



**Europäische  
Patent-  
organisation**

Verwaltungsrat

**European  
Patent  
Organisation**

Administrative Council

**Organisation  
européenne des  
brevets**

Conseil d'administration



## **Comprehensive Summary 2018 Budget**

*Estimates for 2019 - 2022*



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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](#);
- plan financial statements under the International Financial Reporting Standards (IFRS) in [section E](#);
- budgetary outlook on the EPO Boards of Appeal (BoA) in [Attachment A](#);
- overview on the budget appropriations for the European patent with unitary effect upon the introduction of the Unitary Patent Protection in [Attachment B](#).

## B. ORIENTATIONS

### Authorisation Budget and IFRS

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

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

The IFRS forecast assumes a flat discount rate of 5% for employee benefits, identical to the one used for forecasting purpose in previous budgets. The use of a flat discount rate has the merit of assessing the liabilities and the equity on a consistent basis for the 2018-2022 time period, allowing for comparison from year to year. In addition, this approach is aligned with the one retained for the determination of the actuals for the standardised operating result and the Unit Cost, which are comparable with the forecast values under IFRS.

### Framework for Strategic Orientations

The main strategic orientations for the Office were unanimously approved by the Council in June 2011 and revised in June 2014. By implementing the adopted "Efficiency and Quality Scenario", the Office pursues its operational improvements, while maintaining the capacity to finance all necessary investments in the medium term.

## **Strategic Roadmaps and other Initiatives**

### *General context*

In order to implement the Strategic Orientations, Roadmaps for IT, Buildings, Co-operation, Quality and HR were submitted to the Administrative Council in October/December 2011 and their update and plans in June 2014. The budgetary assumptions are aligned with the progress in the implementation of the different Roadmaps, whereas especially the IT Roadmap, investments in Data Centers, Security and the Building Roadmap have major investment needs which have to be considered for the 2018 Budget. The budgetary assumptions have been prepared following the main orientations of the Financial Study carried out by an independent consultant in 2016 with a focus on gaining a better control on both the staff costs and the future liabilities of the Office.

### *IT Roadmap and general IT costs*

As a production-oriented organisation, the quality, efficiency and productivity of patent granting procedures are directly correlated to the performance of the IT systems. The total costs for IM amount to €147m for 2018, out of which the IT infrastructure budget amounts to €123m in 2018.

A total amount of €16m is reflected for Data Centres related Expenditure in 2018, out of which €9m relate to Operating Expenditure for the transition of the Data Centers and €7m to Capital Investments.

The IT Roadmap related activities already initiated in the areas of Reengineering Patent Grant Process, Search Tools and Information Management, through their projects of transformation, improvement and transition, are within the approved budget envelope. The current estimated project costs amount to €23m for 2018, thereof €16m Capital Investments.

### *Building Roadmap*

In its June 2014 meeting, the Administrative Council (AC), having taken note of the current status of the projects defined in the Building Roadmap, unanimously approved the approach for further work. After the detailed design and planning phase the construction of the New Main building in The Hague started in 2015. The current planning foresees delivery of the New Main in 2018 and completion of the site, including demolition of the Tower and landscaping, in 2019. The total contract value amounts to €205m. For 2018, €34m are expected to incur for Capital Investments in the construction of the New Main building.

## *HR Roadmap*

The Office will pursue in 2018 the implementation of the various projects included in the HR Roadmap. In the framework of the adopted strategic direction, the Office will continue to maintain the overall staff number within the same limitations of the Table of permanent Posts in force since 2010, at 7 075 posts. Within the framework of the HR Roadmap and more notably within the New Career System, the EPO is implementing progressively the new career opportunities, i.e. the Team Manager and the Senior Expert Examiner positions.

### *Introducing flexibility in the employment framework*

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

A reform would aim to

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

The Council held a general debate in December 2017. Depending on the decision to be taken during the first quarter 2018, the new employment framework could be applicable to new employees as of second quarter 2018.

### *Advice of the Actuarial Advisory Group ("Three Wise Men") for the social schemes in 2018*

Based on the actuarial study carried out in 2017 the global pension and healthcare contribution rates are proposed to be changed starting 2018.

### *Physical Security Programme*

As the general threat level in Europe has increased since 2015, the Office already started revising its physical security concept for staff and assets, in order to better safeguard its staff and its business from perceived threats. The investment includes measures such as access control and perimeter detection leading to an amount of some € 6m in Operating Expenditure and €11m in Capital Expenditure in 2018.

### *Early Certainty in Patent Granting Procedure*

The EPO strives to provide high quality products, which withstand potential post-grant proceedings and create legal certainty. To be equally beneficial for the applicants and the public, legal certainty needs to be delivered in a timely manner.

On 1 July 2014, Early Certainty from Search (ECfS) was implemented. Under ECfS, the EPO reprioritised its search and examination workload in order to provide certainty as early as possible in the patent granting process. With ECfS, the first Office action - the search report accompanied by a preliminary opinion on patentability - is given the highest priority and is delivered, at the latest, 6 months after receipt of the file by the search division. As ECfS has brought the expected results in terms of search timeliness, the EPO extended the concept of Early Certainty to the whole patent granting process. The EPO by end of 2020 aims at finishing examination on average within one year from receipt of a valid request for examination up to the intention to grant. A streamlined opposition procedure will enable opposition decisions within 15 months for standard cases.

The budgetary provisions for the Budget 2018 reflect the Early Certainty objectives. The Renewal Fees for patent applications are expected to decrease which is assumed to be compensated by an increase in Renewal Fees for granted patents. The estimates are based on currently observed applicants' behaviour.

### *Future structure of the Office's operational and support areas*

Over the past years by implementing the Quality and Efficiency strategy, the Office has achieved a strong increase in performance and attained quality at a very high level, as well as improving timeliness under the Early Certainty initiatives. The Office therefore faces a continuing challenge in how to maintain and even improve its record in terms of quality and production, how to attain the remaining Early Certainty objectives and how to get the best out of its resources in general.

In September 2016 an external consulting firm was commissioned to study future scenarios for the Office's operation and support areas, with a focus on the patent granting process (DG 1 and DG 2 non-IM). Based on the results of the study that was presented at the beginning of 2017, a task force was mandated to draw up a set of specific proposals for the modalities concerning the merger between DG1 and Patent Administration.

Overall, a streamlined end-to-end patent grant process within one DG will bring more efficiency and enable the Office to maintain the positive momentum gathered in terms of production, timeliness and quality. The merger therefore comprises an essential step in securing the Office's long term future. At the meeting of the Administrative Council in June 2017, the President expressed the principles and main features of the re-organisation of DG1 and DG2, which was noted by the delegations. The Administrative Council appointed the Vice President in charge of the new DG1 with effect from 1 July 2017.

Following the same logic and main orientations, the Office has also taken the opportunity to review its structures outside the patent granting process, to foster efficiency, end-to-end processing under the same responsible entity, and better coordination between the services. Furthermore, adaptations concerning Corporate Services as well as Legal and International Affairs are proposed.

The new structure will be fully operational on 1 January 2018.



### *Boards of Appeal (BoA)*

The Administrative Council decided to reform the EPO Boards of Appeal (BoA) within the framework of the European Patent Convention. The structural reform of the BoA aims to increase their organisational and managerial autonomy, the perception of their independence and also their efficiency, in order to respect the principle of effective legal protection within the current legal framework of the European Patent Convention (EPC).

Aligning the organisation and functioning of the BoA with national, European and international developments in the judiciary requires a comprehensive reform covering five main elements: a new institutional framework, a specific career system, the regulation of potential conflicts of interest, the allocation of a separate building, and the improvement of the cost coverage of the appeal system.

Specific budgetary provisions have been included in the 2018 Budget, in the context of the structural reform of the EPO Boards of Appeal. These budgetary provisions mainly relate to the identification of the budgetary credits necessary for the operation of the BoA. A new strategic fee policy for appeals to increase its financial autonomy and to improve the efficiency / cost coverage of the BoA is proposed effective 1 April, 2018.

The total number of permanent posts in the Boards of Appeal remains stable at 237 in 2018. Within this number, 5 vacant posts in the administrative area are to be converted into technically qualified member posts. One other vacant post in the administrative area is to be upgraded to expert level (176 members and chairmen, 61 in the administrative area).

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

A presentation of the budgetary allocations of the EPO Boards of Appeal is set out in Attachment A.

### *Unitary Patent Protection (UPP)*

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

The budgetary estimates regarding the European patent with unitary effect have been submitted to the Select Committee for their approval, prior to the Budget and Finance Committee meeting in October, and foresee the introduction of the European patent with unitary effect in 2018.

An overview on the budget appropriations for the European patent with unitary effect upon the introduction of the Unitary Patent Protection is set out in Attachment B reflecting the structure approved with the 2017 Budget.

## C. PLANNING PRINCIPLES AND ASSUMPTIONS

The 2018 Budget and the Estimates 2019-2022 as well as the Plan Financial Statements under IFRS are presented in Euro (€) and all values are rounded to the nearest thousand (€ '000) unless otherwise indicated. The following main assumptions were used to prepare the 2018 Budget and the Estimates 2019-2022.

### Income

#### *Volume assumptions*

Current income estimates are based on 310 000 total filings in 2018, compared to an estimate of 297 000 filings in the 2017 Budget. The ratio of Euro-direct filings to International PCT filings for 2018 is assumed to remain almost constant in comparison to 2017, at 21 : 79.

