for transferrals within the budget:			
Part I - Main Budget			
Section 1: Operating section			
Office contributions to pension and social security schemes			270 770
Transfer of operating result			304 320
Section 2: Capital section			
Transfer of operating result	(Article 6000)	304 320	
Part II - Pension and Social Security System			
Section 1: Operating section			
Office contributions to pension and social security schemes		270 770	
Transfer of operating results			36 895
Section 2: Capital section			
Transfer of operating results	(Article 6600)	36 895	
Net Total		2 498 865	2 498 865

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

Income		in € '000						
Chapter/Group	Accounts 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		2026
						2024	2025	
Section 1: Operating section								
500	Income from filing and search (EPC)	241 321	220 565	236 540	238 170	244 000	257 515	279 845
501	Income from filing and search (PCT)	123 053	116 420	114 615	116 380	115 510	118 790	121 490
509	Income from other search work	59 953	63 890	63 415	63 890	63 890	63 890	63 890
510	Income from examination, grant and opposition (EPC)	377 923	352 825	378 100	359 210	351 705	362 835	386 445
511	Income from examination (PCT)	9 668	11 965	9 360	9 360	9 725	10 095	10 740
52	Appeal fees	3 830	8 510	4 990	4 400	3 785	3 430	3 110
530	Designation and renewal fees (EPC)	1 137 022	1 135 925	1 170 660	1 217 525	1 200 810	1 254 340	1 299 735
532	Renewal fees (UPP)	0	2 830	0	2 830	20 950	48 110	117 380
535	Extension and validation fees	1 644	2 065	1 675	1 640	1 580	1 610	1 550
540	Patent information products	7 472	7 370	7 470	7 690	7 990	7 840	7 830
55	General operating income	226 661	228 055	219 205	220 255	224 320	228 495	227 040
57	Third-party project funding	11	130	0	130	130	130	130
58	Financial income	923	123 500	1 150	113 500	121 500	130 500	151 500
50-58	Sub-total	2 189 480	2 274 050	2 207 180	2 354 980	2 365 895	2 487 580	2 670 685
	Total operating section	2 189 480	2 274 050	2 207 180	2 354 980	2 365 895	2 487 580	2 670 685
Section 2: Capital section								
60	Operating section, surplus	376 129	218 640	331 790	304 320	124 735	284 905	325 820
650	Repayment of staff home loans	14 135	16 800	16 000	16 800	16 800	16 800	16 800
	Total capital section	390 264	235 440	347 790	321 120	141 535	301 705	342 620

Expenditure		in € '000						
Chapter/Group	Accounts 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		2026
						2024	2025	
Section 1: Operating section								
30	Staff	1 560 200	1 627 400	1 569 595	1 617 570	1 803 980	1 751 390	1 836 165
31	Property and equipment maintenance	45 666	49 900	46 500	50 690	50 375	51 705	53 300
32	IT operating expenditure	123 272	124 785	141 075	127 350	115 130	110 500	110 500
33	Co-operation and meetings	10 600	28 120	25 950	41 235	45 275	55 850	91 165
34	Patent information and communication	12 155	20 200	18 865	20 630	20 275	19 295	17 760
35	General operating expenditure	61 447	82 855	73 405	81 035	85 975	84 785	85 825
37	Project expenditure funded by third parties	11	130	0	130	130	130	130
38	Financial expenditure	0	122 020	0	112 020	120 020	129 020	150 020
30-38	Sub-total	1 813 352	2 055 410	1 875 390	2 050 660	2 241 160	2 202 675	2 344 865
	Operating section, surplus	376 129	218 640	331 790	304 320	124 735	284 905	325 820
	Total operating section	2 189 480	2 274 050	2 207 180	2 354 980	2 365 895	2 487 580	2 670 685
Section 2: Capital section								
410	Land and buildings	5 880	17 340	14 715	40 920	52 995	24 790	11 660
411	Furniture and equipment	252	375	210	400	405	335	360
42	IT tangible and intangible assets	18 723	30 000	26 615	28 605	14 600	0	0
45	Loans and advances to third parties	16 538	16 800	16 000	16 800	16 800	16 800	16 800
40-48	Sub-total	41 393	64 515	57 540	86 725	84 800	41 925	28 820
49	Authorisation budget, surplus	348 871	170 925	290 250	234 395	56 735	259 780	313 800
	Total capital section	390 264	235 440	347 790	321 120	141 535	301 705	342 620