On the basis of this total filings development, the Office forecasts 169 000 Euro-direct applications and PCT applications entering the regional phase during 2018 (161 000 in the 2017 Budget).

In comparison to the past budget estimates, and taking into account the production of the Office the forecast number of published patents has been increased to 105 000 in 2018 (92 000 in the 2017 Budget).

#### *Fee incentives for applicants supported by the Efficiency and Quality Scenario*

Considering the positive budgetary outlook, starting April 1 2018, the Office will introduce some fee reductions without corresponding compensation to support the Efficiency and Quality Scenario. This approach represents a major change in determining the level of fees at the Office and comprises both the reduction of fees compared to the current fee level as well as the suspension of the inflation-based biennial fee adjustment.

Applicants will benefit from those measures by some €23m in 2018 which relate to the following categories:

#### Suspension of biennial inflation-based fee adjustment

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. It is proposed to retain in general the principle of the biennial inflation-based fee adjustment but to suspend it in view of the positive financial outlook.

Under the assumption of no inflation adjustment in 2018 applicants will benefit from this waiver of fee adjustment by an amount of €15m in 2018.

## PCT Strategy

The EPO strives to enhance its position within the PCT and developed a strategy to foster its attractiveness for applicants. In support of this strategy, the 2018 Budget considers the following revised fee parameters effective April 1, 2018:

- EP Search Fee for Euro-PCT applications: discontinuation of the fee reduction scheme for non-European ISAs (€ 190)
- PCT Search Fee: reduction by € 100
- PCT Preliminary Examination Fee: reduction by € 100
- EP Examination Fee after Chapter II PCT Examination: Increasing the reduction of the European examination fee from currently 50% to 75%

For the EPO, the financial impact of these accompanying fee incentives is estimated to a reduction of €2m income in 2018.

A further initiative of reducing the transmittal fee charged by the EPO as receiving Office from EUR 130 to EUR 0 is considered below under DOCX filing. The financial impact of this measure amounts to €0,5m in 2018.

## DOCX filing (“XML”)

In the larger context of the digitalisation of its patent granting processes, the Office took the initiative of introducing the possibility for applicants of filing in DOCX format.

The 2018 Budget considers the following revised fee parameters effective April 1, 2018:

- Filing Fee EP direct / Filing Fee entry EP phase:
  - DOCX: reduction from € 120 to € 90
  - online, non-DOCX: unchanged (€ 120)
  - non-online (i.e. paper/fax): increase from € 210 to € 250
- Transmittal fee for international applications
  - DOCX: reduction from € 130 to € 0
  - others: unchanged (€ 130)
- Fee for grant and printing and fee for grant including fee for publication
  - DOCX: reduction from € 925 to € 825
  - others: transitional phase April 1, 2018 until March 31, 2019: unchanged (€ 925), as of April 1, 2019: increase from € 925 to € 1025

For the EPO, the reduction in fee income is estimated to some €6m in 2018.

### Fee for Appeal

A new strategic fee policy for appeals is proposed to increase the financial autonomy and to improve the efficiency / cost coverage of the BoA. The Budget 2018 reflects an increase of the fee for Appeal from €1 880 to €2 255 as of April 1, 2018, which will not apply to the category of applicants eligible for a reduction under Rule 6 EPC, Article 14(1) RFees, i.e. eligible small and medium-sized enterprises (SMEs), natural persons, non-profit organizations, universities and public research organisations whose residence or principal place of business is in an EPC contracting state with an official language other than English, French or German, and nationals of such states who are resident abroad. The additional fee income is estimated to €0,8m in 2018.

### *Search price under the working agreements on search co-operation*

The prices payable under the working agreements with former IIB states and other member states are proposed to be fixed for the three-year period from 1 January 2018 to 31 December 2020, at €2 323 (2015-2017: €2 491) for ex-IIB and €2 476 (2015-2017: €2 683) for other member states. Going along with the favourable development of Unit Costs, those prices payable are for the first time reduced compared to the amount agreed for the previous three years period. The reduction amounts to 6,7% for ex-IIB and 7,7% for other member states.

### *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 have been determined for the periods 2017 and 2018, in accordance with the procedure approved by the Administrative Council in 1997.

### *Return on RFPSS plan assets and Diversified Treasury Investment*

The assumed return on the Reserve Funds for Pensions and Social Security (RFPSS) plan assets is assumed at 5,5% starting 2018 (compared to 5,75% used until 2017) reflecting the assumption retained by the Actuarial Advisory Group ("Three Wise Men").

Following the recommendation of the 2016 Financial Study for the creation of a Defined Benefit Obligations (DBO) risk reserve and the optimisation of the return from the Treasury of the Office, a revision of the investment guidelines is proposed (Diversified Treasury Investment). Budgetary credits have been foreseen reflecting an initial assumption of 3,5% nominal return on assets p.a..

## Expenditure

### *Planning Assumptions for Staff Costs*

Following the decision of the Council, the adjustments with effect from 1 July 2017 of salary and other elements of the remuneration of permanent employees of the Office represent +3,4% in the basic salary scale applicable for Germany, +3,0% in the Netherlands and +3,3% in Austria. The expected salary adjustments as at 1 July 2018 and beyond have been assumed at 2%.

The 2018 budgetary estimates currently foresee, as in 2017, an amount of 3% of the basic salaries for career progression and bonuses to be allocated, in accordance with the provisions of the career/performance management system.

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). The Office has continued to retain for the 2018 Budget and Estimates 2019-2022 the flat 5% forecast discount rate, already used in the budgets since 2012.

The contribution rates for the social schemes 2018 are proposed as follows:

Contribution rates (1/3 Staff, 2/3 Office)	Old rates	New rates
Healthcare insurance*	8,4%	9,0%
Long Term Care	1,5%	1,5%
Pensions:		
- Old Pension Scheme	29,1%	29,4%
- New Pension Scheme**	22,5%	24,9%
SSP contribution	6,6%	4,5%

(\*) The rates above are before deduction of the contribution for working spouses which, in 2016, amounted to 0,10% for the Office and 0,05% for Staff.

(\*\*) The New Pension Scheme contribution below the amount of twice the salary at the Grade G 1-4 amounts to 24,9% for Defined Benefits and to 4,5% for contributions to the SSP. For the amounts exceeding the capped salary the contribution to the SSP is 29,4%.

## *Staff*

### Continued maximum ceiling of staff posts

In the framework of the "Efficiency and Quality Scenario", the Table of Posts will continue to be limited to 7 075 permanent posts. In this context, the Office will maintain its policy applied since 2010 of re-allocating staff resources from support areas towards the patent grant area.

### Examining Staff

Taking into account the assumption for a higher number of applications (expected annual growth of 5% from the 2017 Budget), the number of occupied examiner posts is projected to be increased by 70 funded posts from the actual 4 422 up to 4 492 examiner posts in 2018, which includes Senior Experts within the technical career path of examiners. The Office plans to increase the number of Senior Expert posts by 30 in 2018 (in addition to the existing 120 posts).

### Non-Examining Staff

In the context of the Office's efficiency efforts, it is necessary to re-allocate staff resources both within the administration and support areas and towards the patent grant area. The Office maintains the principle that any new post within the Office needs to be compensated by a corresponding deletion, so as to ensure the respect of the 7 075 limit on the table of posts at any time.