Authorisation Budget under Article 25(1)a FinRegs

Pension and Social Security Schemes

Income		in € '000						
Chapter/Article	Accounts 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		2026
						2024	2025	
Section 1: Operating section								
5600 Pension contributions	237 761	242 500	238 310	266 030	291 050	320 970	346 490	375 210
<i>thereof Office compensation pension scheme</i>	0	0	3 850	30 115	43 885	71 000	98 380	129 740
5601 Salary Savings Plan (SSP)	16 317	18 495	17 730	16 420	17 010	19 315	20 635	22 110
5605 Healthcare	91 237	95 095	91 760	94 525	104 630	108 935	111 190	113 555
5605 Long-term care insurance	19 510	18 540	17 910	18 420	16 205	16 965	17 350	17 700
5605 Death insurance	2 871	2 575	2 270	2 265	2 310	2 355	2 355	2 355
5605 Incapacity contributions	108	195	195	195	240	300	360	360
Total operating section	367 804	377 400	368 175	397 855	431 445	468 840	498 380	531 290
Section 2: Capital section								
66 Net income pension and social security schemes	58 906	37 650	43 310	36 895	40 875	42 215	42 785	43 955
Total capital section	58 906	37 650	43 310	36 895	40 875	42 215	42 785	43 955

Expenditure		in € '000						
Chapter/Article	Accounts 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates		2026
						2024	2025	
Section 1: Operating section								
3600 Pension payments	229 274	248 010	238 310	266 030	291 050	320 970	346 490	375 210
3601 Salary Savings Plan (SSP)	884	1 250	1 590	2 030	2 350	3 980	2 760	940
3605 Healthcare	69 884	81 490	76 050	83 660	87 840	92 240	96 850	101 690
3605 Long-term care	5 945	6 230	6 450	6 780	6 780	6 780	6 780	6 780
3605 Death	2 872	2 575	2 270	2 265	2 310	2 355	2 355	2 355
3605 Incapacity payments fixed-term	39	195	195	195	240	300	360	360
<i>Sub-total</i>	<i>308 898</i>	<i>339 750</i>	<i>324 865</i>	<i>360 960</i>	<i>390 570</i>	<i>426 625</i>	<i>455 595</i>	<i>487 335</i>
Operating section, surplus	58 906	37 650	43 310	36 895	40 875	42 215	42 785	43 955
Total operating section	367 804	377 400	368 175	397 855	431 445	468 840	498 380	531 290
Section 2: Capital section								
46 Transfer of DC plan surplus to SSP fund	15 434	17 245	16 140	14 390	14 660	15 335	17 875	21 170
Transfer of surplus to reserve funds	43 473	20 405	27 170	22 505	26 215	26 880	24 910	22 785
Total capital section	58 906	37 650	43 310	36 895	40 875	42 215	42 785	43 955

Authorisation Budget under Article 25(1)a FinRegs
Office / Pension and Social Security Schemes
(consolidated, adjusted for transferrals within the budget)

Income		in € '000							
Chapter/Group	Accounts 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates 2024	2025	2026	
Section 1: Operating section									
500	Income from filing and search (EPC)	241 321	220 565	236 540	238 170	244 000	257 515	265 445	279 845
501	Income from filing and search (PCT)	123 053	116 420	114 615	116 380	115 510	118 790	121 050	121 490
509	Income from other search work	59 953	63 890	63 415	63 890	63 890	63 890	63 890	63 890
510	Income from examination, grant and opposition (EPC)	377 923	352 825	378 100	359 210	351 705	362 835	369 320	386 445
511	Income from examination (PCT)	9 668	11 965	9 360	9 360	9 725	10 095	10 275	10 740
52	Appeal fees	3 830	8 510	4 990	4 400	3 785	3 430	3 215	3 110
530	Designation and renewal fees (EPC)	1 137 022	1 135 925	1 170 660	1 217 525	1 200 810	1 254 340	1 277 080	1 299 735
532	Renewal fees (UPP)	0	2 830	0	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	1 644	2 065	1 675	1 640	1 580	1 610	1 550	1 550
540	Patent information products	7 472	7 370	7 470	7 690	7 990	7 840	7 830	7 830
55	General operating income	226 661	228 055	219 205	220 255	224 320	228 495	228 040	227 040
56	Pension and social security schemes	126 192	130 370	125 885	127 085	133 950	137 445	138 235	138 860
57	Third-party project funding	11	130	0	130	130	130	130	130
58	Financial income	923	123 500	1 150	113 500	121 500	130 500	140 500	151 500
Total operating income		2 315 673	2 404 420	2 333 065	2 482 065	2 499 845	2 625 025	2 715 830	2 809 545
Section 2: Capital section									
60/66	Operating section, surplus	435 035	256 290	375 100	341 215	165 610	327 120	351 925	369 775
650	Repayment of staff home loans	14 135	16 800	16 000	16 800	16 800	16 800	16 800	16 800
Total capital section		449 170	273 090	391 100	358 015	182 410	343 920	368 725	386 575

Expenditure		in € '000							
Chapter/Group	Accounts 2020	Budget 2021	Forecast 2021	Budget 2022	2023	Estimates 2024	2025	2026	
Section 1: Operating section									
30	Staff	1 318 588	1 380 370	1 327 305	1 346 800	1 506 485	1 419 995	1 426 670	1 443 735
31	Property and equipment maintenance	45 666	49 900	46 500	50 690	50 375	51 705	52 520	53 300
32	IT operating expenditure	123 272	124 785	141 075	127 350	115 130	110 500	111 000	110 500
33	Co-operation and meetings	10 600	28 120	25 950	41 235	45 275	55 850	77 065	91 165
34	Patent information and communication	12 155	20 200	18 865	20 630	20 275	19 295	18 460	17 760
35	General operating expenditure	61 447	82 855	73 405	81 035	85 975	84 785	83 445	85 825
36	Pension and social security schemes	308 898	339 750	324 865	360 960	390 570	426 625	455 595	487 335
37	Project expenditure funded by third parties	11	130	0	130	130	130	130	130
38	Financial expenditure	0	122 020	0	112 020	120 020	129 020	139 020	150 020
30-38	Sub-total	1 880 637	2 148 130	1 957 965	2 140 850	2 334 235	2 297 905	2 363 905	2 439 770
Operating section, surplus		435 035	256 290	375 100	341 215	165 610	327 120	351 925	369 775
Total operating section		2 315 673	2 404 420	2 333 065	2 482 065	2 499 845	2 625 025	2 715 830	2 809 545
Section 2: Capital section									
410	Land and buildings	5 880	17 340	14 715	40 920	52 995	24 790	8 830	11 660
411	Furniture and equipment	252	375	210	400	405	335	455	360
42	IT tangible and intangible assets	18 723	30 000	26 615	28 605	14 600	0	0	0
45	Loans and advances to third parties	16 538	16 800	16 000	16 800	16 800	16 800	16 800	16 800
40-48	Sub-total	41 393	64 515	57 540	86 725	84 800	41 925	26 085	28 820
Consolidated surplus		407 777	208 575	333 560	271 290	97 610	301 995	342 640	357 755
Total capital section		449 170	273 090	391 100	358 015	182 410	343 920	368 725	386 575

3. IFRS results

1. Plan IFRS statements of comprehensive income
European Patent Organisation

(in € '000)