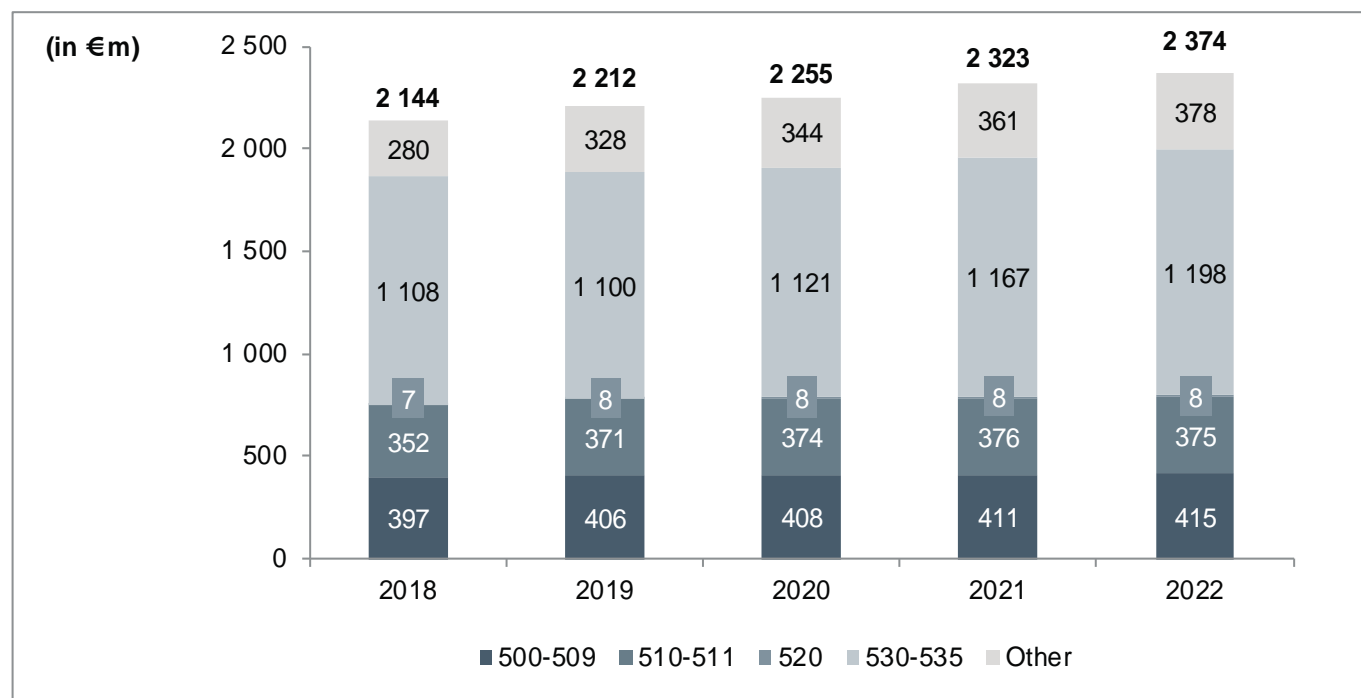
### Posts foreseen for The Hague

Out of the 7 075 posts, 2 834 posts are foreseen to be located in The Hague in the 2018 Budget, which is in full respect with the provisions of the Protocol on the Staff Complement of the European Patent Office at The Hague (Protocol on Staff Complement) of 29 November 2000.

## D. BUDGET RESULTS

### 2018 MAIN BUDGET AND 2019-2022 ESTIMATES

#### a) Budget Operating Income



(in €m)	Actual	Budget			Estimates							
	2016	2017	2018	%	2019	%	2020	%	2021	%	2022	%
Group												
500-509	387	392	<b>397</b>	+1	406	+2	408	+1	411	+1	415	+1
510-511	320	340	<b>352</b>	+4	371	+6	374	+1	376	+1	375	-0
520	4	4	<b>7</b>	+52	8	+14	8	+3	8	+3	8	+2
530-535	1 131	1 095	<b>1 108</b>	+1	1 100	-1	1 121	+2	1 167	+4	1 198	+3
Other	232	250	<b>280</b>	+12	328	+17	344	+5	361	+5	378	+5
TOTAL	2 074	2 081	<b>2 144</b>	+3	2 212	+3	2 255	+2	2 323	+3	2 374	+2

The forecasted Income for Filing and Search (Groups 500-509) is expected to increase by € 5m in Budget 2018 compared to 2017. Income for Examination, Grant and Opposition (Groups 510-511) is expected to increase by € 12m in Budget 2018 compared to 2017.

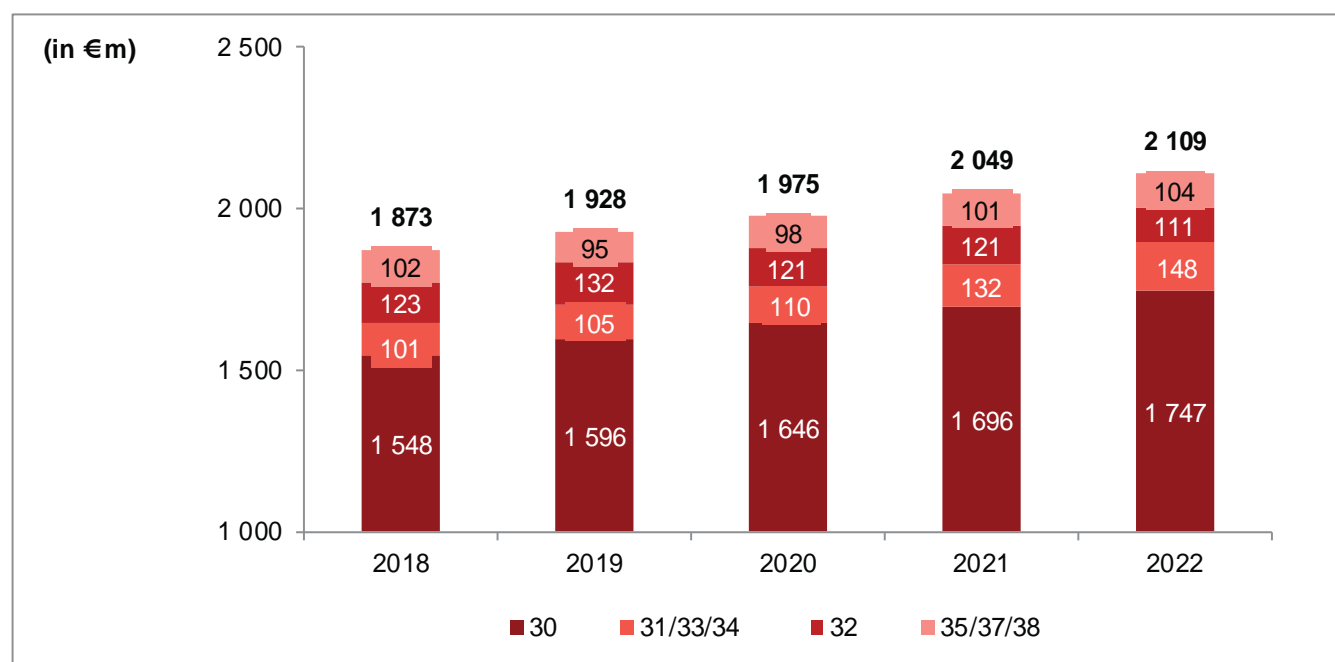
Income from Designation and Renewal Fees (Group 530-535) for 2018 is estimated to remain globally stable compared to the Budget 2017. The ongoing productivity efforts of the Office are expected to contribute to reduce the pending stock and further quality/timeliness efforts will reduce the average pendency period of applications and "rejuvenate" the application stock pending with the EPO. Consequently, during 2018 the renewal fees for applications are currently foreseen to decrease by € 40m from € 505m in 2017 to € 465m in 2018, whereas the higher number of grants shall materialise in higher revenues for renewal fees for granted patents. Renewal fees for granted patents (EP and UPP) are foreseen to increase by € 50m from € 505m in 2017 to € 555m in 2018.

It is worth stressing that the forecasts for the Operating Income are based on an extrapolation of applicant's behaviour as currently observed.

Other Operating Income reflects budgetary credits for the return on diversified treasury investment assets of € 47m in 2018.



## b) Budget Operating Expenditure



(in €m)	Actual	Budget				Estimates							
		2016	2017	2018	%	2019	%	2020	%	2021	%	2022	%
Chapter													
30	1 389	1 523	1 548	+2	1 596	+3	1 646	+3	1 696	+3	1 747	+3	
31/33/34	63	90	101	+12	105	+5	110	+5	132	+20	148	+12	
32	90	116	123	+5	132	+7	121	-8	121	-0	111	-8	
35/37/38	60	107	102	-5	95	-6	98	+2	101	+3	104	+3	
<b>TOTAL</b>	<b>1 601</b>	<b>1 837</b>	<b>1 873</b>	<b>+2</b>	<b>1 928</b>	<b>+3</b>	<b>1 975</b>	<b>+2</b>	<b>2 049</b>	<b>+4</b>	<b>2 109</b>	<b>+3</b>	

In comparison with the 2017 Budget, the total Operating Expenditure increases by €36m.

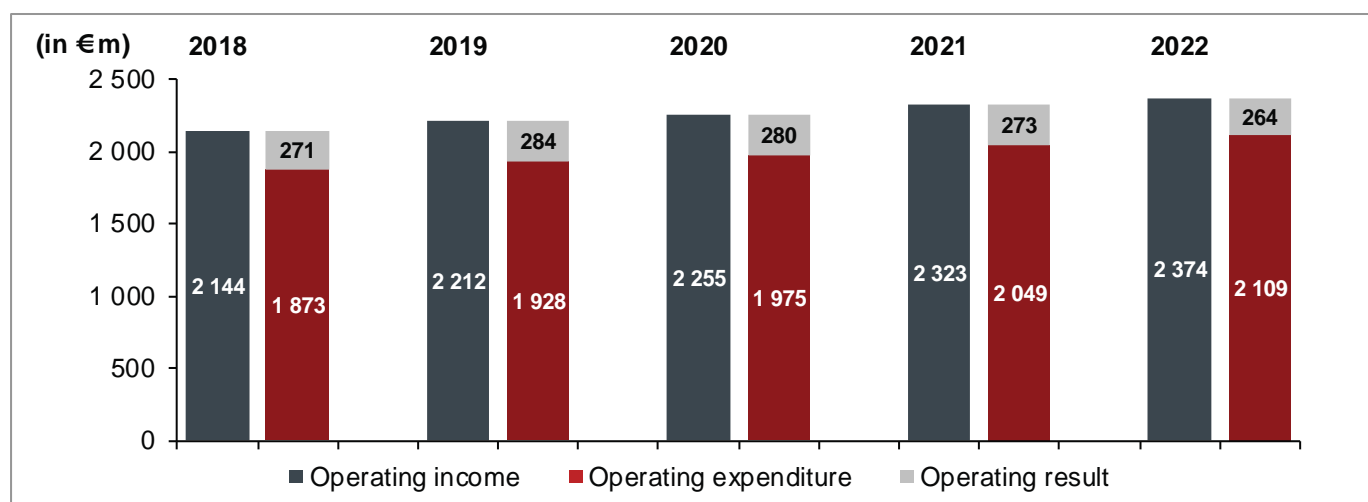
Staff costs show a moderate increase (+€ 25m, +1,6% compared to 2017), which results mainly from the assumed salary inflation adjustment, the increase due to the career progression/promotions and of the staffing of additional 70 examiner posts to be covered in 2018.