	IFRS Forecast 2021	IFRS Plan 2022	IFRS Plan 2023	IFRS Plan 2024	IFRS Plan 2025	IFRS Plan 2026
Revenue						
Revenue from patent and procedural fees						
Ch. 50 Filing and search	402 035	423 440	432 335	444 310	455 510	468 905
51 Examination, grant and opposition	389 870	341 105	319 590	318 610	323 540	339 970
52 Appeal	7 010	5 550	4 595	4 165	3 750	3 350
53 Designation, renewal, extension and validation	1 171 075	1 219 345	1 211 680	1 278 795	1 322 030	1 358 740
54 Other revenue	10 370	10 690	10 990	10 840	10 830	10 830
Other operating income						
Ch. 55 General operating income	3 745	5 600	6 760	6 700	6 730	6 785
57 Third party project funding	0	130	130	130	130	130
Work performed and capitalised	0	5 000	5 000	5 000	5 000	5 000
Total Revenue	1 984 105	2 010 860	1 991 080	2 068 550	2 127 520	2 193 710
Expenses						
Employee benefit expenses						
Ch. 30 Staff/personnel expenses	1 568 545	1 592 375	1 619 915	1 590 365	1 589 140	1 589 730
Depreciation and amortisation expenses						
Ch. 39 Depreciation	68 020	67 535	57 930	55 805	57 915	57 905
Other operating expenses						
Ch. 31 Property and equipment maintenance	43 000	48 895	48 560	49 855	50 645	51 390
32 IT operating expenditure	126 075	114 000	101 585	103 635	109 640	109 120
33 Co-operation and meetings	25 950	39 515	35 535	32 575	33 255	33 380
34 Patent information and public relations	18 865	20 630	20 275	19 295	18 460	17 760
35 General operating expenditure	73 405	86 145	86 525	85 435	84 575	86 905
37 Project expenditure funded by third parties	0	130	130	130	130	130
Total Expenses	1 923 860	1 969 225	1 970 455	1 937 095	1 943 760	1 946 320
Operating result	60 245	41 635	20 625	131 455	183 760	247 390
Finance revenue						
Ch. 58 Finance income	1 111 652	530 320	557 510	583 360	615 310	649 455
Finance costs						
Ch. 38 Finance expenditure	577 140	601 925	627 300	649 615	674 020	697 930
Financial result	534 512	-71 605	-69 790	-66 255	-58 710	-48 475
Profit/(Loss) for the year	594 757	-29 970	-49 165	65 200	125 050	198 915
Total comprehensive income for the year	594 757	-29 970	-49 165	65 200	125 050	198 915