The basic salary expenditure (excluding internal tax) is globally stable (+€ 5,5m) which is driven by three elements:

- firstly, the inflation adjustment, resulting from the application of the salary method, assumed at 2% as of July 1, 2018;
- secondly, the effect of the career progression and bonuses, which continues to be assumed at a value of 3% for planning purposes;
- thirdly, the reduction in the 2018 staff costs, which is partially compensating the increases in the two elements before, and is mainly the result of the difference in the salary between the newcomers and the retirees.

The remaining increase of € 11m for all other Operating Expenditure compared to 2017 Budget is mainly caused by budgetary credits for Expenditure in Chapter 31, Property and equipment maintenance.

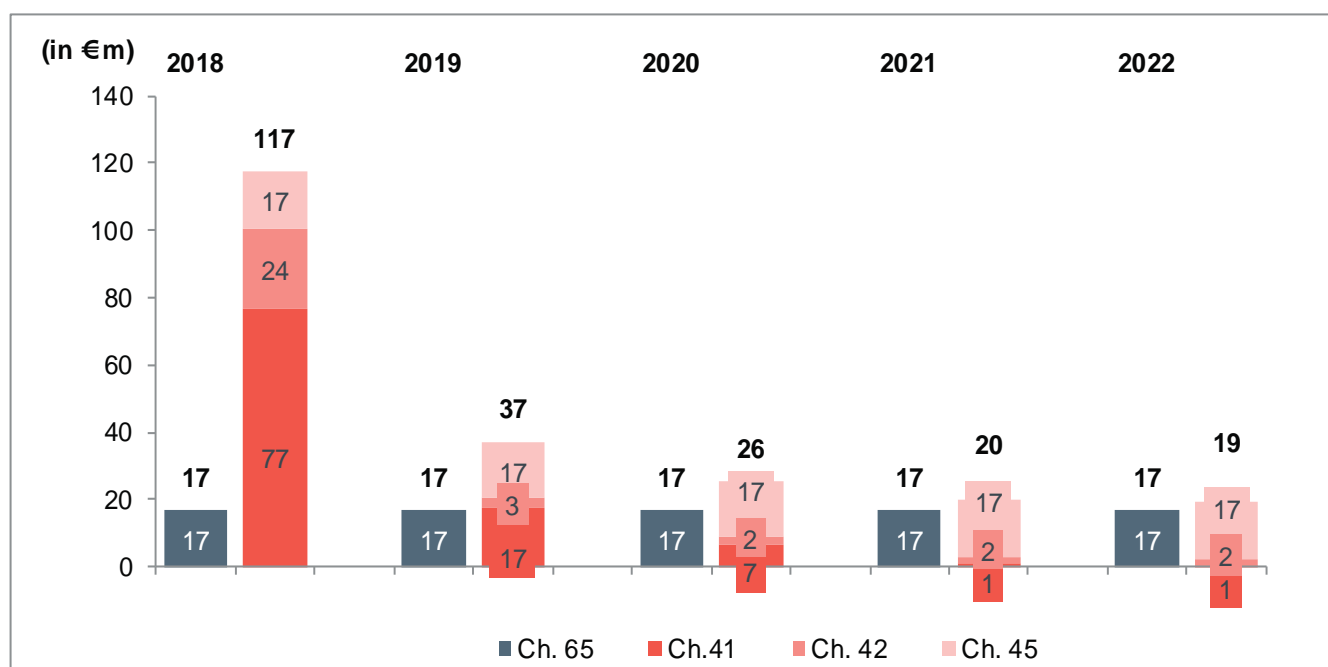
### c) Budget Operating Result



(in €m)	Actual	Budget		Estimates			
	2016	2017	2018	2019	2020	2021	2022
Operating income	2 074	2 081	2 144	2 212	2 255	2 323	2 374
Operating expenditure	1 601	1 837	1 873	1 928	1 975	2 049	2 109
Operating result	473	243	271	284	280	273	264

The Operating Result is the difference between the Operating Income and the Operating Expenditure. The Operating Result for 2018 is expected to increase by €28m in comparison to 2017.

## d) Budget Capital Income and Expenditure



(in €m)	Actual	Budget		Estimates								
	2016	2017	2018	%	2019	%	2020	%	2021	%	2022	%
Capital income												
Ch. 65	22	17	17	+0	17	+0	17	+0	17	+0	17	+0
Capital expenditure												
Ch. 41	62	120	77	-36	17	-77	7	-61	1	-85	1	-48
Ch. 42	8	10	24	+140	3	-88	2	-33	2	+0	2	+0
Ch. 45	17	17	17	+0	17	+0	17	+0	17	+0	17	+0
<b>TOTAL</b>	<b>87</b>	<b>147</b>	<b>117</b>	<b>-20</b>	<b>37</b>	<b>-68</b>	<b>26</b>	<b>-31</b>	<b>20</b>	<b>-22</b>	<b>19</b>	<b>-3</b>
Capital result	-65	-130	-101	-23	-20	-80	-9	-57	-3	-65	-3	-16

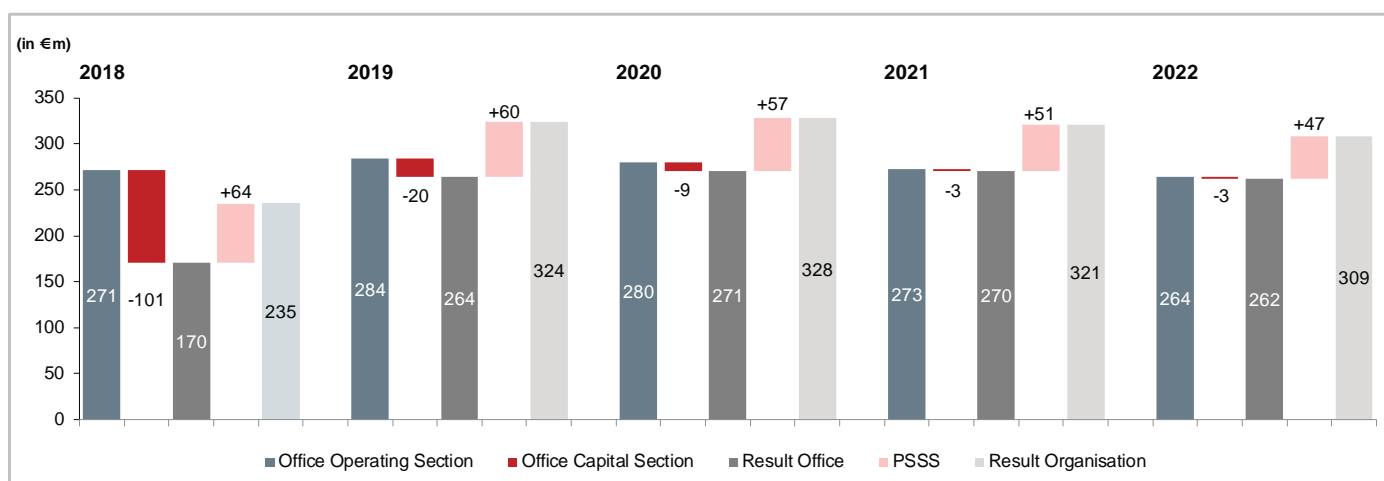
Capital Income (Ch. 65) includes only home loans repayments by staff, which are equal to the expected amount of home loans to be granted (Capital Expenditure, Ch. 45).

The current capital budgetary expenditure estimates amount to some €117m for 2018, a decrease of some €30m compared to Budget 2017. Ch. 41 mainly contains investment needs for the construction of the new building in The Hague amounting to €34m in 2018 and fitting out of the New Main building in amount of €11m, safety and security at all sites of €10m including access control, perimeter detection, fire safety, renovation of the Munich buildings €6m, renovation of elevators and escalators in the Isar building €5m, data centers renovation on both main sites for €4m energy optimisation and other items for €7m.

Ch. 42 contains the Capital Expenditure of €16m for IT Roadmap, €7m for Data Centers as well as €1m for Infrastructure.

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

The overall budget result for the period is as follows:



(in €m)	Actual	Budget		Estimates			
	2016	2017	2018	2019	2020	2021	2022
Office Operating Section	473	243	271	284	280	273	264
Office Capital Section	-65	-130	-101	-20	-9	-3	-3
Result Office	408	114	170	264	271	270	262
PSSS	60	52	64	60	57	51	47
Result Organisation	468	165	235	324	328	321	309

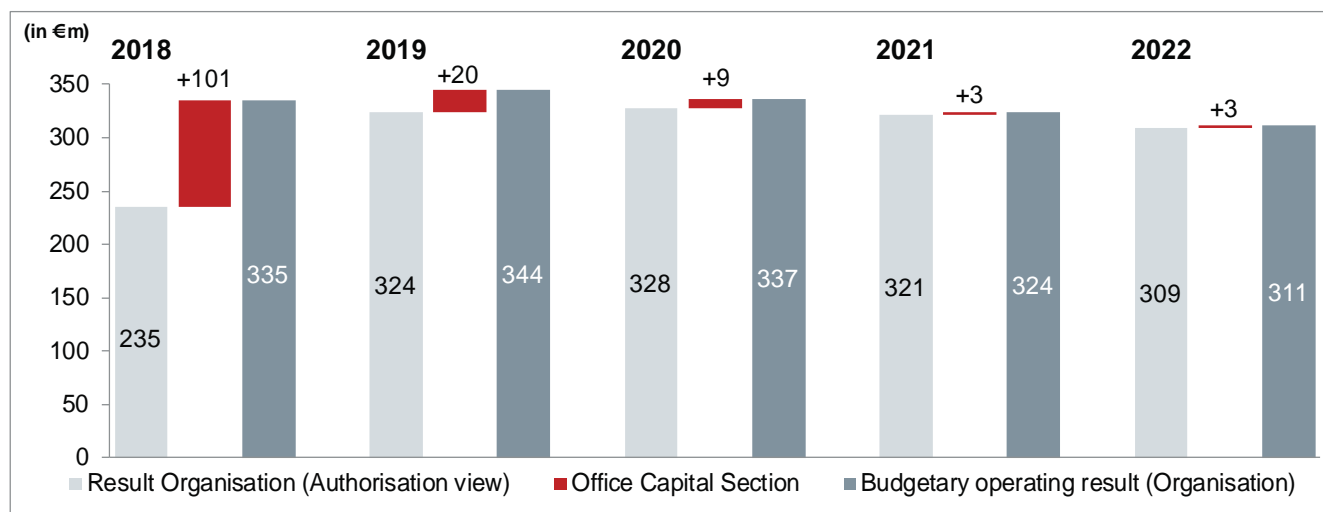
The planned 2018 Result of the Organisation amounts to € 235m despite considerable investments in buildings.

During the further planning period 2019-2022 and once having finalised the New Main Building, the expected investments will decrease. The further implementation of Early Certainty in the Patent Granting Procedure is expected to lead to a decrease in renewal fees for applications which reduces the expected Result of the Operating Section during the Planning Period 2019-2022 (mid-term perspective). The decrease in renewal fees for applications is being offset by an increase in renewal fees for granted patents (long-term perspective). The suspension of the inflation-based fee adjustment and the intention of the Office to accompany the technical improvement of file processing ("XML") and the PCT strategy with fee reductions results in a decreasing Result of the Operating Section over the planning period.

The Result of the Organisation for the years 2019 until 2022 is estimated to be higher compared to Budget 2018 due to lower Expenditure foreseen in the Office Capital Section. With lower expected results of PSSS in the forthcoming years, the Result of the Organisation decreases between 2020 and 2022.

## f) Authorisation Budget of the Organisation (Operating Section)

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



Basis for transition from Authorisation Budget to IFRS (in €m)	Actual	Budget		Estimates			
	2016	2017	2018	2019	2020	2021	2022
Result Organisation (Authorisation view)	468	165	235	324	328	321	309
Elimination of capital transactions Office - Office Capital Section	65	130	101	20	9	3	3
Budgetary operating result (Organisation)	533	295	335	344	337	324	311

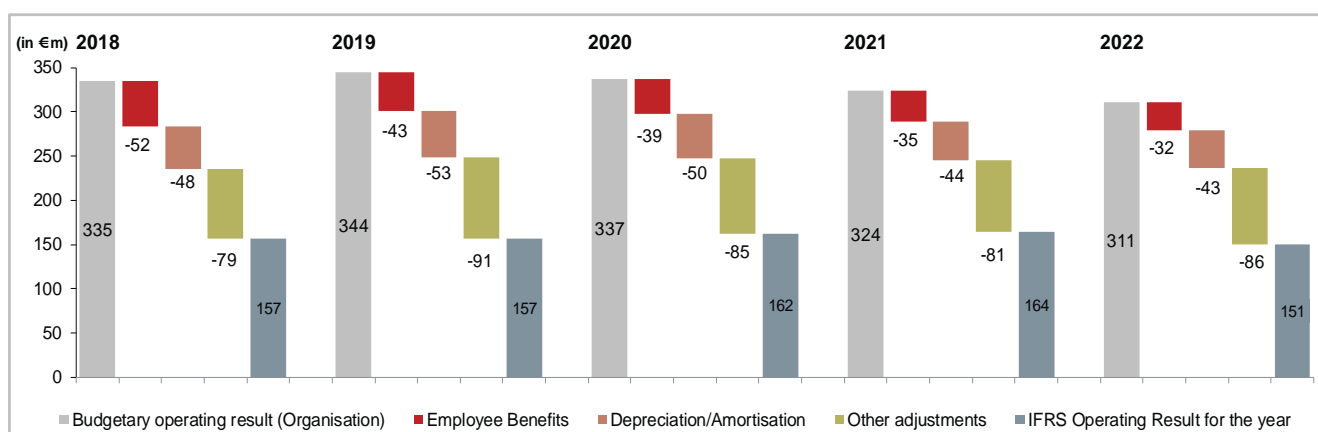
## E. PLAN FINANCIAL STATEMENTS UNDER IFRS

### a) Statement of Comprehensive Income

#### Operating Result

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

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



Transition from Authorisation Budget to IFRS (in €m)	Budget		Estimates			
	2017	2018	2019	2020	2021	2022
Budgetary operating result (Organisation)	295	335	344	337	324	311
Employee Benefits	-51	-52	-43	-39	-35	-32
Depreciation/Amortisation	-54	-48	-53	-50	-44	-43
Other adjustments	-45	-79	-91	-85	-81	-86
IFRS Operating Result for the year	145	157	157	162	164	151

The IFRS Operating Result comprises of the following items:

(in €m)	Budget		Estimates			
	2017	2018	2019	2020	2021	2022
Revenue	1 860	<b>1 885</b>	1 918	1 942	1 980	1 999
Other operating income	7	<b>8</b>	10	10	10	10
Work performed and capitalized	5	<b>5</b>	5	5	5	5
Employee benefit expenses	-1 362	<b>-1 386</b>	-1 418	-1 458	-1 497	-1 538
Depreciation and amortisation expenses	-54	<b>-48</b>	-53	-50	-44	-43
Other operating expenses	-312	<b>-309</b>	-304	-286	-290	-283
IFRS Operating Result for the year	145	<b>157</b>	157	162	164	151

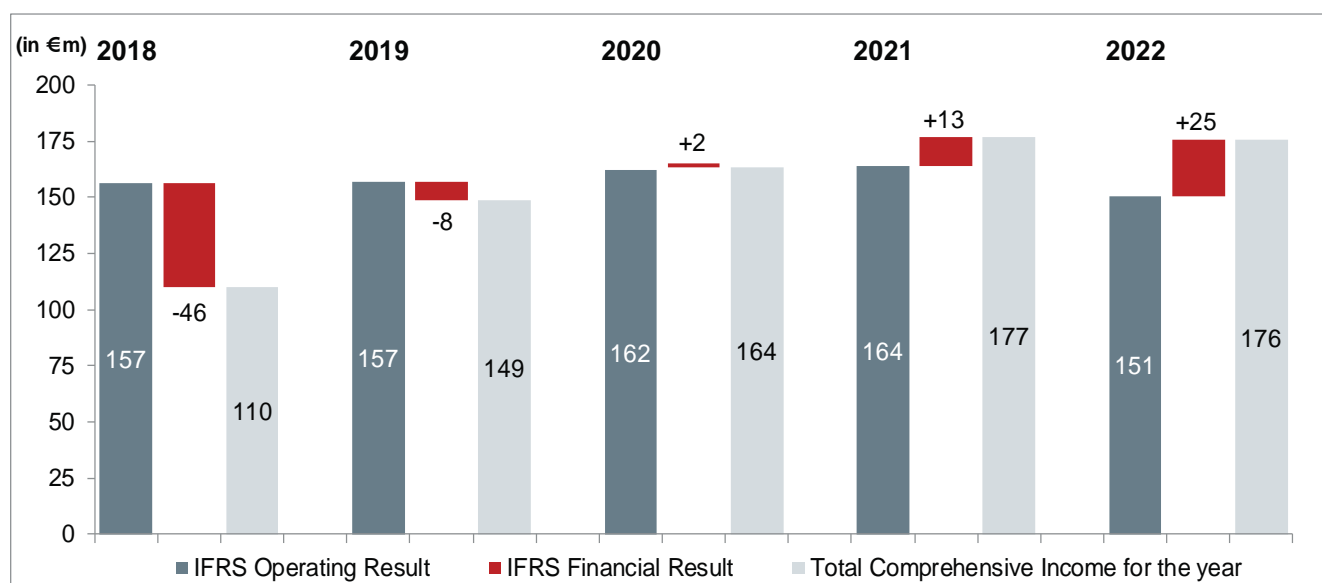
The revenue for 2018 is expected to increase by € 25m in comparison with Budget 2017 resulting from higher income for procedural fees. The EPO is assessing the possible impact of the new Revenue Recognition Standard IFRS 15 (Revenue from Contracts with Customers). The Office is not expecting IFRS 15 to have any major impact on its revenue recognition.