2. Plan IFRS statements of financial position European Patent Organisation

(in € '000)	Estimated opening statement of financial position per 1.1.2022 and Plan IFRS statement of financial position per 31.12.2022		Plan IFRS statements of financial position per 31.12.2023 - 31.12.2026			
	IFRS Plan 1.1.2022	IFRS Plan 31.12.2022	IFRS Plan 31.12.2023	IFRS Plan 31.12.2024	IFRS Plan 31.12.2025	IFRS Plan 31.12.2026
Non-current assets						
Property, plant and equipment	680 410	664 335	679 995	695 405	672 950	633 775
Intangible assets	23 405	46 870	56 280	55 190	54 015	52 305
RFPSS assets	11 471 000	11 999 685	12 473 900	13 053 895	13 669 445	14 309 175
EPOTIF	3 602 000	3 855 965	4 077 070	4 349 080	4 635 120	4 972 370
Home loans to staff	73 045	73 045	73 045	73 045	73 045	73 045
Salary Savings Plan asset	126 015	147 400	170 185	191 870	216 915	246 205
<i>Total</i>	<i>15 975 875</i>	<i>16 787 300</i>	<i>17 530 475</i>	<i>18 418 485</i>	<i>19 321 490</i>	<i>20 286 875</i>
Current assets						
Trade and other receivables	156 345	175 115	167 845	176 580	178 535	181 110
Home loans to staff	7 120	7 120	7 120	7 120	7 120	7 120
Other financial assets	7 560	18 280	18 960	19 770	21 190	22 540
Cash and cash equivalents	8 520	100	9 685	9 770	13 410	12 725
<i>Total</i>	<i>179 545</i>	<i>200 615</i>	<i>203 610</i>	<i>213 240</i>	<i>220 255</i>	<i>223 495</i>
Total assets	16 155 420	16 987 915	17 734 085	18 631 725	19 541 745	20 510 370
Equity						
Retained earnings	-1 348 440	-1 378 410	-1 427 575	-1 362 375	-1 237 325	-1 038 410
Other reserves	-2 246 770	-2 246 770	-2 246 770	-2 246 770	-2 246 770	-2 246 770
Total equity	-3 595 210	-3 625 180	-3 674 345	-3 609 145	-3 484 095	-3 285 180
Non-current liabilities						
Defined benefit obligation	18 195 350	18 952 290	19 699 775	20 432 835	21 149 150	21 844 500
Salary Savings Plan obligation	126 015	147 400	170 185	191 870	216 915	246 205
Trade and other payables	24 495	24 545	25 030	25 525	25 475	25 365
Finance lease liabilities	112 450	84 460	66 440	77 490	53 650	29 700
Prepaid fees	484 480	496 510	519 140	558 950	599 500	642 740
<i>Total</i>	<i>18 942 790</i>	<i>19 705 205</i>	<i>20 480 570</i>	<i>21 286 670</i>	<i>22 044 690</i>	<i>22 788 510</i>
Current liabilities						
Trade and other payables	317 700	407 450	420 050	434 470	453 930	472 200
Finance lease liabilities	16 490	12 390	9 740	11 360	7 870	4 360
Provisions	9 510	14 620	15 170	15 820	16 950	18 030
Prepaid fees	464 140	473 430	482 900	492 550	502 400	512 450
<i>Total</i>	<i>807 840</i>	<i>907 890</i>	<i>927 860</i>	<i>954 200</i>	<i>981 150</i>	<i>1 007 040</i>
Total liabilities	19 750 630	20 613 095	21 408 430	22 240 870	23 025 840	23 795 550
Total equity and liabilities	16 155 420	16 987 915	17 734 085	18 631 725	19 541 745	20 510 370

4. 2022 table of posts

BUDGET

Job Group	Office (DGs 0, 1, 4, 5)		Boards of Appeal		TOTAL EPO	
	2021	2022	2021	2022	2021	2022
JG1	5	5	1	1	6	6
JG2	31	31	29	29	60	60
JG3	328	338	187	177	515	515
JG4	4997	4999	18	18	5015	5017
JG5	227	227	5	5	232	232
JG6	1208	1206	39	39	1247	1245
Total	6796	6806	279	269	7075	7075

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)		2022
Direct budgetary income		
Class 5		
Article 5200	Appeal fees	4 400
IFRS adjustment (prepaid fees)		1 150
Revenue for product Appeal		5 550
Cost (in € '000)		2022
Direct budgetary operating expenditure		
Class 3		
Group 300	Salaries and allowances	63 020
Group 301-303	Other staff costs	630
Chapter 31	Property and equipment maintenance	3 810
Chapter 32	IT operating expenditure	500
Chapter 33	Cooperation and meetings	20
Chapter 34	Patent information and communication	55
Chapter 35	General operating expenditure	1 455
Subtotal		69 490
Forecast allocation of other costs under the Unit Cost methodology: incl. standardisation at 3.3% discount rate		37 304
Cost for product Appeal		106 794
Capital Expenditure (in € '000)		2022
Direct budgetary capital expenditure		
Class 4		
Chapter 41	Property and equipment	70
Total capital expenditure		70

6. Attachment B – Unitary Patent Protection (UPP)

Budget appropriations for the European patent with unitary effect*

	2022	2023
Income (in € '000)		
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)		
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

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 during the second half of 2022.

** 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.