The increase in Employee benefit expenses amounts to € 24m and reflects the estimates provided by the International Service for Remunerations and Pensions (ISRP) of the OECD. As it was done in previous years, the ISRP has provided estimates on the Defined Benefit Obligations (DBOs). The Office has continued to retain for the 2018 Budget and Estimates 2019-2022 the flat 5% forecast discount rate, already used in the budgets since 2012.

The Operating Result for 2018 is positive at € 157m, an increase of € 12m compared to the budgeted Operating Result for 2017.

## Financial Result

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



(in €m)	Budget		Estimates			
	2017	2018	2019	2020	2021	2022
IFRS Operating Result	145	157	157	162	164	151
IFRS Financial Result	-73	-46	-8	2	13	25
IFRS profit / loss of the year	72	110	149	164	177	176
Other Comprehensive Income for the year	-	-	-	-	-	-
Total Comprehensive Income for the year	72	110	149	164	177	176

It must be noted that due to the underlying uncertainty of interest rate changes, no Other Comprehensive Income can be planned.

The Financial Result is mainly triggered by the return on the expected level of assets of the RFPSS and diversified treasury investment assets netted by the interest cost of the Defined Benefit Obligation (DBO) and the financial costs related to diversified treasury investment. In comparison with the Budget 2017, it is expected to improve by € 27m, but it is still negative at € -46m. The Financial Result remains highly volatile, as being dependent on the evolution of the financial markets in both the interest rates and the returns on the financial assets.

### IFRS Profit/ Loss of the year

The expected IFRS Profit for the year 2018 amounts to € 110m, an improvement of € 38m compared to Budget 2017.

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

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



## b) Statement of Financial Position under IFRS

(in €m)	Budget		Estimates			
	01.01.2018	31.12.2018	2019	2020	2021	2022
Fixed Assets	716	<b>777</b>	749	713	677	642
RFPSS Net Assets	7 779	<b>8 299</b>	8 846	9 421	10 024	10 668
Liquidity	2 306	<b>2 394</b>	2 585	2 753	2 913	3 034
Other Assets	393	<b>430</b>	461	501	547	596
<b>TOTAL ASSETS</b>	<b>11 193</b>	<b>11 900</b>	<b>12 641</b>	<b>13 388</b>	<b>14 161</b>	<b>14 940</b>
Equity	-696	<b>-585</b>	-437	-273	-96	80
DBO (standardised at 5% discount rate)	10 435	<b>11 016</b>	11 613	12 213	12 821	13 437
Prepaid Fees	987	<b>975</b>	942	898	845	795
Other Liabilities	467	<b>495</b>	522	550	592	628
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 193</b>	<b>11 900</b>	<b>12 641</b>	<b>13 388</b>	<b>14 161</b>	<b>14 940</b>

### Assets

#### *Fixed Assets*

The fixed assets of the EPO (property, plant, equipment and intangible assets) are expected to increase in 2018, following building investments for the new building in The Hague and the capitalisation of intangible assets related to the IT Roadmap.

#### *RFPSS Net Assets*

The RFPSS assets are expected to grow by 6,5% on average p.a. reaching € 10 668m in 2022. The growth of the RFPSS assets reflects the increased contribution rates to the pension and health schemes which is partially compensated by lowering the expected return rate from 5,75% to 5,5%.

#### *Liquidity*

The liquidity is made up of the current and non-current bonds, marketable securities, other financial assets as well as cash and cash equivalents as defined under IFRS.

#### *Other Assets*

Other Assets are planned to increase between 2018 and 2022 following the growth in trade and other receivables as well as in Salary Savings Plan Assets.

## Equity and Liabilities

### *Equity*

The expected (negative) equity of € - 585m in 2018 reduces progressively and turns into a positive equity of € 80m in 2022.

It should be noted that the expected negative equity at the beginning of 2018 (€ - 696m) is significantly lower than the one as at end of the latest closed accounting period (31.12.2016: € - 10 636m). The variation is primarily caused by the difference between the assumed discount rate of 5% for the DBO (comprising pensions as most important item) and the actual discount rate at the year-end closure 2016 (e.g. 1,82% for pensions).

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

### *Defined Benefit Obligations (DBO)*

Throughout the planning period, a standardized discount rate of 5% has been applied. The Defined Benefit Obligations are planned to grow on average by 5,1% p.a., a slightly lower percentage than the RFPSS assets, reaching € 13 437m in 2022.

### *Prepaid Fees*

The prepaid fees (current and non-current), show a decrease of 5% on average p.a., corresponding to the planned evolution of prepaid fees for pending applications following the implementation of Early Certainty.

### *Other Liabilities*

Other liabilities (current and non-current) mainly increase due to higher trade and other payables as well as Salary Savings Plan Obligations. The weight of the Salary Savings Plan in both assets and liabilities is still low throughout the planning period, and amounts to € 194m or 1,4% of the DBO by the end of 2022.

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

(in €m)	Budget		Estimates			
	2017	2018	2019	2020	2021	2022
NPV of renewal fees	3 170	<b>3 600</b>	3 900	4 200	4 400	4 600
Costs for work not completed in excess of prepaid fees received	-1 020	<b>-800</b>	-730	-660	-610	-570

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

Another element that is not recognized in the Statement of Financial Position under IFRS relates to costs for work not completed in excess of prepaid fees. It is possible that income from procedural and renewal fees for pending applications will not cover its remaining costs in granting the patent. As such future operating losses do not meet the criteria of a liability, no provision is recognized. While the amount of prepaid fees for work not yet completed is included as a liability, the true cost of performing this work in excess of those fees received is not. The amount of costs for work not completed in excess of prepaid fees decreases over the period 2018-2022 caused by two aspects:

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

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



## **F. 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	2 431 680	2 431 680
PART II PENSION AND SOCIAL SECURITY SCHEMES	399 985	399 985
<b>TOTAL</b>	<b>2 831 665</b>	<b>2 831 665</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 (Articles 3002/3)		216 110
Transfer of operating result		271 000
Section 2: Capital section		
Transfer of operating result (Article 6000)	271 000	
<b>PART II PENSION AND SOCIAL SECURITY SCHEMES</b>		
Section 1: Operating section		
Office contributions to pension and social security schemes (Articles 5600-5)	216 110	
Transfer of operating results		64 410
Section 2: Capital section		
Transfer of operating results (Article 6600)	64 410	
<b>NET TOTAL</b>	<b>2 280 145</b>	<b>2 280 145</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

Chap. Art.	E X P E N D I T U R E	Accounts	Budget		Estimates			
		2016	2017	2018	2019	2020	2021	2022
<b>Section 1: Operating section</b>								
30	Staff	1 388 844	1 523 410	1 547 880	1 595 555	1 645 695	1 695 520	1 746 505
31	Property and equipment maintenance	36 391	48 965	58 995	55 350	46 340	46 985	48 310
32	IT Operating Expenditure	89 837	116 450	122 650	131 520	121 400	120 900	110 800
33	Co-operation and meetings	12 983	21 920	23 300	31 365	44 975	65 585	79 660
34	Patent information and communication	13 552	19 080	18 490	18 760	19 040	19 320	19 615
35	General operating expenditure	59 669	106 060	91 220	81 150	82 165	84 080	85 685
37	Project expenditure funded by third parties	106	230	140	140	140	140	140
38	Financial expenditure	104	1 165	10 205	14 195	15 455	16 945	18 495
30-38	<b>Sub-total</b>	1 601 486	1 837 280	1 872 880	1 928 035	1 975 210	2 049 475	2 109 210
	<i>Transfer to Section 2</i>							
	<b>Operating section, surplus</b>	472 909	243 490	271 000	284 120	279 675	273 060	264 475
	<b>TOTAL operating section</b>	<b>2 074 395</b>	<b>2 080 770</b>	<b>2 143 880</b>	<b>2 212 155</b>	<b>2 254 885</b>	<b>2 322 535</b>	<b>2 373 685</b>
<b>Section 2: Capital section</b>								
410	Land and buildings	61 664	117 655	71 000	16 895	6 600	875	370
411	Furniture and equipment	629	2 245	5 630	535	170	170	175
42	IT tangible and intangible assets	7 875	10 000	24 000	3 000	2 000	2 000	2 000
45	Loans and advances to third parties	16 792	16 800	16 800	16 800	16 800	16 800	16 800
49	<b>Authorisation budget, surplus</b>	407 949	113 590	170 370	263 690	270 905	270 015	261 930
	<b>TOTAL capital section</b>	<b>494 909</b>	<b>260 290</b>	<b>287 800</b>	<b>300 920</b>	<b>296 475</b>	<b>289 860</b>	<b>281 275</b>

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

in €'000

Chap. Art.	I N C O M E	Accounts	Budget		Estimates			
		2016	2017	2018	2019	2020	2021	2022
<b>Section 1: Operating section</b>								
500	Income from filing and search (EPC)	190 803	196 975	209 440	217 280	220 175	221 780	225 795
501	Income from filing and search (PCT)	131 837	137 885	129 560	130 345	129 945	130 750	131 160
509	Income from other search work	64 115	57 025	58 105	58 140	58 140	58 140	58 140
510	Income from examination, grant and opposition (EPC)	301 439	323 370	334 790	353 770	356 230	357 800	356 460
511	Income from examination (PCT)	17 600	16 275	17 135	17 500	17 685	17 865	18 050
52	Appeal fees	5 284	5 020	6 700	7 625	7 835	8 055	8 220
530	Designation and renewal fees (EPC)	1 130 801	1 094 510	1 104 655	1 077 895	1 071 350	1 076 625	1 079 115
532	Renewal fees (UPP)	0	p.m.	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	174	200	960	1 000	1 040	1 080	1 120
540	Patent information products	8 108	7 820	8 010	7 990	8 070	7 990	8 100
55	General operating income	203 522	220 550	221 905	228 200	234 745	241 320	248 085
57	Third-party project funding	106	230	140	140	140	140	140
58	Financial income	20 606	20 910	49 650	91 320	101 420	111 720	121 920
50-58	<b>Sub-total</b>	2 074 395	2 080 770	2 143 880	2 212 155	2 254 885	2 322 535	2 373 685
<b>TOTAL operating section</b>		<b>2 074 395</b>	<b>2 080 770</b>	<b>2 143 880</b>	<b>2 212 155</b>	<b>2 254 885</b>	<b>2 322 535</b>	<b>2 373 685</b>
<b>Section 2: Capital section</b>								
60	Operating section, surplus	472 909	243 490	271 000	284 120	279 675	273 060	264 475
650	Repayment of staff home loans	22 000	16 800	16 800	16 800	16 800	16 800	16 800
<b>TOTAL capital section</b>		<b>494 909</b>	<b>260 290</b>	<b>287 800</b>	<b>300 920</b>	<b>296 475</b>	<b>289 860</b>	<b>281 275</b>



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

Art.	EXPENDITURE	Accounts		Budget		Estimates		
		2016	2017	2018	2019	2020	2021	2022
<b>Section 1: Operating section</b>								
3600	Pension payments	164 017	187 000	187 000	196 200	207 400	219 650	231 900
3601	Salary Savings Plan (SSP)	693	3 065	1 785	3 170	2 005	2 805	2 115
3605	Healthcare	70 352	75 645	74 070	77 350	80 640	84 085	87 600
3605	Long-term care	4 933	4 895	5 925	6 190	6 450	6 720	6 995
3605	Death	1 449	2 385	2 385	2 460	2 535	2 580	2 670
<b>Sub-total</b>		241 444	272 990	271 165	285 370	299 030	315 840	331 280
<i>Transfer to Section 2</i>								
<b>Operating section, surplus</b>		<b>60 468</b>	<b>51 820</b>	<b>64 410</b>	<b>60 330</b>	<b>57 230</b>	<b>51 205</b>	<b>46 775</b>
<b>TOTAL operating section</b>		<b>301 912</b>	<b>324 810</b>	<b>335 575</b>	<b>345 700</b>	<b>356 260</b>	<b>367 045</b>	<b>378 055</b>
<b>Section 2: Capital section</b>								
Chap.								
46	Transfer of pension and social security scheme surpluses to reserve funds / SSP	60 468	51 820	64 410	60 330	57 230	51 205	46 775
<b>TOTAL capital section</b>		<b>60 468</b>	<b>51 820</b>	<b>64 410</b>	<b>60 330</b>	<b>57 230</b>	<b>51 205</b>	<b>46 775</b>
<b>INCOME</b>								
Art.								
<b>Section 1: Operating section</b>								
5600	Pension contributions	200 140	208 085	215 730	221 010	226 230	231 600	237 060
5601	Salary Savings Plan (SSP)	11 666	20 505	16 725	18 060	19 695	21 255	22 920
5605	Healthcare	74 632	79 810	86 635	89 575	92 680	95 950	99 220
5605	Long-term care insurance	14 025	14 025	14 100	14 595	15 120	15 660	16 185
5605	Death insurance	1 449	2 385	2 385	2 460	2 535	2 580	2 670
<b>TOTAL operating section</b>		<b>301 912</b>	<b>324 810</b>	<b>335 575</b>	<b>345 700</b>	<b>356 260</b>	<b>367 045</b>	<b>378 055</b>
<b>Section 2: Capital section</b>								
Chap.								
66	Net income pension and social security schemes	60 468	51 820	64 410	60 330	57 230	51 205	46 775
<b>TOTAL capital section</b>		<b>60 468</b>	<b>51 820</b>	<b>64 410</b>	<b>60 330</b>	<b>57 230</b>	<b>51 205</b>	<b>46 775</b>

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

Chap.	EXPENDITURE	Budget						
		Accounts 2016	2017	2018	2019	2020	2021	2022
<b>Section 1: Operating section</b>								
30	Staff	1 192 619	1 314 490	1 331 770	1 372 675	1 415 755	1 458 390	1 502 035
31	Property and equipment maintenance	36 391	48 965	58 995	55 350	46 340	46 985	48 310
32	IT Operating Expenditure	89 837	116 450	122 650	131 520	121 400	120 900	110 800
33	Co-operation and meetings	12 983	21 920	23 300	31 365	44 975	65 585	79 660
34	Patent information and communication	13 552	19 080	18 490	18 760	19 040	19 320	19 615
35	General operating expenditure	59 669	106 060	91 220	81 150	82 165	84 080	85 685
36	Pension and Social Security Schemes	241 444	272 990	271 165	285 370	299 030	315 840	331 280
37	Project expenditure funded by third parties	106	230	140	140	140	140	140
38	Financial expenditure	104	1 165	10 205	14 195	15 455	16 945	18 495
30-38	<b>Sub-total</b>	<b>1 646 705</b>	<b>1 901 350</b>	<b>1 927 935</b>	<b>1 990 525</b>	<b>2 044 300</b>	<b>2 128 185</b>	<b>2 196 020</b>
	<b>Operating section, surplus</b>	<b>535 947</b>	<b>295 425</b>	<b>335 410</b>	<b>344 450</b>	<b>336 905</b>	<b>324 265</b>	<b>311 250</b>
	<b>TOTAL operating section</b>	<b>2 180 082</b>	<b>2 196 660</b>	<b>2 263 345</b>	<b>2 334 975</b>	<b>2 381 205</b>	<b>2 452 450</b>	<b>2 507 270</b>
<b>Section 2: Capital section</b>								
410	Land and buildings	61 664	117 655	71 000	16 895	6 600	875	370
411	Furniture and equipment	629	2 245	5 630	535	170	170	175
42	IT tangible and intangible assets	7 875	10 000	24 000	3 000	2 000	2 000	2 000
45	Loans and advances to third parties	16 792	16 800	16 800	16 800	16 800	16 800	16 800
	<b>Consolidated surplus</b>	<b>470 987</b>	<b>172 085</b>	<b>234 780</b>	<b>324 020</b>	<b>328 135</b>	<b>321 220</b>	<b>308 705</b>
	<b>TOTAL capital section</b>	<b>557 947</b>	<b>318 785</b>	<b>352 210</b>	<b>361 250</b>	<b>353 705</b>	<b>341 065</b>	<b>328 050</b>

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

Chap. Gr.	I N C O M E	Accounts		Budget				
		2016	2017	2018	2019	2020	2021	2022
<b>Section 1: Operating section</b>								
500	Income from filing and search (EPC)	190 803	196 975	209 440	217 280	220 175	221 780	225 795
501	Income from filing and search (PCT)	131 837	137 885	129 560	130 345	129 945	130 750	131 160
509	Income from other search work	64 115	57 025	58 105	58 140	58 140	58 140	58 140
510	Income from examination, grant and opposition (EPC)	301 439	323 370	334 790	353 770	356 230	357 800	356 460
511	Income from examination (PCT)	17 600	16 275	17 135	17 500	17 685	17 865	18 050
52	Appeal fees	5 284	5 020	6 700	7 625	7 835	8 055	8 220
530	Designation and renewal fees (EPC)	1 130 801	1 094 510	1 104 655	1 077 895	1 071 350	1 076 625	1 079 115
532	Renewal fees (UPP)	0	p.m.	2 830	20 950	48 110	89 270	117 380
535	Extension and validation fees	174	200	960	1 000	1 040	1 080	1 120
540	Patent information products	8 108	7 820	8 010	7 990	8 070	7 990	8 100
55	General operating income	203 522	220 550	221 905	228 200	234 745	241 320	248 085
56	Pension and Social Security Schemes	108 257	116 005	119 465	122 820	126 320	129 915	133 585
57	Third-party project funding	106	230	140	140	140	140	140
58	Financial income	20 606	20 910	49 650	91 320	101 420	111 720	121 920
<b>TOTAL operating income</b>		<b>2 182 652</b>	<b>2 196 775</b>	<b>2 263 345</b>	<b>2 334 975</b>	<b>2 381 205</b>	<b>2 452 450</b>	<b>2 507 270</b>
<b>Section 2: Capital section</b>								
60/66	Operating section, surplus	535 947	301 985	335 410	344 450	336 905	324 265	311 250
650	Repayment of staff home loans	22 000	16 800	16 800	16 800	16 800	16 800	16 800
<b>TOTAL capital section</b>		<b>557 947</b>	<b>318 785</b>	<b>352 210</b>	<b>361 250</b>	<b>353 705</b>	<b>341 065</b>	<b>328 050</b>





### **3. IFRS Results**

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

	IFRS Plan 2018
<b>REVENUE</b>	
Revenue from patent and procedural fees	
Ch. 50 Filing and search	327 655
51 Examination, grant and opposition	376 705
52 Appeal	4 760
53 Designation, renewal, extension and validation	1 106 310
54 Other revenue	69 915
Other operating income	
Ch. 55 General operating income	8 225
57 Third party project funding	140
Work performed and capitalised	5 000
Total	1 898 710
<b>EXPENSES</b>	
Employee benefit expenses	
Ch. 30 Staff/Personnel expenses	1 385 560
Depreciation and amortisation expenses	
Ch. 39 Depreciation	47 690
Other operating expenses	
Ch. 31 Property and equipment maintenance	58 995
32 IT Operating Expenditure	116 415
33 Co-operation and meetings	22 495
34 Patent information and public relations	18 490
35 General operating expenditure	92 295
37 Project expenditure funded by third parties	140
Total	1 742 080
<b>OPERATING RESULT</b>	<b>156 630</b>
Finance revenue	
Ch. 58 Finance income	482 505
Finance costs	
Ch. 38 Finance expenditure	528 745
<b>FINANCIAL RESULT</b>	<b>-46 240</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>110 390</b>
Other Comprehensive Income	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>110 390</b>

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

(in €'000)

IFRS Plan			
2019	2020	2021	2022
340 470	348 090	351 485	355 490
412 140	420 195	429 085	425 920
6 815	7 995	8 330	8 995
1 088 620	1 095 665	1 121 530	1 138 085
69 930	70 010	69 930	70 040
9 755	9 885	10 010	10 195
140	140	140	140
5 000	5 000	5 000	5 000
1 932 870	1 956 980	1 995 510	2 013 865
1 418 265	1 458 035	1 497 490	1 537 935
52 855	50 450	44 065	42 685
55 350	46 340	46 985	48 310
125 095	114 865	114 545	104 400
22 870	22 950	23 030	23 150
18 760	19 040	19 320	19 615
82 270	83 020	85 885	86 935
140	140	140	140
1 775 605	1 794 840	1 831 460	1 863 170
<b>157 265</b>	<b>162 140</b>	<b>164 050</b>	<b>150 695</b>
554 035	595 510	638 735	683 775
562 455	593 930	626 065	658 835
<b>-8 420</b>	<b>1 580</b>	<b>12 670</b>	<b>24 940</b>
<b>148 845</b>	<b>163 720</b>	<b>176 720</b>	<b>175 635</b>
-	-	-	-
<b>148 845</b>	<b>163 720</b>	<b>176 720</b>	<b>175 635</b>

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

Estimated opening Statement of Financial Position per 01.01.2018 and  
Plan IFRS Statement of Financial Position per 31.12.2018 (in €'000)

	IFRS Plan	
	01.01.2018	31.12.2018
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	671 610	726 510
Intangible assets	44 130	50 275
RFPSS assets	7 779 165	8 299 180
Bonds	1 648 220	2 346 160
Home loans to staff	86 410	85 995
Salary Savings Plan Asset	72 975	92 340
Other assets	60 800	62 610
	10 363 310	11 663 069
<b>CURRENT ASSETS</b>		
Trade and other receivables	172 430	189 510
Bonds	234 940	0
Home loans to staff	4 325	4 785
Other financial assets	318 000	0
Cash and cash equivalents	100 300	43 055
	829 995	237 350
<b>TOTAL ASSETS</b>	<b>11 193 305</b>	<b>11 900 419</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Retained earnings	-2 196 356	-2 085 966
Other reserves	1 500 581	1 500 581
<b>TOTAL EQUITY</b>	<b>-695 775</b>	<b>-585 385</b>
<b>NON-CURRENT LIABILITIES</b>		
Defined benefit obligation	10 435 010	11 016 005
Salary Savings Plan Obligation	72 975	92 340
Trade and other payables	22 715	23 775
Finance lease liabilities	3 205	3 910
Prepaid fees	637 550	569 920
	11 171 455	11 705 950
<b>CURRENT LIABILITIES</b>		
Trade and other payables	351 525	356 235
Finance lease liabilities	5 955	7 260
Provisions	10 960	11 035
Prepaid fees	349 185	405 325
	717 625	779 855
<b>TOTAL LIABILITIES</b>	<b>11 889 080</b>	<b>12 485 805</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 193 305</b>	<b>11 900 420</b>

Plan IFRS Statements of Financial Position per 31.12.2019 - 31.12.2022  
(in €'000)

IFRS Plan			
31.12.2019	31.12.2020	31.12.2021	31.12.2022
708 867	678 661	648 662	619 065
40 595	34 225	28 300	22 855
8 845 745	9 421 105	10 024 030	10 667 540
2 542 160	2 718 160	2 886 160	3 016 160
86 115	86 260	86 240	86 200
112 720	137 095	163 595	193 970
64 470	66 385	68 360	70 395
12 400 672	13 141 891	13 905 347	14 676 185
198 045	211 700	228 770	245 845
0	0	0	0
4 625	4 425	4 485	4 530
0	0	0	0
37 950	30 270	22 820	13 325
240 620	246 395	256 075	263 700
<b>12 641 292</b>	<b>13 388 286</b>	<b>14 161 422</b>	<b>14 939 885</b>
-1 937 121	-1 773 401	-1 596 681	-1 421 046
1 500 581	1 500 581	1 500 581	1 500 581
<b>-436 540</b>	<b>-272 820</b>	<b>-96 100</b>	<b>79 535</b>
11 613 150	12 212 695	12 820 610	13 437 490
112 720	137 095	163 595	193 970
24 485	25 225	25 965	26 725
3 520	3 180	2 825	2 460
520 665	458 990	402 080	377 950
12 274 540	12 837 185	13 415 075	14 038 595
363 925	368 065	382 190	388 515
6 535	5 910	5 240	4 570
11 155	11 010	11 815	12 065
421 675	438 935	443 200	416 605
803 290	823 920	842 445	821 755
<b>13 077 830</b>	<b>13 661 105</b>	<b>14 257 520</b>	<b>14 860 350</b>
<b>12 641 290</b>	<b>13 388 285</b>	<b>14 161 420</b>	<b>14 939 885</b>



**4. 2018 Table of Posts**

	Budget					
	Office (DGs 0, 1, 4, 5)		Boards of Appeal		TOTAL EPO	
	2017	2018	2017	2018	2017	2018
1	5	5	1	1	6	6
2	28	29	29	29	57	58
3	320	337	143	148	463	485
4	4 920	4 957	13	15	4 933	4 972
5	240	237	4	5	244	242
6	1 325	1 273	47	39	1 372	1 312
<b>Total</b>	<b>6 838</b>	<b>6 838</b>	<b>237</b>	<b>237</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).

Job Groups

- 1 Corresponds to former grades A7 and A7+ and includes grades G16 - G17
- 2 Corresponds to former grade A6 and includes grades G15 - G16
- 3 Corresponds to former grade A5 and includes grades G13 - G15
- 4 Corresponds to former grade A4/1 and includes grades G7 - G13
- 5 Corresponds to former grade B6/4 and includes grades G7 - G10
- 6 Corresponds to former grades B5/1, C6/4, and C5/1 and includes grades G1 - G9



**5. Attachment A – Boards of Appeal**

### Budgetary outlook on the EPO Boards of Appeal (BOA)

Income (in €'000)	2018
<b>Direct Budgetary Income</b>	
Class 5	
Article 5200 Appeal fees	6 700
<b>IFRS adjustment (Prepaid Fees)</b>	-1 940
<b>Revenue for product Appeal (see Annex XII)</b>	<b>4 760</b>

Cost (in €'000)	2018
<b>Direct Budgetary Operating Expenditure</b>	
Class 3	
Group 300 Salaries and Allowances	55 524
Group 301-303 Other Staff Costs	345
Chapter 31 Property and Equipment Maintenance	2 873
Chapter 32 IT Operating Expenditure	600
Chapter 33 Cooperation and Meetings	80
Chapter 34 Patent Information and Communication	25
Chapter 35 General Operating Expenditure	1 770
<b>Subtotal</b>	<b>61 216</b>
<b>Forecast allocation of other costs under the Unit Cost methodology</b>	<b>21 884</b>
<b>Cost for product Appeal (see Annex XII)</b>	<b>83 100</b>

Capital Expenditure (in €'000)	2018
<b>Direct Budgetary Capital Expenditure</b>	
Class 4	
Article 4111 Equipment	20
<b>Total Capital Expenditure</b>	<b>20</b>

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

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

Income (in €'000)	2018	2019
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>

Costs based on Authorisation Budget Expenditure (in €'000)	2018	2019
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
<b>Cost of EPO in management of UPP</b>	<b>930</b>	<b>1 920</b>
Translation Compensation (Article 3320)	400	810
<b>Costs attributable to UPP according to Art. 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
<b>Net UPP Income to be distributed to participating Member States (Article 3325)***</b>	<b>85</b>	<b>7 745</b>
<b>Total EPO UPP Budgetary Costs (incl. net UPP Income to be distributed to participating Member States)</b>	<b>1 415</b>	<b>10 475</b>

<b>C. (= A. - B.) EPO Share of UPP Income</b>	<b>1 415</b>	<b>10 475</b>
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**Notes**

\* The overview presents the budget appropriations foreseen in the Authorisation Budget and is based on the fee amounts fixed in Article 2 of the Rules relating to Fees for Unitary Patent Protection (RFeesUPP), the assumed Base UP Penetration rate as explained in SC/18/15 and the entry into operation of the European patent with unitary effect in 2018.

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

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